Okay, good morning, everybody, and welcome to day two of the TMT conference. We are delighted to have you all here and we are delighted to welcome Matt Ellis, EVP and Chief Financial Officer at Verizon. Matt, welcome to TMT.

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So let’s talk about Matt. Perhaps you could kick us off with the guidance you put out for 2017 and the key priorities.

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Thank you, Simon. Great to be here. Before we get started, I think we had the Safe Harbor statement come up just a second ago. I would refer everyone to that. Obviously, we will make some forward-looking statements and refer people to the disclosures in our SEC filings.

So, yes, let’s start with the guide. What we said was that we expected revenues in 2017, on an organic basis, would be fairly consistent with 2016 and that’s at around $125 billion in terms of the organic revenue, as you think about the assets that we had for a full-year in 2016 and will have for a full year in 2017. So that includes AOL in there for example.

At the earnings side of the ledger there, similar type of trajectory expected to be in line with 2016 and that’s driven largely by obviously what’s going on in Wireless. Wireless drives the revenue trajectory and also the earnings trajectory, so I’m sure we’ll talk more about some of those pieces as we go through this morning.

Then if you think about, just at a strategic level, the focus for 2017, you will see a lot of consistency with what we’ve talked about in the past. Everything obviously begins with the work we do in the network, maintaining that network leadership. And while we do that obviously developing new ecosystems to allow us to continue to find new ways to monetize network usage and data usage on the networks.

We will continue to have a very disciplined capital allocation approach. And then, finally, we will look forward to continuing to return value to shareholders as we have done for a number of years.

Simon Flannery - Morgan Stanley - Analyst

Great. Can you talk a little bit about the path back to revenue growth? I think originally you expected revenue growth in 2017. What are the puts and takes that bring us to more stability and how does service revenue in particular evolve as we go forward?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Service revenue, as we went through the whole transition from the two-year service contract model to device payment, we knew that would create some changes in the revenue trajectory as you bifurcated out the equipment revenue from the pure service revenue. So we are in the middle of
that or actually past the middle of that transition and you saw the revenue throughout 2016 improve. We started the year at negative 6.2% in first quarter, ended the year at 4.9% in the fourth quarter.

And as we get more of the base on unsubsidized pricing -- we were at 67% of the base, but it migrated over by the end of the year. So that will continue to see the service revenue trajectory improve from that standpoint.

Then the other thing we just see is the transition of pricing in the industry as a whole. And some of the things we had in our base of customers, last year we saw faster transition to the pricing plan that we introduced halfway through last year. That gave customers the ability to have greater control over their usage and so that kind of changed the trajectory in the back half of the year a little bit, as we discussed. But we do expect to see the service revenue trend continue to improve in 2017 and we expect that to get back to positive as we head into next year.

As we think about other parts of the business, we've talked about the Wireline trajectories and nothing majorly new there to discuss. Then we certainly expect some of the new businesses to start to develop the revenue trajectories as well as we -- certainly here in 2017 and then as we head into 2018, whether that be MediaCo or the Internet of things. Within IoT certainly the telematics part would be the largest piece of that for us in the near future.

Simon Flannery - Morgan Stanley - Analyst

Right. So probably the biggest news since your earnings was you reintroduced Unlimited, the first time you've been offering it since 2011. Can you take us through the mindset behind deciding to reintroduce that and how has it been received?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

If I take you back to the pricing that we did last summer when we launched Verizon 2.0, as I mentioned, we gave customers greater control over their usage with safety mode, carryover data features. And we saw something interesting in that launch. We saw our base migrate over to that plan very fast, faster than we had seen in other price changes, and we saw our base continue to really enjoy the Verizon experience. We saw the churn in the back half of the year continue to stay below 0.9 on the phone churn.

But at the same time we saw that we weren't attracting the number of non-Verizon customers that we would have liked. Normally when we have seen that we have not had as competitive an offer in the marketplace you see both pressure on gross adds and churn, and when we are doing really well you see good performance at both of those metrics. What we saw in the third quarter was great churn performance, but base -- really solid performance there, but not as much coming in the gross add side, and so we started looking at what we needed to do to address that.

Obviously that was at the time some of our competitors had launched unlimited and so we've looked at a number of different options. One of the things we said was, if we were going to do unlimited, we couldn't do it at the expense of the Verizon brand promise around network performance. And so we looked at what would we have to believe from a network performance standpoint to be in a position to do unlimited if that's what we felt was necessary to do?

