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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

**Matt Ellis** *Verizon Communications Inc. - Executive VP & CFO*

## CONFERENCE CALL PARTICIPANTS

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

## PRESENTATION

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

Good morning, everybody. This is Tim Horan, the cloud and communications analyst at Oppenheimer. Welcome to the second day of our tech, communications and Internet conference.

And as usual for the last 21 -- 20 years I've been here, we've been kicking off with Verizon as the keynote on the second morning. And I'm proud to have this year Matt Ellis, the CFO of Verizon.

And we're -- just to let everyone know, we have 40 minutes. If you feel like asking any questions whatsoever, just send it to the Wall Street Webcasting chat, and I would be -- kind of include those questions as I kind of go along with the fireside chat here.

But with that, I'm going to turn it over to Matt.

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Thanks, Tim. Good morning, everyone. Great to be here with you this morning.

And just before we get started, a little bit of housekeeping. Draw your attention, of course, to our safe harbor statement on our SEC website and -- or our SEC filings and our IR website. We may be making some forward-looking statements.

And just wanted to get that out of the way before we get started, Tim. So thank you.

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## QUESTIONS AND ANSWERS

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

Thank you, Matt. Maybe we could just start off just reviewing the second quarter. From my point of view, it just looked like another string of a couple of years of phenomenal wireless and solid wireless growth. But looking at what you think the main takeaway is and kind of what's been driving the growth rate.

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes, yes. So as I think about the second quarter, it was really a phenomenal job by the team. And the word unprecedented has been used way too much over the past few months, but it really was operating in an unprecedented environment. And the team just did a phenomenal job.

You see it in the operational results. 173,000 phone net adds even in this environment was a testament to that. And then, our consumer business actually up on a year-over-year basis, so great operational results.

Financially, the EPS -- \$1.18 adjusted EPS versus \$1.23 a year ago, but \$0.14 of COVID impacts in there. So as you can see, continuation, as you mentioned, of a number of quarters now of strong financial results along with that. And then obviously, that flowed through to the cash flow, very strong cash flow performance as we went through the quarter there, ended up in -- right at the upper end of our target leverage range at 2.0x net unsecured debt-to-EBITDA. I believe we've now met the commitment we made in the Vodafone deal a few years back to get back to that credit rating profile. So feel really good.

And the other thing we feel really good about is not just a good quarter but the momentum through the quarter. And we kind of went over that a little bit on the earnings call, but June was, especially in the consumer side of our business, the strongest part of the quarter. So a good quarter but also with momentum coming out of the quarter as we head into Q3.

If you think about on the consumer side, activations -- total postpaid activations in the quarter were down 17% in the quarter as a whole. They were only down 9% in the month of June. And that compares to about negative 44% in that initial mid-March to mid-April time period. So as we've been reopening stores, we've seen a lot of good momentum there. And that was a great way to end the quarter.

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

Has that momentum continued?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes. We've seen -- we've really got a couple of different things going on. So first of all, we ended the quarter with over 60% of our stores open. And we said we'd expect to be at close to 100% by the end of July, and we absolutely were. So you've got that increased distribution that -- even from where we ended the second quarter, already in place by the end of July. So that's a positive.

Now in the other direction, obviously, in July, we had an increase in the number of cases around the country, certainly in the South and the West. And so we saw that have some impact on traffic flows in certain geographies. But all in all, we continue to see some -- the activity across the business that we would have -- that we were seeing at the end of the second quarter there. So good momentum as we go into the third quarter.

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

Any -- now that all your competitors have reported, any surprises in their results or in their operations?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

No. I mean obviously, what they report -- we're in the marketplace with them on a daily basis, and so it's very rarely that their actual results are a huge surprise because we got a sense of how competitive the market is, who seems to be doing good, all the rest of that type of stuff. So not really a surprise in terms of what we saw in their results or to be perfectly honest, in the actions we saw during the quarter. I mean they were largely in line with what we expected.

I mean there's obviously a fair amount of competition out there. We welcome that. We've done good in the competitive environment over the years, and we don't expect that to change. But nothing that significantly surprised us.

