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VZ.N - Verizon Communications Inc. at Citi Global TMT West Virtual Conference (Virtual)

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## CORPORATE PARTICIPANTS

**Ronan Dunne** *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

## CONFERENCE CALL PARTICIPANTS

**Michael Rollins** *Citigroup Inc. Exchange Research - Research Analyst*

## PRESENTATION

**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Great. I think we're live. So good morning to everyone. Welcome to Citi's Global TMT West Conference. For those of you I haven't met yet, I'm Mike Rollins, and I cover the communications services and infrastructure sectors for Citi Research.

Since this is our first keynote of the conference, let me just take the opportunity to wish you a happy and healthy new year. And just for your reference, we have disclosures that are available on the conference registration site. I'd like to welcome back Ronan Dunne, Executive Vice President and CEO of Verizon Consumer Group. Ronan, good morning, and thank you for joining us today.

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

Michael, thank you. It's very -- it's great to be here, and a happy new year to everybody. And before I start, if I may, just I'd like to draw people's attention to safe harbor. My comments may include some forward-looking statements, which are subject to risks. Actual results may differ materially, and details can be found in our SEC filings. And with that, I think we're away.

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## QUESTIONS AND ANSWERS

**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Excellent. Well, Ronan, to kick us off, maybe we'll just start at a high level. If you can share with us the key strategic and operating priorities for Verizon for the year.

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

Sure. I think the key for us in 2021 is really to build on the strong foundations that we have laid down over the last couple of years, so really continue to strengthen and grow in our core business is kind of number one. Leveraging our assets to really drive new growth, and that will be a lot about the exploitation of 5G capabilities. We continue to be focused, as Matt will always tell you when we -- when he talks about operational and financial discipline. That's a core component of how Verizon does business. And we also have a very strong program of cultivating a really purpose-driven culture, which we think gets the best at liberating our people and allowing us to have the most sustainable impact in the communities in which we work and live.

So those are really the core building blocks around that, absolutely a ruthless focus on mobility and home, which, as you've seen over the last while, we've really focused out on whether that be 5G Home, whether that be our Fios footprint or whether it be in the last couple of months of last year, 4G LTE is also as a fixed wireless access, and then really making sure that what we're doing is making the networks come to life for customers and really focus on not just great experience in a customer service and CX way, but great experiences. So that's really the focal point.

And that's how we think we have a very strong growth opportunity, which is stimulate the base, spread through our network and distribution as a platform, our access to the market across all of the available segments and really execute on a very strong, high performance, both network, but also a set of experiences, like Disney+, which we announced last year, added to it Discovery Plus, which I gather is #2 in the App Store this morning after our launch yesterday.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Well, great. There's a lot to unpack there. Maybe just to take a step back for a moment. You've been operating in this consumer and business structure now for more than a year. How would you rate the success of operating in this new architecture? And are there examples already where you could say, yes, this structure has created meaningfully better revenue or profits for Verizon?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

Absolutely. And I've always been a big believer that customers don't really buy technology. They buy what the technology enables. So the idea of us having 2 technology businesses, a wireline business and wireless business, essentially sitting apart, certainly in consumer space, made a little or no sense. So I was a strong advocate of this transition to a consumer business.

It allows us essentially, Mike, which is important to be bearer-agnostic, bringing the best possible technology solution to the situation at hand. But also it allows us to leverage our scale much more effectively, whether it be Kyle, our CTO, in the way he's built the intelligence edge network that brings the network elements of the 2 networks of wireless and wireline together in a way that allows us to benefit from efficiencies within the core and right through the business, therefore, lowering our operating cost while improving the efficiency of the networks, all the way through to stuff that particularly, recently, you will have seen us demonstrate is I had a relatively small subscale Fios business in the Northeast when it came to acquiring content. And so I was going out as a 6 million homes business, acquiring content, ignoring the fact that I have 100 million consumers in the business overall.

Now I'm able to go out and bring the consumer business in its entirety to bear for partners like Disney, like Discovery and others. But also, VBG is doing exactly the same when you look at how Tami is going to market with AWS, with Microsoft, people like that, demonstrating exactly the same we can leverage across the customer base for the advantage of both the customer, our partners and, ultimately, therefore, our shareholders. So I think it's a genuine win-win, and it's worked really, really well.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Great. I'd like to get our audience involved into the conversation. And so we're going to bring back our live surveys that we've done, and right ahead of drilling into the wireless business, I thought we would start with a question that you've talked about for a while, which is network leadership. And so the survey question, we'll bring up survey #1, please. Will Verizon maintain network leadership over the next 3 to 5 years?