A lot of work has gone on over the past few months just working at the network, making sure we are confident that it could support an unlimited offering. You saw us do a number of things with LTE Advanced -- we announced some of those in the second half of last year -- and then you saw the network performance in the second half of last year already with the RootMetrics numbers announced last week. Not only did we do very well, we increased our lead, while at the same time data usage was going up by 49% year over year in the fourth quarter. So very strong performance from the network team.

As we came into the new year there was a number of things we were considering. Coming towards the end of January, early February, we decided that we were going to go down the unlimited path. And, look, it's barely a couple of weeks in so it's a little early to talk about specific numbers yet, but we are very happy with the response we've seen so far, both from our base and from customers coming over to us. So far we have seen what we expected to see coming out of the launch.
Simon Flannery - Morgan Stanley - Analyst

In terms of helping your share of gross adds versus where you were last year, you are seeing some improvement there?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, we certainly see an improvement in the gross add side. As I say, we'll talk more about that when we get on the earnings call and we've got a little more data behind us at that point, but certainly seeing a nice uptick.

And at the same time, when you look at it from a revenue standpoint, we think it will continue to support our ARPA levels. What we have in there is you've got -- you still have choice there for customers that want only a certain number of data. We've got three levels on our multiline plans. We've got a single-line plan at 5 gig, but then those customers who want to step up to unlimited, they now have that option.

We believe that we will see a number of customers stepping up from where they were previously. And so, overall, we don't see this having a negative effect on ARPA but help us grow the gross add side of the ledger as we go through here.

Simon Flannery - Morgan Stanley - Analyst

And is the optimization within your bounds of what you expected in terms of people who've had higher price unlimited grandfathered trading down?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, we've seen some amounts of that already. There is nothing that we are doing to restrict the ability of our base to migrate over to those plans. If our base likes the look of the unlimited plans, they can freely move to it and we've had a number of good people do that already.

We've seen people optimize and we've seen people step up. It's kind of in line with what we expected.

Simon Flannery - Morgan Stanley - Analyst

Great. You talked about all the network analysis that you did, but there's a concern out there that your spectrum per subscriber is lower than some of your competitors. Do you think you need to acquire more spectrum or have you got other angles, such as refarming or densification, that can help address presumably the traffic growth that is going to accelerate from that 49% you highlighted last quarter?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Look, we are obviously still in the quiet period in the auction so there's some spectrum items I won't discuss. But we have been at the densification practice now for a number of years and I think we were the first to really say densification is going to be an effective way to add capacity and we've been doing that now for a good period of time.

You see the network leadership; the results speak for themselves. We continue to get recognized as having the best-performing network and the densification adds a significant amount of capacity. The other great thing about it is it also pre-positions the network as we get towards a 5G world, so it has that advantage, too.

It's interesting; I like the idea that we most efficiently deploy the capital investments that we make. I think that's one of the things that sets aside. And so you're right; people look at the amount of spectrum we have per subscriber and say it's a lower number. I think we would say that's because
we deploy it more efficiently and get the best return out of that investment we've made in that spectrum asset. So we will continue to focus on that.

We have a significant amount of our spectrum that we own today that isn't deployed in the LTE network, whether that be your AWS 3 spectrum, which will go into use this year, or refarming the 850 and the PCS spectrum. We have the ability to add spectrum that we already own to the LTE network over the next few years here to meet the growing demand. So we are very confident the network will continue to perform very well and set the standard for everyone else to follow.

**Simon Flannery - Morgan Stanley - Analyst**

Great. You touched briefly on prepositioning for 5G. I think you had a release last week about starting some commercial trials. Can you just update us on what’s going on there and how can we help think about the business case here?

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

Yes, absolutely. We started this in 2015 with some of the industry groups we put together and wanted to make sure we accelerated how quickly some of these standards were put together. Then last year we did some lab scale testing that we talked a little bit about then and that went well. Demonstrated that the speeds were there, the latency improvements were there.

So what we are now doing is we’ve got 11 different geographies around the country where we are testing the technology in real-world environment, whether it be dense urban to suburban-type environments, different topographies. You will see us over the course of the next few months test that, make sure we get comfortable with the operating environment using the 5G technology with that spectrum, that millimeter band spectrum, and how it propagates in everything. We expect to see the results of those here in a few months and then be in a position to launch a commercial fixed wireless broadband offering in 2018.

