CORPORATE PARTICIPANTS

Mike Stefanski  Verizon Communications, Inc. - Head, IR
David Small  Verizon Communications, Inc. - EVP

CONFERENCE CALL PARTICIPANTS

Timothy Horan  Oppenheimer & Co. - Analyst

PRESENTATION

Timothy Horan  Oppenheimer & Co. - Analyst

We have David Small, who has been running Verizon's network and operations, but I think transitioning, which we will talk about. And we have Mike Stefanski, Head of Investor Relations.

Verizon has come every year to our 18 conferences at Oppenheimer I have been involved with. Thank you so much.

Obviously, one of the major success stories globally in the communications industry. Has built up one of the best wireless businesses probably in the world actually. We were talking about it right before we started here.

I have great respect for Verizon's engineering capabilities and background in engineering and in networking and really they always have basically the best infrastructure out there and the best spectrum, which we think, personally, is a foundation for the overall business.

But I think, Mike, you maybe want to start out with the safe harbor?

Mike Stefanski  Verizon Communications, Inc. - Head, IR

Thanks, Tim. I'd like to point our investors, both in the room and on the webcast, to our safe harbor statement and also just remind everyone that we are in the midst of a 600 megahertz auction and so we won't be able to talk about that. With regard to the recently-announced Fleetmatics deal, we can also not talk about that in the context of the deal itself. We can talk about strategy.

So Tim, back to you.

Timothy Horan  Oppenheimer & Co. - Analyst

Great. David was here last year also; we had a great conversation. Maybe you can talk a little bit about your background, what you've been focused on the last year and what job you're going to be transitioning to over the next year.

David Small  Verizon Communications, Inc. - EVP

Sure. Last couple of years I've been the Wireless operations lead, which involves about 50,000 employees, stores, call centers, so on and so forth. The notion here was driving the business, growing the business, getting into new categories, so on and so forth.

As of last week, I'm going to be moving over into an equivalent position on the Wireline side of the house, which is actually where I started my career many years ago in engineering and operations, sales technical support, and a number of other things. So I'm pretty excited about going into the Wireline.
You may recall last year you asked me what my favorite job was and I said it’s always the one that you are currently in. And that same question, if it’s asked today, I will give you the same thing: it’s Wireline operations.

Timothy Horan - Oppenheimer & Co. - Analyst

Excellent. And I'm not sure if you can speak to it, but what do you think Verizon's overall strategy is and how has it shifted in the last 18 months? It seems like an awful lot of activity going on.

David Small - Verizon Communications, Inc. - EVP

Yes, there's been an awful lot, so let me, first of all, talk about what hasn't changed. We have always said that we have a three-pronged strategy. It's network as the fundamental layer and quality, reliability.

The best network is the table stake. Beyond that, you build platforms upon which we can monetize things other than network elements. And then the last element, the solution layer, which you are starting to see us buy some things here and there that help us and augment some of the capabilities we already have today.

Timothy Horan - Oppenheimer & Co. - Analyst

It does feel like you're making bigger bets now, maybe in certain layers than others; I guess up on the application layer. Is that correct perception? How do you leverage your network and your platform to get more application content revenue?

David Small - Verizon Communications, Inc. - EVP

Yes, so I will give a good example, which is several years ago we bought Hughes Telematics and Hughes Telematics had an asset network fleet, which is essentially a connectivity and service layer for small, medium-sized businesses as they track their fleet, they track their drivers, they track packages, they track all manner of different things. And we had been tucking in to that.

We announced the acquisition and closed the acquisition of Telogis not long ago and that allows us to look at the capabilities Telogis has, coupled with our capabilities, and scale that business. And you could probably expect the same thing out of the Fleetmatics acquisition that we're in the midst of.

Timothy Horan - Oppenheimer & Co. - Analyst

Is there advantages to having the network for doing this and the platform? How are you leveraging those other two assets?

