For those of you joining via the webcast I am Mike Rollins, the telecom analyst here at Citi Research. We are opening our 25th Annual Internet, Media and Telecom conference with a fireside chat with Verizon’s Chairman and Chief Executive Officer, Lowell McAdam. Lowell, thank you very much for joining us this morning.

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO
Happy New Year. Happy New Year to everyone in the audience. I appreciate you being here today.

Mike Rollins - Citigroup - Analyst
Maybe just to kick us off, if you can give us an update on your key operating and strategic priorities for 2015?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO
Okay, before I jump into that let me just say there’s a couple of things that we obviously can’t talk too much about today. One is our fourth-quarter performance, which we are quite pleased with and our results will be out on January 22nd.

The other is the auction. I would love to talk about the auction. There is some wild speculation out there.

I think some of the articles were written over a lot of Christmas cheer this year. But we will set the record straight right after the auction closes and the deposits are made. We will have a separate session on that.

So as you look ahead and it’s a great opportunity to do this at CES, when you see all of the things that are happening in the consumer electronics field and you realize that mobile is at the heart of those, it is a pretty exciting time to be in our industry. If I look at where our focus is in 2015 and beyond, it is really what we refer to in the business as a three-tier strategy.

The first is, our highest priority and our main focus is to keep the network superiority advantage that we have over other players in our industry. So buying things like Spectrum, deploying AWS, putting in our distributed antenna systems which we are doing aggressively around the country now to add capacity, reinforcing our Internet backbone, deploying more FiOS into the urban areas, that's the number one priority for us. Because we want to be the place that your critical services need to be on because you can rely on our network.

The second tier of that strategy is really around platforms that feed into our network. There are certain platforms that you can see if you look at CES, for example, the Internet of Things, video over broadband, in our case FiOS, things like our telematics platform with Hughes, things like our Verizon Digital Media Service, which transports video for a wide variety of customers. Those platforms will enable a lot of the solutions that you see on the floor and combined with our most reliable network really make Verizon an easy place to do business with.
And then the third area of that strategy is a few select solutions for applications that drive down through the other two in the stack. So we will probably only do a half a dozen of those solutions. What we’ve talked about being involved in the healthcare area through IoT, we have got our Hughes platform that provides global telematics services, we’ve talked about our over-the-top video application.

So there is a few of those that we will drive. So Mike, as I look ahead those are the main focus areas that the business is really driving toward as we move forward.

**Mike Rollins - Citigroup - Analyst**

So Lowell, the interesting thing about this time of year it helps us maybe take a step back and think about the vision of where things are going. And I’m wondering if you can paint the picture of where you see Verizon on a three- to five-year view? What is your vision of what Verizon looks like in terms of what you are offering to the customers and the value proposition you are offering to your investors?

**Lowell McAdam - Verizon Communications Inc. - Chairman & CEO**

Well, I think for our investors it is pretty simple. We plan on being the growth and profitability company that we have been over the last 15 years and we have to pay attention to top line and bottom line to do that.

So from a consumer perspective, I think we will continue to be the dominant mobile player out there because of the quality of our network and we are doing a lot of work on meeting the product demands that millennials are looking for. And if you look at some of the lifestyle applications that you see on the floor here today, those are the kinds of things that I think we can be the leader in.

I don’t see us as a content company. I don’t see us as a big software development company. I see us as the platform company that makes all of those things work and a few applications that will really drive some interest and some loyalty in our overall product set.

**Mike Rollins - Citigroup - Analyst**

Is there a sizing of revenue or the opportunity that you can help investors understand in terms of whether it’s the Internet of things, or the platforms and solutions that you are thinking of providing that you could share with us today?

**Lowell McAdam - Verizon Communications Inc. - Chairman & CEO**

Well, early on in a product cycle like this where we are with the Internet of things, you see a lot of wild assumptions of revenue, so I don’t think I can shed an awful lot of light on that. But as you look at various analysis and I think the Cisco study is the one that gets published the most, but these major segments can generate worldwide $20 billion, $50 billion of revenue.

You do the math on that for a company like ours in the US. Each of these applications could be several billion dollars worth of revenue.

The point is you’ve got to string a bunch of those together to really matter when it comes to the size of a company like Verizon, but we think we can be significant players not only in the transport but also the applications revenue.