**Simon Flannery - Morgan Stanley - Analyst**

So this is at 28 gigahertz?

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

This is using the 28 gigahertz that we have the access to from our XO transaction.

**Simon Flannery - Morgan Stanley - Analyst**

What do you need in terms of fiber? You talked about Boston recently and the fiber build there as having both a Wireline and Wireless component to it. How do you think about -- you've got a strong Fios footprint in the Northeast, but how do you think about your ability to serve markets outside of your Wireline footprint?

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

We certainly believe we can use 5G to serve markets across the United States, whether that’s in the ILEC footprint or outside. Obviously, we have a significant amount of fiber in the ground in the Northeast in our ILEC footprint, but we have fiber across the country. Obviously our old Verizon business network has a good long-haul backbone and then when you add in the XO access as well, we have a good amount of fiber in most major cities.
Then what we -- obviously as we have done densification with Wireless, small cells in a number of these locations, we've got access to fiber. And as we look forward, I think what we look at is how much fiber do we continue to need to densify in 4G and add 5G? And then how to get access to that fiber?

But it's important that everyone remember we're not just confined to the Northeast corridor where we have existing fiber assets today. It's just how we choose to build on that existing footprint as we go forward here.

**Simon Flannery - Morgan Stanley - Analyst**

Presumably each market you assess do we build, do we buy, do we lease?

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

Absolutely. There's some markets where we will definitely look at building. There's some where there may be some existing assets that we want to acquire and then there's others where we may lease. It all comes down to what's the most effective way for us to get access to that fiber that we need to provide the network for our customers that we are looking to do?

I would imagine that in each market it will be a different outcome in terms of the right model to go down. It's about being disciplined in how we acquire the access to the fiber that we need. We don't have to own all of it, but if owning it is the right thing to do then we will certainly look at doing it.

**Simon Flannery - Morgan Stanley - Analyst**

Right. The rise of unlimited wireless and the growth of these over-the-top video services I think speaks to something that I think Verizon has been talking about for a while, the evolution of the linear TV model to something more evolved.

How are you thinking about the need for content to own or to have exclusive content and the convergence model? You've owned Wireless and Wireline for a while now, but you haven't really pushed the quad-play type product.

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

We don't believe that we need to own the traditional linear TV content. It's important to us that we have digital rights, mobile digital rights to some of the content that we think will be important in a mobile bundle. We are very focused on the media that people are going to use in a mobile environment, whether that be short-form video or whether it be live sports, and you've seen us do a number of things in those areas.

From a convergence standpoint, we certainly do think that there will be a convergence between your Wireless and your home broadband solutions over time and 5G will play an important part of that. But we don't believe that we need to own traditional linear TV content in a significant fashion to be successful in that world as we go forward. Look, there's quad-play offerings available today, but if all they really do is provide a bottom-of-the-bill discount, I'm not sure how much value creation that really gets for us.

**Simon Flannery - Morgan Stanley - Analyst**

We had Comcast up here yesterday and they were talking about their MVNO deal that they have with you. Is that something that you believe can be helpful to your revenue growth this year? Do you expect a decent contribution there?
Matt Ellis - Verizon Communications Inc. - EVP and CFO

We'll see what they do this year. I know what they've said in terms of launch dates and we will see how fast that goes forward. We are not assuming a significant amount of revenue this year from those arrangements.

But, look, as we have said, we are happy to have those arrangements with Comcast and others and certainly believe if they want to have those types of services I would much rather have them on our network and paying us to be on our network than paying to be on somebody else's. We look forward to them launching those products and we will see what they do with it.

But we've been providing wholesale arrangements for 20 years now, so it's not something that is new for us. We will certainly see how they move forward with it, but -- then, if they're successful with it, it will help us at the revenue line as well.

Simon Flannery - Morgan Stanley - Analyst

So you have a new agreement on Yahoo where you've got a new purchase price; you've had some arrangements around the liabilities. Can you just update us on that and what's the timeline now to closing? Then what's the opportunity financially, both in terms of accretion but also in terms of the ability to drive digital advertising revenue, combine it with AOL, and so forth?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

If you read the announcement last week, we had the price renegotiation as a result of the breach, as we also have a liability sharing arrangement as we go forward here so if there are future liabilities related to those breaches we will share in those. The original agreement would've assumed that we had all of those liabilities going forward.