David Small - Verizon Communications, Inc. - EVP

It's very important to have a great network and that's why in the US we are very proud of the network that we have, but there's a couple of things you should take away. The first one is we are buying capabilities at a software layer and there are two fundamental elements of that.

The first one it is it's far less capital-intensive and then, secondly, it's a global play to where you don't necessarily have to be a network agnostic, but you can be network agnostic, especially in places outside of the US. So that's how we are thinking about building above, getting out of -- it's not getting out of, but certainly focusing more on slightly less capital-intensive businesses.
Timothy Horan - Oppenheimer & Co. - Analyst

Maybe just switching back to the capital-intensive side of the business, what is the network strategy right now? I know you've been building out small cells in Boston here. You have a fiber deployment combined with wireless. Where are you in building out small cells and how is the process going?

David Small - Verizon Communications, Inc. - EVP

I would tell you that I think, in general, we are very pleased with the process. You are always learning things when you are trying different things.

From a small cell point of view, the notion is, if you have a macro site today and at that macro site there is a sector or even a part of a sector that is seeing an increase from a capacity and a need point of view, there's a couple things you can do. You can do sector splits or you can build another macro site, or alternatively -- and this is where we see the sweet spot with small cell -- is you put a small cell right at the core of where you are seeing that capacity demand.

And by building that and interconnecting that back to the macro site where you can coordinate the orchestration of that and how users are brought on and brought off, that allows you to do some things in a very capital-efficient manner. So that's how we see the foundation of small cells, but there are many things beyond that. And so this notion -- and it's appropriate that we are here in Boston, because we have done some very interesting things with the city of Boston that we've talked about.

The way I like to describe it is in our business today we have macro-level sites we need to interconnect. We have small cells that we need to interconnect. We have enterprise customers, medium business customers, small business customers that we need to interconnect; our joint public-private partnerships with the city of Boston, capabilities such as smart cities.

And then when you think about wholesale access that other customers need to get to where they need to get to, all of those things really points to fiber at massive scale. And that's really the crux of what we are doing in Boston and we are looking at that in other markets across the country.

How do you scale fiber in a very big way? You scale it by maximizing the use cases, no matter the customer segment or the line of business that you have. I omitted, but certainly, from a Fios point of view, that's the foundation of what we are doing right here in the Boston area.

Timothy Horan - Oppenheimer & Co. - Analyst

So are you deploying fiber differently now in Boston than you've done for Fios in the past? Does each small cell need like their own fiber home run to that small cell? Are you going to be deploying a lot more fiber than you have historically?

David Small - Verizon Communications, Inc. - EVP

Yes, we will. And so, as it relates to Fios, we've announced a few of the suburb areas, for lack of a better word, for cities, sub cities that we are going to be building into.

But beyond that, if you think about the use case for small cells and the coordination elements of the radio access network that need to occur between its corresponding home macro and the small cell, that suggests that, as a general rule, you need home runs from that small cell directly back to that coordinating macro-level cell site. And that's exactly what we are doing.

Timothy Horan - Oppenheimer & Co. - Analyst

So would that be CRAN technology I guess?
David Small - Verizon Communications, Inc. - EVP

Yes, exactly. Exactly.

Timothy Horan - Oppenheimer & Co. - Analyst

At the macro sites will you be moving those base stations into data centers also, or will you use those as the coordinating sites? Where will those coordinating sites come (inaudible)?

David Small - Verizon Communications, Inc. - EVP

My sense is if we have a hut today and a backup generator today, there’s probably not a strong impetus to relocate that particular infrastructure. However, back to the centralized RAN that you mentioned, that’s where you bring a lot of the electronics off of the sides of buildings and off the towers and you put them into these huts.

And so that’s where I envision — and what we are seeing and what we are doing is that the electronics for small cells are going back in to the huts where we already have infrastructure. It’s protected from the elements. It’s environmentally conditioned. It’s got battery backup, as well as generator backup, and so those things make for an incredibly reliable service.