And Justin, can we just get a confirmation that our audience can see the survey?

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**Unidentified Participant**

Yes, Michael. It is being brought up now.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Great. So as this gets brought up, the choices are going to be, yes; no, T-Mobile is likely to gain a network edge; no, expect AT&T to gain a network edge; and no, expect quality to be comparable amongst all the national carriers. And we're going to see what our audience thinks, Ronan, and then we're going to unpack how Verizon is looking at this situation. And for those of you who are going to take the survey, just know it's anonymous. We're not tracking individual responses, and we're just looking for the collective. And Justin, just because I can't see it, if you can confirm when it's online, that would be great.

All right. So we're going to wait. Justin, when you get this online, just let us know. We're going to go to another question. We're going to come back to this as we work through some of our virtual technology.

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**Unidentified Participant**

The poll is up now, Michael.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

The poll is up. Okay, great. So please take it, and we'll give it 30 seconds.

And while we do that, Ronan, why don't we go to another question first while our audience is filling that out. What impact is the pandemic currently having on Verizon's operations? And has there been any changes in sales given your performance as a second wave has started to pick up during the fourth quarter?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

So Michael, yes, we've seen a number of impacts. People may recall that post-March, we closed about 85% of our stores at the back end of March. And by September, I was largely back to full store portfolio open. Since then, what we've seen is, as we've seen a second wave across different parts of the United States, we've seen, particularly during November and December, somewhere between 150 and 250 stores, of our corporate stores, plus in addition, some of our agent stores have been closed due to COVID. And so that has resulted in -- probably across, I would say, November, December, probably I had 85% of my capacity.

The second thing we saw is we saw some limitations in relation to crossing the threshold in the Fios footprint in the early half of the year. Broadly, we've been in a position that we've had most our capacity available on the Fios side as we have run into the back end of the year. Where we have had some limitations, it's been around the availability of resources as our organization is exposed to COVID risk the same as everyone else, with people quarantining, et cetera, but probably slightly higher impact in the wireless retail side.

Compensating partly for that has been the fact that we've built significantly our online capabilities and our online volumes, but also our telesales business is significantly bigger in the fourth quarter than it was at this time last year. So all in all, a change in mix, which I think will reflect itself throughout 2021 as well as we see how many of these behaviors of customers are sustainable shifts in their purchasing and retail behaviors and how many of them revert back to their traditional channel of choice. So we'll be flexible to support customers how and where they would want us to show up during '21.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

We have the -- thank you for that, Ronan. We have the results now of our first survey that I think everyone can see. And so for those who might be on the audio only, 36%, yes, Verizon will maintain network leadership over the next 3 to 5 years; no, T-Mobile will gain an edge, 35%; no, quality comparable, 27%; and no, expect AT&T to gain an edge, 2%.

So Ronan, maybe this is a great opportunity for you just to talk overall network leadership. I understand you're unable to speak about C-band specifically, but maybe if you could take us through how investors should think about your network leadership over the next few years.

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

And I think, in fairness, Michael, the way you presented the question, I think is the sensible one is -- because I think in each generation, of network technology, the definition of network superiority evolves because the capabilities and functionalities of network evolve. And the basic hygiene of access and reliability is table stakes. Now it doesn't mean that, that's easily delivered or that it's consistent across everybody, but we've always believed it's table stakes.

So what we are seeing is that the rock-solid 4G LTE network that we have provides us with an incredible foundational layer as we move into a 5G world. And that's not something that simply goes away when you move from 4G to 5G because they are foundational elements of your 5G network. So our strong position in 4G LTE leads us to a strong position in 5G. As everybody knows, our 5G is structured around a 5G nationwide, which is now more than 200 million. And that really is built around -- a great 4G LTE network is the backbone of that, and so you see similar experiences on a nationwide basis.

However, it's important to recognize that the currencies of 5G aren't just speed. So things like the latency, the ability to support more connected devices, et cetera, all of those are available on a nationwide basis, even if speeds inside those areas are probably LTE plus 10% to 20%, something of that order at the moment.