We think that was a good outcome for both sides. It allows us to hopefully progress the deal. From a timing standpoint, it's really in Yahoo's court right now. They've got to get through -- filing their revised proxy statement and have a shareholder vote. That's the biggest step between where we are today and closing the transaction.

There's a lot of good work that's been going on. Tim Armstrong and his team, they have been working with the Yahoo team on various different integration streams so that as soon as we close we've made a lot of good progress and ready to immediately start working together and put the two companies together.

In terms of the trajectory of the business, in 2017 I think you will see both businesses be in line with their current trajectories that they are on and we will start to see really the synergies will kick in once we get the integration underway. I know that's certainly a larger impact in 2018 than 2017. But if we bring those additional eyeballs that Yahoo will bring to the AOL ad tech platform, we think there's a significant opportunity there and look forward to that growing as we move into 2018 and beyond.

Simon Flannery - Morgan Stanley - Analyst

Then on the IoT, you did a number of transactions last year. You've got an international platform now that you just rolled out, so talk to us about what the growth is there and how you see that going forward.

Matt Ellis - Verizon Communications Inc. - EVP and CFO

The key thing in IoT for us is really finding those additional use cases; help developing those ecosystems that drive additional usage on the network and allow us to monetize the network in additional ways. Within IoT, as you say, we've done a number of things. We have a platform there in ThingSpace that allows developers to come on and create IoT solutions.
The biggest area in IoT for us right now is telematics. As you say, we had a couple of acquisitions towards the end of last year with Telogis and Fleetmatics, so that business is now getting pretty substantial on a combined basis. I believe it’s the largest telematics entity in the US at this point, so the team there has got a lot of opportunity ahead of them to make that a business that meaningfully impacts Verizon’s financials.

And then in the broader IoT space, some of the smart city applications; what we did with Sensity and a few of the other smaller acquisitions we’ve done. We continue to work with municipalities to find ways to really -- municipalities are interested in making sure that cities continue to be liveable and they are attractive to people as we go forward here. And so this helps them provide solutions around lighting, traffic management, safety, and a whole host of things.

Very excited about the opportunities there as we work forward and think there’s significant upside over the course of the next few years there and will continue to develop solutions in that space.

Simon Flannery - Morgan Stanley - Analyst
Okay. And that’s something where I guess 5G, as the standards evolve that’s going to play a big role, right?

Matt Ellis - Verizon Communications Inc. - EVP and CFO
5G will play a big role, certainly in applications which really aren’t developed today that require the low latency that you get with 5G. And that’s exciting.

The other thing that it does -- and this comes back to being capital efficient in how we use the network -- is a lot of these solutions are going to tap in going up and down the streets in the city center, like here in San Francisco, to the fiber that you’ve put in to provide backhauls of small cells and 5G. It’s also you can use that same fiber to connect these different applications, whether it be lighting or traffic management or whatever else. So you get to use that network asset in a more and more efficient way, which is something that we think is a very strong positive.

Simon Flannery - Morgan Stanley - Analyst
Maybe you could talk about the balance sheet for a moment. You’ve talked about your long-term goals there to delever, but you’ve also done quite a few acquisitions recently. What is the tolerance there for leveraging up to do another deal, if it’s the right thing for shareholders, versus going back to this A- profile over time?

Matt Ellis - Verizon Communications Inc. - EVP and CFO
We have been able to work all sides of the capital allocation process we’ve talked about. We’ve talked about we are going to invest in the networks and develop those and maintain network leadership. We are going to get back -- we are on track to get back to that A- profile in the 2018/2019 timeframe and continue to return value to shareholders. We have been able to do all three and we believe we will be able to continue to do all three going forward.

I think Lowell said it well at the end of last year when he said, look, we will be disciplined around how we look at acquisitions, but as we think about our strategy and how we execute that strategy, if there’s opportunities out there that allow us to advance that strategy through M&A in a very disciplined fashion at the right price it would be wrong for us to not pursue opportunities that create long-term shareholder value because of that commitment around the balance sheet. We will be like very, very disciplined as we go forward, but if the right opportunities come up that create long-term shareholder value, we will pursue them.