**Mike Rollins - Citigroup - Analyst**

As I think about the last two years of us chatting at this conference, for a couple of years we have talked about the structure and the potential and then your decision to gain control of the Verizon Wireless minority. As you think about the strategy that you just laid out for us, how do we think about what the asset mix of Verizon should look like in term of opportunities to further evolve the Company's asset base?
Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, you allude to the question of "are we going to go international?" And how do we feel about the purchase of Vodafone’s interest in Verizon Wireless, and I feel terrific about that. I would do it again in a heartbeat.

I still spend a fair amount of time in Europe. I was there before the holidays. I don’t see that market changing significantly.

We always said in the next three to five years when we did the deal that the US was the best place for our investments and we still feel very strongly that way. So I think that’s the first piece.

The second is, similar to the strategy continue to invest in the networks. Some of the new technologies that we are rolling out are very well suited to what we see as the big driver of network capability and that is video, so we are investing heavily in that. I think you will see us get into the application space but not all the way to content. I know there is another rumor in the press here today.

I think if I had a dollar for every company that we were supposed to buy, I would be in pretty good shape financially here. But we will look at companies but I think we are going to be much more in a partner with media companies and content companies versus acquisitions as we go forward.

Mike Rollins - Citigroup - Analyst

For some of those who may have missed the press report yesterday, are you referring to the AOL press report —?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

That’s the one of the day, I guess, yes.

Mike Rollins - Citigroup - Analyst

Are there any specific comments that you can make to that?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

No, I think AOL along with lots of other media companies are potential for us to do partnering with on a commercial basis or whatever. But to say that we are having significant acquisition discussions is really not accurate.

Mike Rollins - Citigroup - Analyst

On the other side as you think about the asset base, are there opportunities to prune or monetize? I think in the fourth quarter you may have talked about the opportunity for towers. Are there opportunities on the Wireline side to further optimize what you have given the mix of copper and FiOS and some other maybe enterprise applications that you still operate?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes. I think Mike, in general we are very focused on concentrating our efforts. And so owning the tower base or potentially monetizing that and turning that into a different asset is something that we’ve been very clear about and it has taken a while to get the kind of operating deal that we wanted to have and I have to congratulate AT&T.
I think they bent the curve in this area and we are going to bend it even further. But if we get that kind of deal, we would consider selling the towers.

I’ve also said there are certain assets on the Wireline side that we think would be better off in somebody else’s hands so we can focus our energy in a little bit more narrow geography. We are also, I would remind the audience, that we are doing an awful lot of trimming back the copper and modernizing the network by moving people off of copper onto FiOS. That’s a very positive thing for the customer and for us.

And we're moving a lot off of copper onto wireless, as well, especially for voice services and lower speed DSL. And that allows us to have the maintenance savings and gives the customers frankly better service than they would on antiquated copper. So we’re doing a number of things to sort of prune the assets down and be a bit more focused.

Mike Rollins - Citigroup - Analyst

If we could dive a little deeper on the wireless side, the competitive landscape from promotions seemed to heat up in the fourth quarter. Can you talk about your approach to the competitive environment and what you focused on in terms of what you thought would help improve revenue and improve your share?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes. Competition in the market has always been strong, in my view. Some of the names have changed.

Right now I think you see a little bit more activity in social media so there’s a little bit more hype around it but there’s always been competition over networks. There’s lots of price competition now, moving revenue dollars from handsets over to service revenue.

So a little bit more complicated for customers right now than it has been. Our focus has not been to lead that charge down. We think that we can command a premium and we do command a premium in the marketplace.

Fourth quarter is very good for us. Churn is up a little bit. Clearly customers are moving back and forth and seeing whether the claims are true.

But I am very comfortable with the quality of the base and the quality of that movement for us. We track that very closely and the ARPUs associated with the customers coming in are higher than the ARPUs of the customers leaving and our upgrades and our retention efforts are very focused on the individual account.

We divide our base into actual basis points, so every 1% of the base we’ve got a profile on we know how to go in and give them the offers that keep them -- keep the high-value ones especially -- with us. So while churn is up a little bit and upgrades are probably in the fourth quarter approaching 10%, but those are very positive upgrades for us. And as I said, the churn is resulting in a higher quality customer that joins the base of Verizon, so as I said we are very happy with fourth quarter.