Timothy Horan - Oppenheimer & Co. - Analyst

Are there any cities that you’re done with or -- not done with this build up, but are any cities you can point to where you’ve done a good amount of buildout and the quality has improved, the capacity has improved?

David Small - Verizon Communications, Inc. - EVP

We are in the beginning phases of this and so one of the things we’ve talked about is San Francisco. In the areas where we saw lots of consumers as part of the Super Bowl, we built small cell technology and we were very pleased with the performance. I think our customer base and the third-party testing was done in San Francisco would suggest that as well.

My inclination and the leaning we have is towards locations where we already have some fiber assets that we own. And when you think about the fact that we bought MCI and all of the legacy fiber-based companies that that had, coupled with XO, the acquisition that we have announced, that really gives us a very, very strong foundation for most major cities; a basic element from a fiber infrastructure that we will just continue to build.

Timothy Horan - Oppenheimer & Co. - Analyst

Can you leverage that from a marketing perspective? I don’t know the answer, but if you go to build out Boston I’m assuming you’re going to have like 5 times the amount of capacity you have now at some point in the future. And with the ability to scale it up, I’m sure you’re going to want to scale it over a 50-year period.

So can you go with more regional plans that maybe have a lot more data embedded in it or other ways to think about how to capture flow share?
David Small - Verizon Communications, Inc. - EVP

We could. Maybe we will get into this element of monetization of the network and unlimited versus not unlimited services. But that being said, the way that we are building out this network, you do more of it with dark fiber and you light up the ends with your own electronics. That way you are not consistently going out and continuing to re-up services that you are buying from third parties.

You are scaling those services. You might light up a macrocell site with 100 meg. You outgrow that and you need 300 meg. You outgrow that and you need a gig. The notion of dark fiber is you just swap out the electronics and you can redeploy those electronics elsewhere. The dark fiber allows you essentially infinite scalability.

Timothy Horan - Oppenheimer & Co. - Analyst

While we are on it, how do you monetize these investments going forward, do you think? It seems like wireless data volumes are growing 40%, 50% per year. There's got to be a way the kind of charge for it incrementally and grow the ARPs per customer.

It's not just there obviously. It's always on the application layer, but what's your latest thoughts?

David Small - Verizon Communications, Inc. - EVP

We rolled out some new pricing not long ago and, unfortunately, it was characterized as a price increase, which was not actually the case. We added additional data capacity in each of the data buckets that we had, even at the low end we went from 1 gig for $30 to 2 gigs for $35. And so the headline wasn't Verizon went from $30 to $17.50 on a per-gig basis, the headline was something else unfortunately.

But we are adding this capacity because customers are using this capacity and we need to protect our ability to continue to monetize that. And we will do so.

At the same time, monetizing also implies a cost level. From a cost point of view, we are also doing an awful lot as it relates to taking costs out of the business, whether it be capital efficiencies, dark fiber; whether it be some operational things that we are doing, our overall cost on a per-gig basis to provide service has dropped significantly. The network team is doing a great job and we're going to continue to do that.

Timothy Horan - Oppenheimer & Co. - Analyst

While we are on the cost side of things, it seems like a lot of the hyperscale Internet companies are using virtualization technologies fairly aggressively to do cloud computing, to do their own networking. Where are you guys in terms of adopting some of the same type of virtualization technologies? And how meaningful can it be for the business?

David Small - Verizon Communications, Inc. - EVP

We are doing a fair amount. I understand that AT&T spoke earlier today and they are doing some of the same things that we are doing. Look, this is -- at its fundamental layer it's essentially separating the software capability from the actual bare metal hardware that infrastructure manufacturers go to the marketplace with.