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

One thing that seemed to help in the quarter was the fact that you guys seem to have the best voice quality out there. And as I think -- as people now are actually doing -- working and living on their wireless devices, like I am, voice quality, as anyone who works with me knows, is really, really,

really important to me. I know it's tough to quantitatively kind of give examples of the voice quality, but can you talk about qualitatively how your voice quality compares to your peers and how important is that to your kind of customer wins and customer base?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. I think it goes back to just the history of us as a company. You may remember an advertising slogan around our voice quality and coverage. And back -- what people have remembered over the past few months is you can actually make phone calls on a smartphone, right? And so as people start doing that again, obviously, that voice quality matters. And our engineering team has done a fantastic job over the years of -- even as we pivoted towards data being the primary usage, that the quality of the phone call is still as good as it should be. And that's -- even as we pivoted from the older 1x technology over to VoLTE, as we made that pivot to VoLTE, one of our guiding principles was we cannot reduce the quality of the service. And so our engineers did it the right way.

And look, you hate the fact you have a pandemic like this for people to kind of talk about voice quality again. But as you said, people are using their phones much more in the past 3 months than they had in a while. Voice quality matters. And we're very happy that we continue to lead in the voice quality of the options out there, and it's a testament to the hard work of our engineering team over many years.

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

So just kind of switching back to the trend here now with COVID. Can you kind of talk about what other impacts you're kind of expecting in the next -- this quarter or the next few quarters and maybe the impacts to the SMB market and maybe supply chain and the [other areas] impacted by COVID, just any high-level stuff?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So supply chain has not been significantly impacted on whether it be network equipment, handsets or so on. We've had a few little bits and pieces, but nothing material or significant.

I mentioned the stores. Obviously, we went from a period of the vast majority of our stores being closed to now they're virtually all open, but in a different manner. I mean we now have what we call touchless retail. We're doing a lot more curbside pickup. But those points of distribution are now essentially reopened. So you've got that.

We have our network teams. You think about Fios as an example. There was a period of time when we weren't out in the field. We're now back out in the field servicing customers and doing all the things we like to do there. So there are some things there that have -- we've got back to where we would like to be in terms of the ability to service customers in the way that we historically had.

We touched on some of the trends in the pandemic around the country and how that may be impacting foot traffic. Obviously, how we progress against the pandemic is going to have an impact there. And so we're watching that closely.

You mentioned SMB. That's certainly an area where -- like, I think, not just within our space, but every sector that services SMB sees some stress in that sector. So far, nothing overly significant, but watching it closely. The economic situation is going to now drive a lot of the activity, right? And so how quickly do we see unemployment continue to recover? Do we see SMB continue to recover and so on is going to be a big part of how long some of the impacts of COVID show up in our business. So we're watching those things closely.

I can't tell you what's going to happen with the pandemic. But what I can tell you is we have a business that's shown incredible amount of resiliency and for the size of our business, a great deal of agility as well. And you see what we've done over the last 5 months, some of the adjustments we've made. You've seen the results in the business.

We have a product and services that the customers, whether it be consumers or businesses, want to continue to buy from us. As they are making decisions about which things are they no longer going to need to buy, they are not cutting back, they don't want to cut back on our service. So that's a great place to be. You see that in the results, and that's what we're focused on as we go through this.

We're continuing to do that. We're continuing to do the things to make our business better like rolling out 5G and so on. And we're going to stay very focused on those things that are within our control. And I think we've done a great job of that so far, and I expect the team to continue to do that here over the next few months.

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

And you've gotten a fairly large advertising business now, and that's been obviously volatile through COVID. Can you give any update on the trends there?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes, yes. So obviously, especially in the early part of the pandemic, around the end of the first quarter, we saw a significant reduction in advertising activity, not just on our platform but in the whole advertising space. And it's good to see that pick back up. We were down -- our media revenues were down approximately 25% in the second quarter, but 19% in June.

So that was -- we started to see some improvements as we went through the quarter there. Just like I talked about the foot traffic and so on, on the consumer side, the same thing in the advertising space. Obviously, those things are linked. And so it was encouraging to see that improvement in the trends on the advertising side. Obviously, a long way to go to get back to where we want to be, but some positive signs there at the end of the quarter.

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

So maybe just stepping back to the big picture. Can you kind of update us on Verizon's kind of long-term strategy? I know you have a lot on your plate. You've restructured the company along company lines. You're obviously investing a huge amount on 5G. Your go-to-market has kind of changed actually and, I think, improved quite a bit the last couple of years. But just at a really high level, long-term strategy.