Mike Rollins - Citigroup - Analyst

Are we at a point, though, in the industry where the competition on data pricing is faster than the growth in consumption? You’ve got this period of time where to be competitive in the marketplace you’ve got to give up a little bit on the revenue side, or maybe even more significantly on the revenue side, to maintain the type of velocity that you want to maintain?
Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, there’s really two aspects of that. First from the network side, this reminds me of the days of voice and then the days of SMS and now the days of data where if you look at the top-line price, it looks like things are going down but the costs are going down equally so you can maintain some profitability.

Just as the example, when we went from 3G to 4G, our efficiency of the network went up by 8 times. So you can take a pretty significant price cut and your costs are dropping at the same level. So I don’t think we are at a place where we are going to see a huge drop in profitability.

You certainly see cycles and we talked about about fourth quarter we will have such a high volume because of the iPhone launch. But there is some pressure on bottom-line earnings but we see that every time there is a significant handset launch, or you are going through fourth quarter, so that doesn’t change.

I think the other thing, Mike, the other phenomena going on here is you have had, and you will have some guests on the stage here over the next couple of days, that have said look, my network isn’t any good and the only thing I can compete on is price. So they are going to compete on price.

Now if you believe that they will be able to make their network be less of a drag versus the competition, then they will get to a point where they don’t have only price to compete on and things should stabilize a bit. So while we are going through a period of increased hype, I would say, and increased competition, I think that will stabilize out over time.

Mike Rollins - Citigroup - Analyst

What do you think about the possibility that the competitors, Sprint, T-Mobile, are focusing more on the urban areas? So what they are doing is they’re going after maybe a smaller customer segment than what you might focus on with your network and therefore that their competitive strategy may actually have more legs because they are focusing on a more finite customer target market?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Look, I think any competitive industry -- Southwest doesn’t go head-to-head with United, who doesn’t go head-to-head with Virgin America and it is no different than any other capital-intensive business. I think you are seeing the strategies amongst the big four vary dramatically with AT&T buying DirecTV.

All of that is great. There’s 350 million customers out there and all of them will be carrying four or five devices here when you look at the Internet of Things. There’s a lot of segments out there and if everybody’s doing the same thing, I don’t think that helps customers.

So it’s a good thing for the industry that everybody is lining up and going after different segments. That will be great for customers and by the way, I think that is another factor in why we don’t need a lot of regulation in this industry.

Mike Rollins - Citigroup - Analyst

As you invest in capacity and the growth of your business, some observations that you have the fewest number of reported cell sites, you have a lower amount of spectrum per customer, do you believe that given some of the comments you’ve made on the cost side that Verizon can maintain its margin leadership while continuing to grow revenue and growing the capacity of your business over time?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

It’s funny, Mike, I have to laugh -- people like to take a very complicated industry and say, well, it’s like the number of cell sites is what is going to be the thing that makes somebody competitive over the long term. As an engineer, I wish things were that simple. They are not.
You really have to look at the technologies that are available, the spectrum that you have, the geographies that you cover. We built our network on CDMA, which didn’t require the density of cell sites. Now the technology is such that you go in with these distributed antenna systems, which can go in very quickly, very inexpensively, and can fill in that under the large umbrella sites.

So it’s actually a lot cheaper for us to have the network that we’ve got than it is the ones who have these large towers, these lattice and monopole macro sites that are out there. So the technology has moved our direction and the spectrum that we have -- if we had all AWS or all PCS you would have to have factors of 2 or more cell sites than we have.

Our network spectrum portfolio is based around 700 and 850 with AWS and PCS deployed just for capacity. So I would argue that our network architecture allows us to have the lowest cost structure out there and the technology going forward will allow us to keep that lowest cost structure.

**Mike Rollins - Citigroup - Analyst**

To finish on the margin discussion in wireless, there’s couple of observations that we’ve been talking about this morning. The first is the higher upgrade volume; second is some of the rate plan promotions. Is there a way to think about which is having the greater impact on the margin pressure that you previously disclosed?

**Lowell McAdam - Verizon Communications Inc. - Chairman & CEO**

Well, the biggest impact in fourth-quarter margin is the volume. We are -- on the 22nd you will see those numbers, but strong smartphone growth, strong tablet growth, strong IoT growth. That’s the biggest thing that drives the margin for us going forward.

There’s a number of folks from Dan’s team in the audience and they are very focused on what we call VLSS, or Verizon Lean Six Sigma. Going forward we’ve got a great opportunity to take more costs of the business, a lot out of supply chain, a lot out of customer service by using the web more effectively and Dan’s team is very focused on that.