The next thing that we're doing before I get to ultra-wideband is, of course, we remind people that probably about 60% of our existing spectrum holdings are actually deployed for LTE at this stage. So we have more -- we have the ability to deliver more from the existing spectrum we have, whether that's putting up more carriers, whether it's expanding out. And obviously, we were in the CBRS auctions recently. And while that initially will be kind of Stadia venue 4G, in due course, that CBRS will also contribute to our 5G capabilities.

And then the piece that we have, which is really the sort of creme de la creme is our ultra-wide band capability, built around 28 and 39 gigahertz spectrum. And really, it's a capacity and experiential layer where most of the traffic is.

And so as you know, over 60 cities by the end of the year in 2020 and continue to build out across stadiums, airports, et cetera. And really, the key there is that where experiences are require really dense capacity as well as the other capabilities of latency, et cetera, et cetera, then that layer affords us the opportunity to bring the premium experiences to places where customers are going, like a big venue, like a sports arena, like an airport or other places like that. So that combination is allowing us to not just start and enter 5G but to leverage the existing infrastructure that we have, the strong capabilities. And then behind that, our One Fiber program, internalizing more and more of that transport, which also improves the economics as well as the performance because we have that fiber capacity that not everybody else has. So that's really key.

My job then is basically -- if Kyle was here, he'd say, "I build stuff, Ronan sells stuff." So my job is really to take that and turn those elements into experiences that customers truly value. And just this morning, we made further announcements about partners innovating around the 5G space with extended reality and also with further work in the AWS space with the edge computing. So we're starting to see, I think, where the shape of 5G experiences will go in 2021, and that will really be leveraging, I think, in both B2B, but also B2B2C, this opportunity to really use edge compute to deliver really dense capability in areas like 360 video; multiscreen; very, very low latency performance in an AR world. Obviously, VR is probably more a static activity. So that's where I think we will see the real leverage of both a nationwide capability and then this extra layer of experiential and capacity in the places where people are most likely to lead us.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

And moving over to the competitive landscape for a few more minutes. Can you talk about the competitive intensity of the category since 5G was more broad for all the carriers, the iPhone was launched and how that's impacting Verizon's ability to grow.

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

So we're very excited about the 5G space at the moment, the broad range of devices. I think, Mike, when I talked to you 12 months ago, I talked about the idea that we would see several thousand, then $800, then $600, then $400. And that's exactly what we've seen. So 5G has -- access to 5G has definitely been democratized from a device point of view at readily accessible price points. So that, I think, is good for the industry overall.

It's also good for the ecosystem specifically in the sense that people are now seeing a 5G adoption curve for devices, which most people believe will be faster than the equivalent 4G handset upgrade cycle. And I'm not saying that means it's a super cycle in a very tight period of time, but just against the normal 3- to 5-year cycle. Most people are saying 5G device adoption is probably somewhere 12 to 18 months faster than was the case in 4G LTE. That affords the opportunity for those who are building out use cases, whether they be B2B or B2C, to know that the rate at which 5G handsets are becoming available allows them to invest and innovate because the addressable market is growing at such a rapid pace.

To the specific of competition, I smile. Somebody who joined the U.S. market in the fourth quarter of 2016, I think everything looks like a mild winter in comparison to that particular quarter if those of you who were in the industry are investing at the time recall. So I would say, look, yes, is it competitive out there? It always is. But the thing that Verizon has been doing for the last couple of quarters particularly but really over 2 years since we introduced our ability to structure our unlimited into a tiering is we've been really building choice quality and experience into a different -- differentiated value proposition for customers. And that has meant that the business we're writing, we like the quality of the business that we're writing, quality of customers that we're getting.

As I've shared before, more than 80% of our customers come to us on unlimited plans and more than half of those customers taking premium plans. So that's a strong position for us. But that also means that our ability to compete is not simply a narrow handset subsidy, but it's about strong CRM, highly targeted offerings, differentiated propositions, bringing customers things they truly value and particularly doing it in a way that's not driving up our cost of acquisition and our cost of retention because we're able to deliver, based on our own scale, real value to customers. Disney and Discovery being great examples, where the Disney bundle now, I think next month, whether that goes up to $18.99, if you take the 3 elements. Well, needless to say, we're not paying anything like $18.99 but the customer is getting all of that value. So that's allowing us to position ourselves into what is a, yes, a competitive market in a more differentiated way than was the reality 3 or 4 years ago when it was just a case of my handset subsidy is bigger than yours.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

One of the themes that you've been describing is the opportunity to trade customers up in the tiers of unlimited rate plans. And so did the strength of customers taking unlimited and these higher tiers continue in the fourth quarter. And what are you finding is the biggest catalyst for customers to move up the stack and be willing to pay more for the service?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

I think it probably breaks into 3 component groups. You still have a group of people who are moving from metered plans into unlimited on the realization that a combination of peace of mind, higher resolution on their devices, a broader range of services that they're using saying, "I'm now ready for unlimited." And the value is compelling on the unlimited plans.