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes, yes. And really, no change to the strategy. It's about the network, Network-as-a-Service. The network is at the heart of the strategy. That's been our foundation for many years, and it will continue to be so.

So as you think about the strategy, it kind of fits with the priorities we had coming into the year. We talked about growing our existing businesses. Obviously, we made that statement before COVID had come along, but you see even with that, some tremendous activity. And then to be building new businesses and 5G obviously is a big part of that. And then doing that while producing strong financial results and strengthening the balance sheet and we've certainly done that already this year.

So our strategy is consistent with that. We're going to continue to execute on that and aim to hit our goals for the full year. We're on track to do that halfway through the year, even without -- even with the impact of COVID.

We talked about getting another 30 cities on 5G Mobility this year. We're very much on track with that. We talked about getting 10 MEC locations up and running, the mobile edge compute on 5G. We announced 2 of those last week, the big announcement with AWS.

And then also getting the 5G home markets up and running this year, we're on track with that. We're getting the next-generation chipset right now into the CPE devices. Look forward to launching that here later in the second half of the year and really rolling that out.

So we're on track with all of the priorities we laid out at the start of the year. We're continuing to have good progress growing our core business while we're doing that. But it's really all around making sure that we have a plan to have the best network experience going well into the future, building on that Network-as-a-Service platform, which we're very well positioned to do.

And you start to see now, with like some of the announcements like the one last week with AWS, some of the -- some proof points, putting some meat on the bone around those things you've heard Hans and others talk about for the last couple of years about the Network-as-a-Service strategy. And so very encouraged that these things are coming to life, and I think we have a very strong opportunities ahead of us as we pursue the strategy.

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

So the last few years, actually around this time of year, I think, you guys have had some really great pricing moves and promotions that have helped sustain momentum. When can we expect to hear any new announcements this year?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

If I told you, I think Ronan might come and beat me over the top of the head. So I'm not going to preannounce anything that he and the consumer team are going to do. But you're right, we have, around this time of year, kind of refreshed our pricing plans, not just from a price standpoint but the makeup of and the content of them. And we do that in the run-up to some of the iconic product launches and heading into the holiday and so on. So it's a good time for us to do that.

And really, what you've seen over the past few years with that is, when we shifted to unlimited, we changed the currency. The currency used to be how many bits of data did you have in the bucket. You buy a small bucket, medium bucket, large, whatever.

And when you move to unlimited, you completely change that. So we said, "Okay. How do we still have -- rather than be kind of a one size fits all, we give customers the ability to choose what's right for them?" And so we've done that by providing different tiers, bringing different things into the plans with our, we call it, Mix & Match. We allow our customers to not just pick something for the whole family, but pick the different plans for different members of the family within an overarching family plan. And that's been very successful for us.

So obviously, last year, we brought Disney+ into our unlimited plans. That was very successful for, I think, everyone: for us, for Disney, for our customers. And so we've got some -- I'm fairly sure Ronan and his team have got some things they're planning on here, and -- but I'll let them announce it -- what they're doing at the right time.

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

And obviously, the goal here is not just subscriber growth, which is helpful, but getting people to trade up to higher ARPA plans and -- well, unlimited plans. And then when they're on unlimited, you have many, many different tiers of unlimited. Then they're adding more and more devices on. I'm sure the Apple Watch has been phenomenal to drive it up and other things. But can you talk about how much more ability you have to get people on unlimited and then when they're on, how much more...

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes. We continue to add people to unlimited. Obviously, those people have the ability to move to unlimited and reduce their price monthly. So those people are paying for a big bucket of data.

They all did that early. I mean that all happened in 2017. So now we're in the process of a vast majority of people were going to step up to unlimited. And that's been something that's been happening every month, but we still got significant runway.

At the end of the second quarter, around 57% of our base was in unlimited. Now that's never going to get all the way to 100%, but it's still got a significant amount of runway, and we continue to add to that each month and each quarter. So I expect that to be a source of ARPA accretion.