Our thought process is, by providing our own bare metal and buying the software capability only, we can do that in a more cost-effective way. We can scale it in a more cost-effective way and by putting it on cloud infrastructure, where you have thousands and thousands of servers and processing capability, you have far more not only economic efficiencies but, frankly, operational efficiencies.
Because if you want to add a software load to a switch today or to a network element today, you are going around the country in the maintenance window at night and you are augmenting this. Envision where we get to a play where many of our network elements are hosted via three, four, five different servers, farms across the country; it becomes a very, very efficient way to upgrade your network.

Timothy Horan - Oppenheimer & Co. - Analyst

And where are you in the process of rolling out that type of structure?

David Small - Verizon Communications, Inc. - EVP

We have put many of our planning tools, our capacity management tools. We are starting to virtualize some of the network elements themselves. I can’t give you a statistic in terms of a percentage of how far along we are, but we are very pleased with where we are at thus far.

Timothy Horan - Oppenheimer & Co. - Analyst

Then on the customer care and the distribution side, which obviously you ran also, I know you did a lot to upgrade the operating systems to make the stores a lot more efficient and make customer care more efficient. It seems to me the website has gotten a lot better from my own interfaces both, frankly, on Wireline and Wireless.

Is that a correct perception? You’ve been running the business for the last two years; it does seem like it’s gotten better.

David Small - Verizon Communications, Inc. - EVP

Thank you for that and, yes, I would tell you it is. This has been a very strong passion of mine personally, which is the folks in the field who are eyeball to eyeball with customers every day, they are best positioned to tell you how to run your business better.

And so every two months or so we bring in a mix of representatives from around the country in care and distribution and other workgroups and we take a couple minutes to talk about some things that are going well. But then we spend the balance of the day talking about what gets in the way of them providing a great experience to customers.

One of the natural outcomes of that – several years ago we migrated toward serving all of our customers in our stores via tablets, which enabled a side-by-side, more personable selling experience. Our reps really, in all honesty, unloaded a bit about, hey, we like this thing, but we don’t like this thing. And so we are in the process actually in the month of August of rolling out something called Flex Flow for all of our sales professionals in the stores.

So if you come into a store, historically, it’s been let me pull up your account and let’s walk through the things we need to walk through. In this Flex Flow environment it becomes what exactly did you come in for? We are going to jump right to that section. If we need to go back, we can do so, or we can jump right to the end of the transaction.

And we’re actually seeing some pretty good transaction time reductions, which will allow us to be far more efficient with the employees that we have. That’s a good example on the retail side.

Although I would also tell you, from a network point of view, we are constantly looking at the tablet capability; we looking at the in-store infrastructure and optimizing all of that. We’re looking at number of seconds on a per-screen basis as well as number of clicks to get through a transaction. By reducing that it’s a great customer experience, better customer experience and it also provides us with some cost benefits.
On the customer care side, something in a very similar way, we allow -- we actually strongly encourage our employees to tell us what are some things that get in the way. They are also able to help us tune screens and flows and prompt for a number of proactive things. This sounds kind of mechanical and, in all honesty, maybe a little bit boring to some, but that's how you deeply grind the business to make it better. And that's what we are doing.

**Timothy Horan - Oppenheimer & Co. - Analyst**

And you measure the amount of time a typical customer spends in a store. How has that been trending? Or the amount of time a typical customer is on a phone call. I guess that’s kind of indicative of the productivity improvements.

**David Small - Verizon Communications, Inc. - EVP**

We have -- in the last year, we don't cite the actual number, but we have dropped our average handle time by about 75 seconds year over year, which is not bad considering the scale that we operate in. And by shorter-duration calls, we have done some streamlining in the IVR that make it a more pleasant customer experience and then making it more efficient for our reps there as well. We have improved our hardware.

Again, these are not the most exciting things, but from a business fundamentals and from an efficiency point of view and cost savings that's exactly what you need to do.

**David Small - Verizon Communications, Inc. - EVP**

You do have a lot of rate plans out there, though, and billings plans. Is there a way to try to simplify them to lower the overall customer care and improve the customer experience? I know it’s hard to get rid of some of the legacy ones for that. My family being a case in point; we have a whole mix of different plans.