So I think we took over $5 billion of costs out of the business just through process improvement in 2014 and we will do the same thing in 2015. So that’s where we will see the sustained margin that we’ve delivered historically.

**Mike Rollins - Citigroup - Analyst**

Maybe switching gears for a few moments, if we could tackle some of the regulatory issues that are in front of you whether it’s the FCC’s decision on data roaming, net neutrality, even the idea of tax reform. Maybe if you could give us some of your thoughts on how you’re looking at those issues?

**Lowell McAdam - Verizon Communications Inc. - Chairman & CEO**

Yes, so first we will do the easier ones first here. So on the tax issue, we are very pleased that the bonus depreciation was given retroactively. Obviously we would like to see it into 2015 and beyond and we would really like to see a broader tax reform.

I think everybody is aware of where the US sits in the corporate tax structure and it’s really a global impediment to competition where we sit. But I need to complement Randall Stephenson and John Engler at BRT for their work on this tax reform. So we will continue to push that forward.

On data roaming, the fact that the FCC wants to get involved in that is a real head scratcher, I have to say because they have been very vocal about wanting to get broadband coverage built out into rural areas. Well, if they force data roaming and they get involved in the pricing for that, and you see it around the world, that will stifle the incumbents that have built the coverage, like AT&T and Verizon, from investing further. Because you won’t get as good a return and it will frankly dis-incent the smaller carriers from ever building in those areas.
So the FCC almost shoots themselves in both feet if they try to get involved in data roaming. So we will hopefully see people figure that one out.

Title II has been in the press forever. It is interesting, I was sharing with you Mike, I had a chance to read the Nobel Prize in Economics this year, which talked about regulation of utilities. And two of the cardinal sins that they talked about is taking regulation meant for one industry and applying it to another ecosystem and the other was taking something that was enacted decades ago and trying to apply it to a current environment, are both major errors in thinking about good regulatory policy.

And so taking something originally applied to the railroads and then maybe to fix the monopoly Wireline and applying it to a dynamic environment like mobile today is just silliness. Other than a political move it doesn't make any sense.

And I think the people that have really studied Title II don't think it's a good idea. Just before the holidays you saw 35 companies I think it was all in the high-tech sector sending a letter to Chairman Wheeler saying it was a bad idea.

You notice the deafening silence out of Silicon Valley in support of this. So it's a bad idea and it will have a lot of unintended consequences.

I think the bright spot here is that the Hill is now starting to circulate some potential legislation. We are not privy to all of the details of it but from what I have heard it is very simple, no throttling, no preferred access to websites, keeping what net neutrality is really meant to be pure and not allowing advocates for a certain financial model to take over the dialogue here. So I'm hopeful that the legislation will become law and we will see some compromise and move this forward because frankly the lack of certainty around this will impact capital deployment in the future and I don't think that the economy can stand that.

Mike Rollins - Citigroup - Analyst

If we switch gears to the video opportunity and I feel like over the last few months you've been providing some little tidbits of an upcoming video strategy platform product. If you can maybe give us some more details and paint maybe a more detailed picture of what your video strategy looks like beginning in 2015?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, I'm going to be a little careful about talking too much about that. I think when I see Tim Cook up at events detailing what the iPhone 8 looks like then I might move more in that direction. But I think I will keep this strategy behind our closed Verizon doors for now.

But I think what I would say, Mike, is you see starting last summer, the movement of the content providers led by CBS and Time Warner to open up their content. They do see that millennials are not signing up for 300 channels that they have to sit in front of the TV at 8:00 to see a certain show. Yesterday you saw Dish Sling announcement on a joint venture with a lot of content available for use over-the-top.

So we are very happy with the way content is moving. And that is not to say that every show is going to be available over-the-top but I would tell you it is not going to be a 300 channel offering anyway. It is probably going to be a 20 or 30 channel offering and the content that we see will be very compelling.

We just finished negotiations of a lot of content deals in the fourth quarter. It was just normally part of the cycle and we were able to get the provisions into that content that we are looking for. So our strategy will be a mobile-first sort of offering.

We have the assets in place between the OnCue asset that we bought from Intel, and the Verizon Digital Media Services we bought EdgeCast and upLynk in the last year. They provide the technology platforms to do this. So we are confident the second half of 2015 we will have a nice product set out there.
Mike Rollins - Citigroup - Analyst

So if I could ask one more thing on this, do you see yourself as an enabler, as an aggregator, a distributor? Is there some stronger direction in those avenues that investors should be thinking about Verizon’s approach?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

I don’t see us as owning a lot of content. There might be -- if you think about that three-tier strategy that we talked up front, certainly we will have the network. Certainly we will have the platforms.