And then within unlimited, as you said, one of the reasons we've created the plans that we have, the majority of people come into unlimited at the lowest level and then we have the opportunity to step them up within unlimited plans. And great success in doing that. But then the other thing that's happened since last year is rather than people just coming in that lower level, they're actually coming in at those higher levels at a greater frequency than they were prior to last year's pricing launch.

So we have that ability to bring people in, step them up. We'll continue to do that. 5G Ultra Wideband, you only get if you're on our upper tiers of unlimited. We think that's right and appropriate because it's a differentiated service that customers are going to see value in. But certainly, as I think about growing service revenue, we have runway to do that through both increasing the volume of customers we have and increasing the ARPA as well. And there's still runway ahead for us to do that.

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

And I think 5G seems like it could be somewhat of a catalyst for that, I guess. To get the 5G, actually, service, you have to be on some higher-tier plans. But just maybe any update on what customers on these new handsets really like about 5G? Is it -- are you seeing a much improved latency? And any early indications of maybe usage on these 5G devices or new applications of 5G? And I know it's very early.

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes, it's very early. And that's -- for those things that are starting to come, the work with the app developers and so on is very exciting in terms of the things that they're starting to develop. So customers do see a tremendous increase in latency and speed and so on. And it is amazing when you get to do it and you're standing now holding a 5G phone in a real-life 5G environment and downloading a movie in less than 10 seconds. And so in the space of 10 years, we've gone from you wouldn't even try to download a movie wirelessly, you'd only try and do it over WiFi or even like physically connected the device into your computer or whatever not too long ago and now you can download a whole movie in sub 10 seconds, right?

So it's -- the speed is there, the latency. Now the applications that can use that are being developed. And I think not so much necessarily from a mobile environment, but if you saw some of the videos that we showed last week at the AWS launch, there was a couple of them in there, one around the shot track, I think, with the basketball; and then another one on a medical one, where you see the use cases of this latency in 5G.

And initially, when we talked about the latency that comes with 5G, it was like, "Okay. That's great for autonomous vehicles, but what else?" Well, now you're starting to see, as we work with people, people are figuring out why that latency matters so much more. And so those applications are being developed, whether for consumers, whether for B2B applications. We're incredibly excited about what's to come there. And really, some game-changing technology, we think, will be in front of consumers and businesses in the not-too-distant future.

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

And I guess are -- do you have a lot of businesses you're working with right now on -- of them figuring out how to take advantage of 5G?

**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. One of the big things we did was, obviously, we've spoken a lot about what we did in our business, everyone did in their business of getting that -- getting people home in mid-March out of the office and so on, work from home. Obviously, our kids study from home and everything else. And that was a huge shift, right?

We -- our call center agents are still working from home. They're taking all the calls they did, they're just doing it from home now. So this stuff is all work and so on, we've spoken a lot about all of that.

One of the other things that we did as well to make sure we didn't lose a step while we're in this environment is we've spoken, I think, about our 5G labs that we've been -- that we've set up in a number of different locations to work with business customers, public sector customers on developing 5G applications, giving them a chance to come in and use 5G, see what it can do, figure out how it should work with their business and working alongside them on that. So we've got our 5G labs into a remote environment as well. And so we've been able to continue that work with our partners across many -- most industry verticals.

And it's interesting, in a lot of recessions, a lot of our business customers cut back on some of this spending. One of those questions that we often get at events like this is, "How much is your B2B business down because the economy is down, right?" And there certainly are some parts of our B2B customer base which are certainly cutting back in areas, as you would expect. But there's also a large part of our base which is saying, "The digital transformation that we have planned for our employees, how we interact with our customers and so on, if anything, while this sudden transition has happened, we need to do that faster." And so the engagement from a lot of our business customers has been even more aggressive than it was prior to COVID.

And they -- so there's a lot of activity going on with a lot of our business customers on how -- what 5G is going to mean for them. And I'm sure you've heard Hans say in the past 5G is the first mobile technology that wasn't created for consumers. Primarily, it was created for business and society, right? So we now have the ability to move enterprise-scale amounts of data over the wireless network. And as you do that and you do that combined with cloud and the latency that comes with it, the things -- the opportunities it opens up are pretty interesting here. But absolutely, no slowdown in the work we've been doing with our partners over the past few months on that.