Certainly remaining investment-grade is very important to us. Having a strong balance sheet is very important to us and we will continue to do those things, but in a disciplined way. If the right opportunities come along, we will look at those as well.
**Simon Flannery - Morgan Stanley - Analyst**

So when you do a valuation of acquisitions, what are the key parameters? You mentioned the balance sheet and the framework there, but how are you focused on things like dividend payout either of earnings per share or free cash flow or initial dilution on those measures? What are the key focus points?

We don’t want to take this below -- if you did something that created long-term value, but your payout ratio went up 10 points.

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

I think ideally what we look at is the long-term value the acquisition creates and our ability to obviously make the transaction happen. We look at the return on investment over the long run, but we understand that the dividend is very important to our investors. Very glad that over the past 10 years we increased the dividend every year and look forward to putting the Board in a position each year to continue that trend, whether or not we continue to do any transactions as we go forward here. That is an important part of our capital model and we would expect it to continue to be so.

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**Simon Flannery - Morgan Stanley - Analyst**

One of the wildcards this year, and hopefully a positive one, is tax reform. Presume you don’t have anything in your earnings guidance for it this year, but as you model it internally, it seems like it’s pretty beneficial for Verizon and some of the large telcos. Is that your analysis?

And how does the uncertainty around things like interest deductibility, CapEx expensing, how does that play into your planning roles? Because if you take on a lot of debt to do an acquisition and suddenly it’s not deductible, that obviously changes the value equation.

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

I think the way we look forward right now is from the different reforms that are being mooted -- first of all, we are a supporter of tax reform. We think tax reform is needed to maintain the US as a competitive place for companies to invest. And as you look at the different options of tax reforms that have been suggested, overall there’s puts and takes in there.

There are some things that will be beneficial to us, a lower rate certainly would, and there’s some pieces of the House plan that may be negative. But even when you add those together, we certainly believe on a net basis that tax reform would be a positive for us and so we’re supportive of the efforts that are underway right now to get that done.

However, it’s difficult to know exactly what tax reform is going to look like. Obviously there’s a lot of commentary in DC and elsewhere about what should be in there and what shouldn’t, so we will have to wait and see exactly what reform looks like. In terms of our plans we would be -- we look at investments right now based off of typically the legislation that’s on the books and we assume that will be how we go forward.

But then as we consider anything we might do differently, we look at it through two lenses and you mentioned deductibility of interest expense as one of those. You kind of look at something through the current lens and through what it looked like under that lens and determine if something makes sense in both of them. And if there’s a conflict then we work through how we think about it.

But at this point in time we are comfortable with operating our business as we are today and look forward to tax reform getting done and adjusting as necessary. We certainly fully support it happening.
Simon Flannery - Morgan Stanley - Analyst

Staying in Washington, Chairman Pai has been busy in his first few weeks in his new role. What are the regulatory priorities for Verizon with the new FCC leadership on the Hill in terms of issues like net neutrality and privacy and so forth?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

So we've been a supporter of the concept of net neutrality. Our concern has been around how is regulated and we don't believe that Title II is the appropriate way to regulate net neutrality. So we certainly favor a more congressional-based approach to defining how net neutrality should run as we go forward here.

From a privacy standpoint, again we believe in consumer privacy but we don't believe it makes sense to have two different sets of rules with the FCC regulating ISPs one way and then the FTC regulating other companies in a different way. So we think -- what I think Chairman Pai said last week is that we will have a more consistent set of standards between how the FCC and FTC look at privacy and we think that's the right approach going forward. But certainly we continue to believe in the basic concepts of an open internet and we continue to believe in providing consumer privacy.

Simon Flannery - Morgan Stanley - Analyst

So you have one of the largest capital budgets in the country. I think the midpoint is in the low $17 billion range for this year. Just talk about what the priorities are for your capital spending and how that evolves over time.

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, so obviously the major part of it is the network. What evolves over time is the networks that we are predominately spending on. So obviously over the past couple of years we've moved away from 3G spending; it's almost 100% 4G spending in the Wireless side. And again, 4G spending started off being predominately coverage and then it's moved into densification, adding capacity.

So you will continue to see spending in 2017 on the densification of 4G and you will start to see a little bit of spending around 5G. And over time obviously that will increase as other spend comes down.

The other piece that you'll see us continuing to spend on is around fiber. And as we go forward as we've been in densification mode and as we go forward into a 5G world, that fiber is more and more important. And so you should see that in there as well.