And then you have, within the unlimited family, you have those who are identifying specific elements, which are of particular value to them. And that can be anything from, I love Disney or Discovery and I want more of that or Apple Music. But it's also on certain of my tiered plans, my connected devices are cheaper and because I've got multiple devices in the home. Most homes over the last 3 years have seen the number of connected devices double. And while some of those will be WiFi-only or Zigbee or whatever, there's quite a few of them that also have cellular within them.

So it's those combinations. And then I think the third thing is that some of the experiences that we're bringing, where customers are actually saying, you know what, in some cases, maybe I don't need to -- I don't need to have necessarily a different wireline solution to a wireless solution. And as I think about 5G and fixed wireless access, we will get to a point, Michael, where I think people will see their 5G router as just another line on a family plan. And so that's kind of seamless linkage between the different ways of accessing connectivity and accessing experiences. So that -- those are the trends.

We see nothing that would suggest that any of those trends will slow down. I think it's the direction of travel, and I think it affords us the opportunity both to increase ARPA within our existing customer base to be more attractive relative to some of our competitors with the mix of partners that we're bringing and then access new addressable markets, either through our wholesale strategy, through our subject to regulatory approval access of TracFone, but also as we build out our own capability with new partnerships and new connected devices coming through because we haven't even scratched the surface yet on things like laptops and other connected devices in the 5G space.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Justin, we're going to pull up survey #2 in a moment. Before we do that, Ronan, if you could talk a little bit about what's been happening in the category with the switcher pool in the fourth quarter. Is this something that you think is going to be lasting in terms of a smaller switching pool going forward? And when does it make sense to take some of that margin that you have in the wireless business and reinvest it in maybe incremental retention activities or even acquisition activities?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

Yes. Our overall view of the market in 4G -- sorry, in the fourth quarter, I should say, was that we did see a smaller switcher pool. Some of that was the legacy of the pandemic, no question about it, which had seen reductions year-over-year in all of the quarters from the last few weeks of Q1. But we also saw definitely the impact of some competitor strategies around retention. And so what I would say to you is we liked the quality of the business we wrote during the quarter. We saw the characteristics of why people were coming to Verizon and why they were staying with Verizon consistent from what we've seen in previous quarters. And therefore, also things like mix on unlimited step-ups, et cetera.

What I would say to you generally is that I believe we have better CRM and analytics tools than our peers that allow us to be very forensic and targeted around the opportunities that are in the market. And so it's not that we're not competing in the retention side of things. We have, as you know, the lowest churn in the market, but we're also bringing incremental value with things like our relationships with Disney, Discovery, et cetera. And those are definitely a way of creating greater loyalty in the base.

I think all of us probably believe that a reasonably quick 5G handset adoption cycle is a good thing for the industry and a good thing for the broader ecosystem. As to whether we'll see a kind of a permanent structural change in the switcher pool, I think there, we're better positioned than most. Not that we're ambivalent to switching and to growing new accounts, don't misunderstand, but it's not the only arrow in our quiver, because we are growing the ARPU of existing customers. We're expanding our addressable market into areas like broadening out our home proposition. We have our partnerships in wholesale with the MSOs, and we have our pending acquisition of TracFone. So perhaps unlike some others who maybe have a single vector of growth, we have multiple growth vectors that we observe.

And what we will do to your point about investment is we have the opportunity to look across 3 or 4 different investment cases and allocate the marginal dollar most efficiently. And that's why we're very comfortable with not just our fourth quarter where we said we'd see the 2% plus growth in service revenue, which I think initially surprised the market, but why we're confident and have articulated in our recent meetings, with investors, our confidence around a GDP-plus growth trajectory over the medium, long term because we have more than just simply net adds as a driver, important and all as net adds are within the overall equation. So I feel well positioned to participate in the growth opportunities that are out there and believe I have a broader set of those opportunities than I've had certainly in my 4 years inside the business.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Justin, let's go to question #2 on the live survey, if we can. And the question is what is the biggest threat to revenue and cash flow performance for Verizon over the next 3 to 5 years? So just another question thinking about over time, is it AT&T and the competitive environment broadly? Is it the new T-Mobile? Is it cable insurgency, DISH insurgency or the possibility for new entrants to come in, such as Apple, Google or Amazon? And Justin, if you could just confirm when that's up for us, that would be great.