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

So last year, Ronan talked about the ability to grow at GDP+ with all the investments you're making and with the network and demand and the volume growth. And I know it's not a straight line, but any updated thoughts on that?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

I'm as confident today as I was a year ago about that. We are -- obviously, 2020 has not been the environment that we all expected it to be coming into the year. But we've talked about how the business has been very resilient through that. And I continue to have line of sight 12 months closer now, if anything, to these things coming to fruition.

So it's a tremendous job the team has done in continuing to roll out our 5G footprint through this time period and all the other aspects of the development. So I think we're absolutely on track to continue and to be a GDP+ company here in the not-too-distant future. We've obviously got to execute to get to that point, but that's what this team does very well. And as I say, my confidence level today, when I look at it today, I feel great that we absolutely are 12 months closer to that than we were a year ago and very much still believe that's the path we're on.

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

And how important are partnerships to this? You seem, over the last couple of years, to enter into much more strategic partnerships than I think you had historically. I mean you mentioned Disney. We also have Snapchat partnership. You mentioned Amazon, Apple. You have other partnerships.



Should we see more of them? And can you expand those partnerships?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, yes. Look, I think those partnerships are valuable to everyone involved. And one of the things that's really been important to us, as we've now moved to so much more of the customers' activity in these type of spaces, moving to mobile-first. It used to be, when we approached a Disney, we did it as a Fios distributor. And we weren't the largest distributor of video, and we got the appropriate -- what you'd expect from that type of conversation based off who we were there then.

Now you pivot that to you bring the Verizon Wireless base of customers. And in terms of -- if you want to go direct to our customers, that is the best base of customers that you can work with. So now we come to the table much more in a partnership there.

There's things we can do to work on to develop together, I think what you saw with Disney last year, what we did with Apple Music earlier in the year last year. Things we're doing with AWS, we saw further evidence of last week. There is a lot of value for us to create working with these types of brands. We create value for us. It creates value for them. Our customers benefit as well.

But it comes from -- when you bring the great technology that we do, our existing mobile network, what we're doing with 5G, you bring the base of customers we have, we come to that and sit at that table there with partners with a lot to bring to that relationship. And so that's something the team has been working a lot on. We think it creates value all around, and so I would expect to continue to see us doing that.

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

So I am getting questions online here, quite a few, but one question on Disney. I guess some of the issue is people are concerned about the cost or Apple Music is -- and I know there's way more benefits to it that are harder to see from the outside. Can you discuss some of them?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. Look, I mean, there's certainly a cost that goes with it, but there's value that comes with it as well. And as we've talked a lot about, the value in our business is the longevity of the relationship with our customers. So as you think about Disney+ as an example, if it creates any extension to the relationship with the customers, it's very, very accretive immediately.

And so look, we look at the different ways that we can add customers and keep customers. Now we can do that through service pricing. We can do that through handset promotions. We can do that through the value we put into the bundle, et cetera.

And whether -- so we look at the cost of putting these things in. We compare it to the cost of other things we could do, like buy 1, get 1 handset and those types of things. And we look at what we think is the best long-term value. And as we look at these, we think these are great things to have in the bundle that attracts customers but also retains customers for a long time period.

And so I'm very happy with the -- when I look at the financials of some of these things in the bundle. They make a lot of sense, and they mean that we're not doing some things in other areas as a trade-off. So all in all, it's certainly something we think makes a lot of sense for us.

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

And can you -- I know it's hard to directly measure, but do you have a sense what it means for churn, bundling in more of these products?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. As you say, it's hard because you've got so many variables that are at play at once and you're not really running control samples or anything where you can isolate individual factors, but it certainly does have an impact on churn. I know if I talk to my kids that I was taking away their Disney+ subscription because of us changing carriers, that might not go down too well. So -- and I know I'm not the only person who would have that reaction.

So it certainly has an impact on churn, but it's hard to kind of isolate it down and say, "Okay. 2 points of churn with this, 3 points of churn with that." But we certainly do see benefit from it, and we've seen that. As you've gone -- since we've launched it, our churn continues to lead the industry and continues to be very strong. So it certainly has a positive factor.

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

And I'm just getting a question from the audience. I guess the Disney promotion is going to end here in the fourth quarter, I think. Do you have any plans to extend that or to alter that? Or maybe do customers start paying for that product?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

I would say we have -- Ronan and the team have plans.