**David Small - Verizon Communications, Inc. - EVP**

We will work on you later. Look, we launched something in 2013 called Share Everything. We added some elements to it and we called it More Everything. Then we had the Verizon Plan a little over a year ago and now the Verizon Plan 2.0, which is the most recent one.

The notion here was around several different things. First of all, we saw tremendous, tremendous interest from our customer base and we have seen a lot of migration to this plan. And what it’s doing; for as many people who are cost-optimizers, we are also seeing people realize that the value of a certain gigabyte package, for $5 more, $10 more they can get significantly greater capacity. We are seeing that as well.

And so I don’t think we have indicated exactly the number of customers or the number of accounts that we have on this new pricing, but it is significantly greater than any pricing launch we've ever done, which points to the simplicity of the app, the notion of what we are calling carryover. The other element that we are calling safety mode, which enables -- once you are out of your data bucket you can utilize our streaming services at 128 kilobits per second, should you choose to do so.

And the app is a very elegant experience where you quickly go in, upgrade your plan. You can look at your bill. There's a number of things you can do; support, should you need to do it. So we are very pleased with where we are at so far.

**Timothy Horan - Oppenheimer & Co. - Analyst**

Did this overwhelm the call centers or the stores or did customers have to self-provision?
David Small - Verizon Communications, Inc. - EVP

What we did -- and there was a little bit of friction in the business, but it was the right thing to do -- which was the first time a customer interacts with this pricing plan, have them do it via the app. We have seen, whether it’s self-serve in a B2B environment where you set up the customer for the very first time in a self-serve type of manner, their propensity to continue to use that only increases with scale.

And so we took a few lumps in the upfront piece to get customers familiar with that app so they realize for everything they don’t necessarily need to call us, nor do they need to hop in the car and drive 20 minutes to come to our store. That is something that has really helped us and we expect that to continue to pay dividends.

Timothy Horan - Oppenheimer & Co. - Analyst

How do you let customers know about that? If I have a data overage, will you just say, look, why don’t you try this new rate plan? I will send you -- you will send me a text on it and I can click on this to look at it.

David Small - Verizon Communications, Inc. - EVP

Historically, we’ve done the data alerts and we allow customers to specify at what percentage of their consumption. In the new app there’s a data feed and a hub, which essentially shows very graphical representation -- it’s almost like a speedometer -- where it says this is your data allotment for the month, this is the package you are on. Any carryover data for the previous month, that’s on there as well. You have X number of days remaining and it shows you the consumption.

So it’s very easy at a moment’s notice to pull out your phone, open the app, and that’s the first thing you see.

Then, yes, you can -- we have built a capability that says you can upgrade your plan at any time. If you think it’s a temporary type thing -- you are on vacation and you will see it for this month, but not on an ongoing basis -- you could upgrade your plan and then downgrade it down the road. Or, alternatively, you could just buy data on a per-gigabyte basis for a 30-day period.

Timothy Horan - Oppenheimer & Co. - Analyst

How do you balance out all the usage with the costs, with the revenue that you kind of generate? It’s a really, really complicated issue obviously, but I know my family, if they could, they would use a lot more data. And I’m probably willing to pay a little bit more, not a huge amount more.

But do you think you can continue to grow data volumes in the 40%-plus range and still grow ARPU maybe low to mid single digits?

David Small - Verizon Communications, Inc. - EVP

I think that’s possible. I will let Mike and Fran talk about the exact projections that we would expect. We look at a measure called IARPA, which is the installment billing plus the account revenue, and we saw a low single-digits growth in the second quarter with that.

From my vantage point, again this notion of dark fiber which, in essence -- backhaul been a big cost element of the business -- by enabling that, that really takes us and allows us to scale. I think last year we might have talked a little bit about when we went from EVDO to 4G and this notion of you can light up a cell site with four or five T1s. And you get 1.5 meg per second and that T-1 costs you a couple hundred bucks.