Then we will continue to invest in the new ecosystems, but one of the things that is worth pointing out within those ecosystems is the capital intensity is nowhere near as high as it is in the core network business. So most of that CapEx will continue to be focused on the network and what we spend on evolves over time as the networks are evolving. We will continue that transition in 2017 and into 2018 as well, but you should expect fairly stable CapEx levels.

Simon Flannery - Morgan Stanley - Analyst

What more could be done on border adjustability to the extent that some of the equipment is manufactured internationally that you buy or indeed the smartphones that you buy?
Matt Ellis - Verizon Communications Inc. - EVP and CFO

Look, if border adjustability was to come into effect as the House plan envisions, then it would have an impact on some of those items. We have looked at it. I’d say net-net we believe tax reform is a positive for us, but that includes those impacts, whether it be the cost of network equipment or the cost of handsets. We’ve baked that into some of our models.

The good thing there is that we would be in the same position as everyone else. We wouldn’t be disadvantaged against any of our competitors domestically. So we will see how that plays out, but it’s not something that is making us think about changing how we spend our capital at this point.

Simon Flannery - Morgan Stanley - Analyst

Okay, we’ve got a few minutes for questions. There’s mics, if you’ll just wait for those, if anybody has a question.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Just when you think about some of your marketing efforts it looks like you’re focusing more on younger demographics and Millennials. Maybe if you could comment how the new unlimited early traction is progressing on the gross adds side in terms of is it coming from any other particular carrier or what the new gross adds are looking like. Is it a younger base than what you guys are used to seeing?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, I’d say it’s very early to comment on specifically what we are seeing there. I would say we are seeing good interest in the plan across the spectrum of our customer base, whether it be younger customers or older customers or whoever. So it’s a little early to say where we are seeing the most traction come from but we certainly -- we believe it’s an offer that is appealing across the demographic spectrum.

Nothing particular in terms of its appealing to one set of customers or another and I think we are seeing interest across the base of -- our own base and across the different carriers that we compete with. So it’s been pretty broad at this point.

Unidentified Audience Member

Thank you, Matt. Just going back to your comments on fiber, when you think about how you are using fiber today and how you plan to use it over the next three to five years, is it more important for adding capacity to your current mobile business or is it more important for what you’re trying to do in fixed, particularly with 5G as you look at over time? Or maybe the answer is both.

Just maybe you could help us think about where those assets are actually most impactful to you.

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, I think it is across -- as you said, it’s really both. It’s across all the use cases we have. And if you look at what we did in Boston last year when we went in there and we said, we’re going to build the network, thinking about all the different use cases.

So whether that’s connecting a Fios customer with home broadband and TV, whether that’s connecting cell sites, predominately small cells throughout the city, whether that’s connecting small business, whether that is lighting up enterprise locations, and in [Eglin] preparing for IoT type solutions, smart city type solutions that we partnered with the city on as well. So we’ve already moved to a way of designing the network where
you’re putting that fiber and thinking about those multiple use cases upfront rather than putting in just the kind of a base layer and then constantly building on top of it.

So over time, we think that will give us a much more efficient build and network performance as we go forward. So that’s working well for us in Boston. As we think about other locations, we’ll think about doing — repeating that. But certainly if you look at the multiple use cases, design the network that way upfront and then it gives you a lot of flexibility and the opportunity for significant capital efficiency as well.

Unidentified Audience Member

Just a very quick question about your long-term plan for 5G. Under your current -- it's still early, early days, obviously, but do you envision that you will be ever building outside of the urban centers?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, we are still looking exactly what the use cases will look like, but certainly we think it would be not just the urban centers but getting into suburban locations as well. We will see the use cases develop and we will see how we go forward, but absolutely it could be more than just dense urban areas.

Simon Flannery - Morgan Stanley - Analyst

I guess related to questions that we get a lot of questions about, do you envisage this as a fixed product initially and then mobility down the road?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, that’s exactly right, Simon. So initially, the launch would be a fixed wireless broadband offering, and then we think mobility applications towards the end of the decade around 2020 or so, will come on top of that.

And the latency that comes with 5G is going to allow use cases that aren’t in place today, just because 4G and prime networks didn’t allow you that performance level. So we look forward to all of those being developed over time.