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

Okay. Good. So more questions here from the audience. So on 5G, can you just talk about progress at DSS a little bit more? That seems to be pretty critical to getting the coverage. And specifically, these are questions from the audience. T-Mobile is basically talking up their coverage and their advantages. Can you talk about maybe how you compare to what they've launched or will compare by the end of the year?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, yes. Look, I'll start with DSS. We're very excited about DSS. We're on track. I actually got an update from the network team earlier this week on where they are, and they've made great progress. And we're on track to be in the position that we said. The network team would have it ready, and we'd turn it on when the commercial teams felt it was the right time in the second half of the year. So we're very much on track with where we need to be there.

And look, from a CFO standpoint, DSS is something that we've not had, but it's super exciting. This is the first time that I've had the ability to say that piece of spectrum, I don't have to allocate it to one generation technology or the other, right? If you think about it, today, over the past few years, it's -- our 700 megahertz, it's for 4G. Our 850 megahertz, it's for 3G, right? And as I think about this now, I'm going to be, "I don't have to do that." I can just say use DSS and say that spectrum goes to whatever -- whichever user needs it, a 4G user or a 5G user.

The ability to work an asset harder as a result of a technology like that is pretty exciting to a -- from a CFO seat in terms of driving a return on the investment that you made there. So we're excited about DSS. We're on track with it. More to come on that here over the course of the next few months.

And then look, overall against what the competitors are doing, obviously, as we're launching 5G, each of the carriers has different strategies on how they're doing that. We're very happy with the strategy we're doing. We think that 5G has to be a step-function change. And you've heard us use the phrase 5G built right, and that's not just a nice marketing phrase or saying. It really reflects what we're doing.

It comes back to what we talked about with the MEC and the functions that we can deliver. That only happens if you build 5G the right way. And we think millimeter wave is a hugely important part of that because of the bandwidth that comes with it. So it's a little longer build-out because

of the nature of millimeter wave, but we think that the quality of the network that we'll have compared to others will continue to deserve the Verizon name on it as has prior generations of the networks that we've built.

So we're excited about the way we're going about rolling out 5G, and there will be some marketing noise around different ways 5G is being built. But when you get into actually what's being delivered, we think we're going to be very happy with where we end up with it.

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

And the way you've entered your 5G, as you get new bands potentially of spectrum in the midrange, can you turn that up relatively quickly and use DSS on those bands? And I guess I don't know if you can answer on it, but you're successful with C-band. How quickly could that be turned up, you think?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes, yes. Look, first of all, I think the FCC has done a great job of bringing additional bands to the market here. Obviously, we're in auction right now. We're not going to say anything about that at all. But C-band coming later this year, glad to see they got that final part of that approved at the FCC last week.

So they've been doing a lot of good work to make additional spectrum available. We're happy with the assets we have, but certainly look at C-band as something that has a significant opportunity around it as well. So we'll see how that plays out. But if we were to be successful there, obviously, we'd want to put it into service as quickly as possible. The team is doing some initial work around what that would look like. But certainly, a path there to get it deployed in a reasonable time frame.

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

And last week, the FCC announced another 100 megahertz of mid-band coming out of the Pentagon, in around the 3.5 range. I haven't really studied it all that much. When do you think that could come to market? And is that a potentially attractive band also?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes. I think they're talking about it potentially auction late in '21. So again, it fits with the fact that they've really put a lot of energy behind bringing more and more spectrum to the marketplace. There's a lot -- there's obviously some few unique things about that piece, but it's an interesting band. It's a global roaming band, which adds a level of interest to it.

But I think we've got a lot of discovery still to do on that one yet. Obviously, there's some sharing components around it that we have to understand in more detail. But I think it's just representative of the work that the FCC is doing to make sure that the U.S. industry can be a leader in 5G. And we certainly want to be part of that solution as well.

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

So I'm getting a few questions here around wireline broadband. I guess specifically -- well, 2 or 3 parts of that. Are you seeing much uptake to the 1 gigabit service? And what is the footprint on the 1 gigabit now on the wireline side? And then the fixed wireline replacement on wireless, when will you really ramp up promotions of that and really go to market with that?