Or, alternatively, you can light it up with a 40 or -- excuse me, a 50, 100 meg service and the equivalent cost on a per-meg basis is drastically lower. So that’s the evolution of EVDO to 4G. With 5G we do believe dark fiber in lighting it up ourselves across the country is the better way to go from a cost point of view and so we are pre-positioning ourselves to do so.
Timothy Horan - Oppenheimer & Co. - Analyst
What percentage of your macro sites now have fiber, do you think?

David Small - Verizon Communications, Inc. - EVP
If it's not 100%, it's very, very close. And the one-offs would be where you have to cross a reservation or you may need to scale a mountain and you are not able to plow through that mountain, so you microwave off it.

Timothy Horan - Oppenheimer & Co. - Analyst
So what percentage of them would be lit versus dark, or where are you in the process of getting dark for those? Are they --?

David Small - Verizon Communications, Inc. - EVP
I don't know that we've disclosed that. I don't think it's halfway yet, but we are -- just about every large-scale infrastructure build we do, we go around the country and we look at that. Then we will negotiate and get dark fiber. So that's definitely the direction we are going.

Timothy Horan - Oppenheimer & Co. - Analyst
Great. In the interest of time -- we only have about five minutes left -- are there any questions from the audience? We have one here.

QUESTIONS AND ANSWERS

Unidentified Audience Member
(inaudible -- microphone inaccessible)

David Small - Verizon Communications, Inc. - EVP
Going fairly well. We had -- most people know we had a seven-week work stoppage, which caused us to slow down our build, and we chose not to aggressively advertise to customers for something that we may not be able to give them. But now that we are essentially back to normal, our repair clocks are back very, very quick. Our provisioning intervals, for the most part, are back to where they need to. You will see some good positive momentum in the third quarter.

Mike, I will let you give the actual projection, should you choose to do so.

Mike Stefanski - Verizon Communications, Inc. - Head, IR
No, I don't think we will be giving actual projections, but what we said, as David said, that we are going to see us return to positive on Fios in the third quarter and then ramp back up to more normal volumes in 4Q as we get more of the marketing back after the work stoppage.
Timothy Horan - Oppenheimer & Co. - Analyst

Anyone else?

Unidentified Audience Member

(inaudible -- microphone inaccessible)

David Small - Verizon Communications, Inc. - EVP

There’s actually a couple things. I will talk about some of the process opportunities and, Mike, I will let you talk about the contractual items.

One of the things about having a work stoppage is you get a completely fresh set of eyes on just about everything you do. And I applaud the team for their work around attempting to memorialize all of the changes that they saw, all of the process improvements that they saw. It will yield a number of benefits from the business point of view.

There are also things that we’re doing as it relates to Fios in the home, making that a far more efficient process. But to your point about the new agreement, with some of the work rule changes I know we’re going to get some efficiencies there as well.

I don’t know, Mike, if you want to provide more color.

Mike Stefanski - Verizon Communications, Inc. - Head, IR

We quantified some of that on the call, on the earnings call. About $0.5 billion will be cash savings, principally around those work rules and our ability to close some of the smaller centers and consolidate the work.

On the non-cash side, we also have a significant benefits based on our OPEB liabilities and our preservation of caps that were put in place on a prior contract. In our 10-Q you will see some disclosures around the opportunities that we have there.

Timothy Horan - Oppenheimer & Co. - Analyst

Anybody else? When you are building out Boston, are you going to be running fiber to all the apartment buildings or are you going to be really more preparing for 5G as the way to do maybe the last 100 feet or 200 feet? What’s your current thinking?

David Small - Verizon Communications, Inc. - EVP

I think the short answer is we are going to be doing both. If you think about, again, going back and taking a parochial view of a fiber build, the enterprise, you might look at just the enterprise need or you might just look at a wholesale need or just a wireless need.