We have already made those investments. We will be an aggregator and a distributor for most of the content that will ride over that sort of a platform. There may be a few instances where we have some of the content.

We already insert advertising for our VDMS customers and we will continue to do that. How far we move upstream really depends on the economics and how the market evolves.

So we’ll see how that shapes up over the next three to five years but I think we’re in a position that we could go either of the directions that you mentioned. It just depends on where the market goes.

Mike Rollins - Citigroup - Analyst

You describe that you did a number of deals in the fourth quarter related to content. After getting through those and as you look in the future, do you think you need more scale in the linear video market to have scale in the procurement of over-the-top distribution of content?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

No I don’t, Mike. I think you take the cues for that out of where the market is going and whatever you read about millennials it is not linear and it’s not broadcast. They want to see what they want to see from whatever source and mostly that is digital media versus the linear broadcast, so I don’t think we need to be in that space.

We may dabble in it. That’s not to say that other strategies are incorrect here, but for us given the assets that we have, I think that’s the right approach.

Mike Rollins - Citigroup - Analyst

So a few years ago, actually a little more than a year ago, when you were describing your goals for buying the Verizon Wireless minority, one of your aspirations over a few-year period of time was to get back to the pre-transaction credit profile. Is that still the strategy for Verizon and how do you think about this lower interest rate environment in terms of how you should handle the balance sheet?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes, the lower interest rate environment has hung on more than we would’ve expected but our overall strategy hasn’t changed, Mike. We said to those that bought our debt that in four to five years we would get back the one notch downgrade that we had and we are still committed to doing that.

So as I think about allocation of cash flows it is first for things like the network. I know I am beating the same drum here but we’ve got to keep that strong, so the spectrum auction is a good example of that. Then it is paying down and meeting our debt requirement and if you have followed us
closely you will see we have done a lot to sort of restructure the towers of debt by year so that we can smooth those out, so we have been very active there.

And then we said paying the dividend is critical to our shareholders. Now the thing that is interesting here that is evolving and if we monetize some of our assets, and you mentioned towers and there could be others, then you could either accelerate debt repayment or you could take a look at potentially buying back shares because we put an awful lot of shares into the marketplace when we did the Vodafone deal.

Given the cost of some debt now the shares are actually a bit more expensive for us than debt. So while we meet our obligations around that four-to-five-year commitment we may still be able to do a little bit of share buyback.

And so as we monetize assets that will be involved in our thinking and our recommendations to our Board and then we will see where we go. I think that's the additional dimension that we are now considering.

Mike Rollins - Citigroup - Analyst

And in terms of just one more follow-up on the monetization topic, on the Wireline side, is it possible to monetize parts of the Wireline telephone network that might be within states or within regions to further optimize the mix of FiOS or what you view as important to the business?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes, I think there is. We have met with our regulatory teams about this specific possibility and it varies on a state-by-state basis.

And I know in the past we have sold entire states typically but I think there's an opportunity for us to trim out some particular markets in a state and hold on to other markets in a state. And so that is a possibility for us as we move forward.

Mike Rollins - Citigroup - Analyst

Has the idea of a REIT structure influenced whether it's the monetization perspective or how to financially manage the Company at the corporate level?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes. We do a lot of work on real estate. We have sold a lot of our holdings in New York, as an example.

But putting the entire Company -- I know there's been rumors about the wireless network going into a REIT. That's kind of silly thinking to take your best asset and move it into something that you don't have control over.

Even on the Wireline side if you contributed some of that network, you wouldn't be able to monetize pieces of it. And in such a dynamic industry I want to be able to move those assets around the chessboard as needed and a REIT structure does not allow for that. So there is no plan to do anything like that.

Mike Rollins - Citigroup - Analyst

Are we getting closer for the Wireline business to be able to grow revenue in aggregate? And in the past you talked about the cost-cutting and margin opportunities. Is that something that you still believe is in front of you?
Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes, Fran and I said we were going to expand margins in 2014 on the Wireline side. We have one more quarter to report but we are feeling good about that. I think we can do the same thing in 2015.

We have similar process improvement work going on there. We have cut another roughly 200,000 customers off of copper onto fiber this year.