Unidentified Audience Member

Okay, just a follow-up question on 5G and Simon’s question on use cases. I can appreciate you are still developing those. It seems like a lot of the initial use cases, especially in a fixed environment, could have good applications for enterprises and some of their IoT initiatives, etc.

I’m just wondering how that impacts your go-to-market and interaction with your customers and enterprise customers. Because it seems like they would be looking to take a more active role in the management of their networks and the like. Can you just talk about what that would mean for your organization, etc.?

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, so we are certainly in the enterprise space today, as we work with SDN and solutions like that allow customers to take more control over their networks. And as we go into a 5G world and we develop new applications, we think there will be enterprise applications there that will allow customers, enterprise customers to continue to have more control over the networks they offer and the applications.
So we will be very much working alongside enterprise customers as they do that. But what we also see in the enterprise space is a larger number of customers who want help managing those networks. And you see us, we do a lot in that space today and we continue to develop how we offer those solutions to customers, where we are not just providing the connectivity but we are helping them manage it on a day-to-day basis, too. And I would expect that will continue into the future.

**Simon Flannery - Morgan Stanley - Analyst**

So we're coming up on the 10th anniversary of the iPhone at the end of -- we've also got a big Note refresh coming up this year. Do you think that this is -- we are going to likely see another one of these like iPhone 6 years where there's a massive refresh cycle and potentially more switching between carriers as we go into later in the year?

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

Yes, look, I think there's obviously opportunity for that. We see a significant amount of transfer between carriers right now. Obviously, every time a new device comes out, especially one of the larger ones, we see a significant amount of activity, promotional activity, and we will continue to do what we need to do to protect our base.

So whatever is out there, we will look forward to new devices coming out, driving more activity through the channel. Typically, when you get a new device with new functions on it, it drives more data usage. And as customers want that, we think we are in a great position for having the best network and a large number of customers understand that we have the best network.

So we will be very -- we will make sure we participate there, and it comes back to being confident in the network leadership we do have and that being the foundation for what we do, both in 2017 as we go forward and then just building on those additional use cases.

So you should see us continue to do that; very confident that the network leadership position would put us in a place where we do very well irrespective of the devices that are coming to market. But we look forward to those coming later in the year.

**Simon Flannery - Morgan Stanley - Analyst**

We've got time for one more question here. So maybe we just finish with a question just on the Fios. You mentioned Boston. So what is the outlook for your fiber business here? Do you think there is still penetration opportunity still, and ability to grow that unit?

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

Absolutely. That's a good business today, continues to grow well. The Fios revenues grew at north of 4% last year. Boston is going to have some new open for sale this year. Those started in December. We continue to have penetration opportunities, especially in New York City and Philadelphia, which have got some areas we haven't got into as much yet as others.

Earlier this year we launched instant Internet speeds, both -- at least 750 meg, both on the downlink and the uplink. So our Fios business continues to be very important. We think there's opportunities for it to grow, and look forward to it doing so as we go forward here.

**Simon Flannery - Morgan Stanley - Analyst**

And you retained the Northeast corridor here; you've obviously divested a lot of out-of-region properties. But this is a footprint that you want to have going forward. You've sold data centers, towers, but --.
Matt Ellis - Verizon Communications Inc. - EVP and CFO

Yes, I would say so. And as we move into a world where fiber becomes more and more important, that fiber we have in the Northeast is a key part of as we think about our network future. What was different about some of the properties that we've sold is that they were very isolated from a geographic standpoint. So we didn't get the efficiencies in the network out of running those, and there was still a significant amount of copper that went with some of those assets too.

So we just didn't see the efficiencies there as we went forward, so it was the right thing to do to do those transactions. But the remaining Northeast part is certainly an important part of our network footprint as we head into the future.

Simon Flannery - Morgan Stanley - Analyst

Great. Matt, thank you very much for your time, appreciate it.

Matt Ellis - Verizon Communications Inc. - EVP and CFO

Thank you, Simon.

Editor

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Important Additional Information and Where to Find It

On September 9, 2016, Yahoo! Inc. (“Yahoo”) filed with the Securities and Exchange Commission (the “SEC”) a preliminary proxy statement regarding the proposed sale of Yahoo’s operating business to Verizon Communications Inc. (“Verizon”) and related transactions, and 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 THEY BECOME AVAILABLE) AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTIONS OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS. Investors and stockholders can obtain 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 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.

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