And our desire to build a lot more small cells, which is the right capacity solution for us to relieve our macrolevel cell site, that is of great value. But while you are doing that, while you are building that fiber, it’s only intuitive that you throw a lot of extra strands in the ground, you put your manholes and/or your handholes in very different spots to maximize the accessibility.

As we go down and up different streets, we will be building a lot of fiber in advance of all of the use cases that we see. We see public safety uses with streaming cameras to keep citizens safe and that’s one end of the spectrum. The other end is again enterprise, wholesale, consumer, small business, medium business, smart cities, muni partnerships, all of these different things; let alone we need from the Wireless point of view. It really puts us in a great spot.
Timothy Horan - Oppenheimer & Co. - Analyst

Just out of curiosity, will you be hanging the small cells on light posts or traffic lights?

David Small - Verizon Communications, Inc. - EVP

We are working with the city now and part of our agreement allows us to have access to certain assets that they have. We will be putting them in a number of different locations and we will be doing it in a very what I would call respectful and clean way.

If you go out to San Francisco you would see that -- actually, you wouldn't see. We put these in a lot of unique spots that weren't intrusive, but yet provided great, great coverage. And we expect the same thing here in the city of Boston.

Timothy Horan - Oppenheimer & Co. - Analyst

So two other high-level topics. Internet of Things has become a quite large business now with this acquisition. I guess it’s close to a $1 billion run rate business or will be shortly. How large of a business can this become, do you think?

David Small - Verizon Communications, Inc. - EVP

I don’t know that we can predict how large it could really be. From my vantage point, it was born -- the Internet of Things, as it relates to telematics as an example, was born out of consumer safety, but you build upon that.

As an example, we have a product called hum that we sell in our retail stores and that goes in vehicles and it allows consumers to track exactly where their vehicle is, track vehicle health. It gives advanced warning of potential things that could go wrong with the vehicle. We could go into a lot of detail about the use case of network fleet and Telogis and potentially the third acquisition that we are doing.

I think that is a business that can scale in a very, very significant way. When we started our 4G LTE build, we actually -- as you know, we have an innovation center in Waltham and we said, look, if you could wirelessly connect anything, what would you do? Here we are six, seven, eight years later with things that we wouldn’t have even imagined back in the 2007, 2008, 2009 timeframe when we were laying this architecture out. And I think we're at the cusp of some very, very unique use cases for IoT down the road.

Timothy Horan - Oppenheimer & Co. - Analyst

What has been the connection that has really surprised you on an IoT basis?

David Small - Verizon Communications, Inc. - EVP

The one that really -- I tend to think of these as use cases just for a consumer or just for a business or just for a company or just for. The one that we are really starting to see some pickup in is ag tech.

This notion of you put sensors in the ground and you put them in depths 1 foot, 2 foot, 3 foot, 4 foot and it measures the soil moisture level. And it allows -- especially in California and some of the other states where there’s water shortages, it allows you to really target where you need to put water and where you don't need to put water.
Not only does it conserve water, but a big contributing factor of water for agricultural uses are actually the pumps, the electricity consumed by the pumps to get water where it needs to be. So it saves on both of those things. It’s more efficient for a farmer or for a company; it’s better for society. We certainly make a few bucks in the play, and we like that as well.

So these are the kind of use cases that have cross-synergistic benefits to a number of different groups.

Timothy Horan - Oppenheimer & Co. - Analyst
The agricultural side is amazing, right?

David Small - Verizon Communications, Inc. - EVP
Yes, yes, it really is.

Timothy Horan - Oppenheimer & Co. - Analyst
I was just reading a magazine on the way up. You can buy a lawnmower that cuts grass by itself.

I know we have time maybe for one more. Can you talk about AOL and Yahoo and the ability to create new products and services, maybe what you’ve done so far with AOL to kind of take advantage?