So yes, I do believe. Now certainly the enterprise group does continue to have that pressure and until I see things on the bottom line I am not going to feel like we have turned the corner there. But we are seeing some additional bookings on the enterprise side driven by our cloud and our security.

Every time there’s a major breach and some hacking, our security business spikes. And we do a lot of cloud offerings with that.

So FiOS is a big driver. The strategic services we call them, and enterprise is a big driver.

What we have to do is continue to do process improvement and maybe trim some assets on the older technology in order to return to a very strong revenue top-line and bottom-line growth. But I see that in the future.

I see that over the next few years. It’s not on us right this quarter.

Mike Rollins - Citigroup - Analyst

I think we had a couple of microphones running around the room, so if there’s any questions from the floor please raise your hand and we’ll get to you. Just another question going back to what you were describing, Lowell, on the churn side being up in the fourth quarter. And you mentioned also about the quality differences that you are seeing in and out.

Can you give us maybe a little bit more perspective on what is happening with churn, what’s happening with account size within your base? You provided more disclosures on account math. And are we seeing a new dynamic in the industry emerge, or just something that you feel is temporary in nature?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, competition is never going to be temporary in our industry, so there will always be sort of the latest offer. I think the fact with the iPhone 6 coming out, which is a very profitable and strong device for us, and with AT&T and Verizon having major parts of their base on the iPhone and the other carriers having more recently got it, that was the opportunity for a lot of people to potentially come out of a contract and move around.

As I said, we went out and did some inoculation of the base through our loyalty offers and that’s why we feel good about who we lost and who we gained. But I think this was a particularly heavy quarter and that’s why churn is up because there were so many iPhone customers coming out of contract. I think, Mike, the stabilization that I expect to see is more driven by the science of a heavily capital-intensive business.

If particularly Sprint and T-Mobile invest in their networks the way they say they are, and I know T-Mobile has been in the auction so they will have some debt load associated with that, you have to generate cash and the only way you do that is by profitable growth. And so I think you see some frankly irrational stuff going on right now but that will be driven by the science of a capital-intensive business over the next couple of years. So we are not waiting and holding our breath for that.

We are moving forward with the product sets that we talked about so that we can change the game and continue to raise the bar through our offerings. But the laws of competition, I think, are going to prevail here over the next year or so.
Mike Rollins - Citigroup - Analyst

And as you've highlighted in the past the amount of customers that are on basic and 3G phones and your focus to get them to 4G, what do you see from data consumption as people move to 4G? And maybe you can even give us some insight into when the customers are on 4G, what the natural level of consumption growth is looking like for data?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, what we see when customers go to 4G, we usually see at least a couple of dollars of increased revenue even with the pressure on pricing coming down that you've talked about in the bigger data buckets. But we also see moving up in the number of devices per account, which then makes the customer even more sticky to a company like Verizon. So we have been slowly edging that up where we have gone from 1.7 devices to 2.2 to 2.5.

Now we are up in the high 2s approaching 3 devices per account. So the overall ARPU or the ARPA, the average revenue per account, continues to go up and we have seen that last year.

Now I don't expect that we are going to maintain 8% or 6%. But I do expect that even with the revenue pressures, we should see some accretion here as we go forward because we will be adding that many more devices per account.

Mike Rollins - Citigroup - Analyst

Maybe just to wrap us up as we have a couple of minutes left, if you wanted to maybe summarize your perspective on the US market where maybe different than some of your competitors, you seem to be staying much more focused on the US opportunity. And maybe talk about over then the next 12 months how you see your strategy translating into the opportunities for investors.

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, the US, I think, right now is really the showcase for any other country in the world around innovation and investment. You see every carrier making multibillion-dollar, tens of billions of dollars of investments in their network because of the demand that we see. When you see and you walk the floor of a show like CES and you see the amount of innovation going on in the US, it is so much more than you see in any other part of the world at this point.

And I guess just for closing for Verizon, the assets that we have assembled over the last 15 years of being a strong leader in telecommunications, whether it be FiOS or cloud or our XLTE networks, we think we are in a tremendous position to take advantage and ride that wave as we go forward, not just from the premier network provider but also from a premier platform and some selected applications. Continue to be a leader in this area.

Mike Rollins - Citigroup - Analyst

Lowell, I want to thank you for joining us and kicking us off this morning. Thank you very much.

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Thank you.
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