**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, yes. So let's break those into 2 pieces, starting off with the wireline piece. If you think about Fios footprint in the -- essentially the D.C. to Boston corridor, we're not expanding outside of that geography, but we are seeing strong demand for that product. Certainly, we're selling a lot of gigabit speed. I'm sitting on our Fios gigabit speed right now, and I've had no trouble over these past few months with my kids on video at the same time and everything else, right? So -- and I think a lot of people have seen the value of that in this environment.

So we got strong momentum in that business. We saw that in our results in June. We came into the third quarter still with a bit of a backlog to work through from what we had -- our techs weren't in customers' homes for a few weeks there. So good momentum in that business with very strong demand for Fios because of the high-quality nature of the broadband service there. And our homes customers are valuing that today more than ever.

And then you layer on the fact there's been even more cord-cutting taking place, so people are doing more of their video entertainment OTT as well. So we -- I expect to see strong demand for Fios going forward here. And certainly, the gigabit offering within the overall Fios offering has become very much the lead offer out there.

In terms of fixed wireless access as we think about 5G, you've -- as I said, we've been doing a lot of things to continue to get ready for that and testing things with customers. Very strong demand from the customers in the markets where we have it. The customers who have been on our 5G fixed wireless product for the past almost 2 years now, very good levels of customer satisfaction from those customers that have been on it -- in those initial 4 markets. So that's very encouraging to see.

We've been waiting to get that next-generation chipset into the device. It's a chipset that went into mobile handsets earlier this year. It's now available into other pieces of equipment. And so as we've been continuing to add more 5G sites, that expands the number of homes that can be available. We launched a sixth market on 5G Home just a few weeks ago in Detroit. We expect to have a significant amount more between now and the end of the year, and then we'll continue to do that.

So I see us getting the device out later this year, the next-generation device. And then as we continue to expand our 5G footprint, we'll see an expansion of the open for sale for 5G Home next year. 2021 should be an important year for really ramping the number of customers on 5G Home.

But in terms of the performance on the product, I've never been as excited about what we can do with the product as I am today. I mean, I think it's got tremendous opportunity for us. We're getting -- we're now just weeks away from when we'll have that right device out there from a hardware standpoint as well. And there's a lot of runway here to go on that product.

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

Great. So we have time for one more question. And the question is, what's it going to take for Verizon's multiple to increase on the valuation, I guess? The yield and -- your free cash flow yield versus the 10-year treasury is -- looks very, very attractive, as you probably know. We've seen other segments of the food chain multiples expand quite a bit, and I think part of that is because -- on a relative basis. And I guess what do you think it's going to take to get -- to kind of participate in that?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, yes. Well, look, I'll let all of you ascribe value to our shares. That's what all of you do. And our job is to develop the right strategy and execute against it, and that's what we're very much focused on. So as we do those things, I think that takes care of itself, right?

So we're focused on building 5G the right way, delivering those use cases we've described; delivering revenue growth from 5G Mobility, from 5G Home, from 5G MEC; continuing to have the best 4G network; building our B2B business out. You saw some of the things we've done there this year, adding BlueJeans to the product offering. More to come there. As we do those things, as we deliver GDP+ revenue growth and we have that

flow through the rest of the financial statements, highly confident that we'll see what we would like to see from a multiple standpoint and everything else.

But we're focused on executing against that plan. We think it's the right plan. And as we deliver results against it, we're confident that we'll -- both you and me and the other people on this call will -- would be very happy with the outcome.

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

It's actually an incredibly exciting 6 months ahead for Verizon, more so, I think, than I've seen in a very long period of time, a number of major new network upgrades obviously and major new products coming out. And you've been building on this for 20 years for this moment. Looking forward to it.

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes. Look, as I look at the calendar ahead of us here, we were just looking at it in the past couple of weeks, and as you say, there's a lot to come. The team's working it, especially considering the environment they're doing it in. It would be a great achievement if we're all in the office as normal, but that's -- getting this stuff done even while this is going on.

But there's a number of things that we're going to be talking about here over the next few months that shows all the progress that we've been making here. And I'm incredibly excited about it, and we're going to have great opportunities to update people on everything that we're doing. But there's a lot of fun stuff coming.

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

Good luck. Thanks so much for your time, Matt. And thank you, Brady.

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Thanks, Tim.

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

Bye, guys.

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