David Small - Verizon Communications, Inc. - EVP
So AOL and Yahoo, there’s several elements of that play. I would focus largely on the advertising element of it. There’s great content in AOL; there’s great content in Yahoo and I think, collectively, that content, coupled with the licensing rights and the sponsorships that we have with the NFL and the NBA and Yahoo Sports -- and you can just go on and on and on with the different elements that exist in those two assets.

By bringing those together and having Tim, who’s got a great track record with doing what he has done at AOL, allowing us to potentially become a third player in the mobile advertising space is actually pretty interesting. And Lowell said it very well: we don’t expect to be number one in this marketplace, but if we can take a little bit more than our fair share of this opportunity, which is projected to be $180 billion by 2020, that’s a pretty good start for us. That’s how we think about it.

Timothy Horan - Oppenheimer & Co. - Analyst
As usual, we could talk for hours but we are out of time. Thank you all for coming. Thank you, David.

David Small - Verizon Communications, Inc. - EVP
Thanks, Tim.

Editor
COMPANY DISCLAIMERS

Safe Harbor Statement and Important Additional Information
NOTE: In this presentation we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors, along with those discussed in our filings with the Securities and Exchange Commission (the "SEC"), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: adverse conditions in the U.S. and international economies; the effects of competition in the markets in which we operate; material changes in technology or technology substitution; disruption of our key suppliers’ provisioning of products or services; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks; breaches of network or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance; our high level of indebtedness; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing; material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact; significant increases in benefit plan costs or lower investment returns on plan assets; changes in tax laws or treaties, or in their interpretation; changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; the inability to implement our business strategies; and the inability to realize the expected benefits of strategic transactions.

Important Additional Information and Where to Find It

Yahoo! Inc. ("Yahoo") will be filing with the Securities and Exchange Commission (the "SEC") a proxy statement regarding the proposed sale of Yahoo’s operating business to Verizon Communications Inc. ("Verizon") and related transactions, the definitive version of which will be sent or provided to Yahoo stockholders. BEFORE MAKING ANY VOTING DECISION, YAHOO’S STOCKHOLDERS ARE STRONGLY ADVISED TO READ YAHOO’S PROXY STATEMENT IN ITS ENTIRETY (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) WHEN IT BECOMES AVAILABLE AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTIONS OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS. Investors and stockholders will be able to obtain (when available) a free copy of Yahoo’s proxy statement, any amendments or supplements to the proxy statement, and other documents filed by Yahoo with the SEC (when available) in connection with the proposed transactions for no charge at the SEC’s website at www.sec.gov, on the Investor Relations page of Yahoo’s website investor.yahoo.net or by writing to Investor Relations, Yahoo! Inc., 701 First Avenue, Sunnyvale, CA 94089.

Yahoo and its directors and executive officers, as well as Verizon and its directors and executive officers, may be deemed participants in the solicitation of proxies from Yahoo’s investors and stockholders in connection with the proposed transactions. Information concerning the ownership of Yahoo securities by Yahoo’s directors and executive officers is included in their SEC filings on Forms 3, 4 and 5, and additional information is also available in Yahoo’s annual report on Form 10-K for the year ended December 31, 2015, as amended, and Yahoo’s proxy statement for its 2016 annual meeting of stockholders filed with the SEC on May 23, 2016. Information about Verizon’s directors and executive officers is set forth in Verizon’s annual report on Form 10-K for the year ended December 31, 2015 and Verizon’s proxy statement for its 2016 annual meeting of stockholders filed with the SEC on March 21, 2016. Information regarding Yahoo’s directors, executive officers and other persons who may, under the rules of the SEC, be considered participants in the solicitation of proxies in connection with the proposed transactions, including their respective interests by security holdings or otherwise, also will be set forth in the definitive proxy statement relating to the proposed transactions when it is filed with the SEC. These documents may be obtained free of charge from the sources indicated above.