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**Unidentified Participant**

And if you want to begin talking now, Michael, I will confirm when it has been posted.

**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Great. So we'll move on to another question for a moment. Cost-cutting and operating efficiency has been a real focus for Verizon. How much more can come out of the consumer business and the wireless business as you look forward?

**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

So yes, Matt has talked about our commitment to a $10 billion cost program, and we've made excellent progress on that. But in my time in the wireless business originally and then consumer, we've made significant strides. We're talking about billions of dollars every year in operational efficiencies. From -- right from the core of how we build the network, to be highly, highly efficient, how we carry traffic on the network with our One Fiber strategies to how we serve customers and deliver experiences. And across all of those vectors, we see continued opportunity.

The particular area that I'm focused on, in my part of the business is really AI at scale that really allows us to improve our CRM efficiency. So the efficiency of every dollar invested in acquisition and retention. Also the efficiency of every dollar invested in those elements that are customer service elements and distribution elements. We've seen strong performance in our online channels. We've seen strong performance in our telesales channels. And those will tend to be lower cost of fulfillment channels than some third party channels, particularly, but also even then necessarily our retail channels. And so while it will always be a mix, those allow us to actually both improve the efficiency of conversion within the funnel and do it in a highly, highly efficient way.

Similarly, our investments in our MyVerizon app, where more and more of our customers are able to go in, self-serve and also self upgrade is also making for a great window for our customers to see the best of Verizon from a marketing point of view, but also to engage with those services in a highly efficient way. So we see continued opportunity for really the leveraging of scale.

Michael, you have heard me talk about this before, which is that if you think about Verizon, its network as a platform, it's distribution as a platform and it's billing and services platforms. And really the opportunity for us is to improve the efficiency of those platforms through investment in technology, so this kind of activating layer and then to expose those platforms to as much capacity and volume as we can through both direct support of the Verizon branded business, innovation in the prepay space with visible but also with our pending acquisition and then our wholesale business. If you think about Tami's business, she's similarly doing that but also adding in things like the relationships with Microsoft and AWS for edge computing as a new platform capability that's available both to us internally but also available out to customers and partners. So that's the strategy. So we see the opportunity to grow highly efficiently as well as serve the existing base more efficiently and lots more to come there.

**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

And so you're coming up to the -- this year, right, is the getting to that $10 billion goal? Is that right?

**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

Yes. And that program will just be -- Michael, we will deliver on that and just move on to the next wave of whether we'll present it in the market in quite the same way as Lowell did originally 4 years ago or whatever. I don't know. That's a question for Matt.

But as regards to the focus of operational efficiency, it's a ruthless, consistent focus inside the business in exactly the same way as balance sheet strength has always been a watchword of Verizon. So rest assured, those will continue to be as important in '21 and '22 as they have been in the last few years.

**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

So we have the survey results up. So 70%, new T-Mobile; 15%, AT&T and the environment broadly; 8%, DISH insurgency; 5%, cable; and 3%, other new entrants. Ronan, any thoughts just to share with our group, as you look at how people view the biggest threat over the longer-term for Verizon?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

So the views of our participants today don't necessarily surprise me because they essentially reflect, I think, the narrative in the market. But I think what's key really for me is how well am I positioned to grow. And then that growth determines where am I exposed to competition because ultimately, the first thing that we're all interested in is the growth out there, is the first question. And then the second question is, who's most efficient to get that at that growth?

In some respects, the compound annual growth rate of some competitors has been a function of basically a binary assumption of net add switching between operator A, B or C. And while that will always be an element for a business like mine, the growth of ARPU per subscriber, the increase in addressable market and the introduction of new products and services represent very significant components of a superior compound annual growth rate. So I think probably the survey reflects one vector of growth, which is who will win in the net adds play. And it's not that we won't necessarily win in the net adds play, but the perception at least particularly with a business that has had both a prepaid business and a postpaid business, and therefore, a lot of its growth has been driven through their end.

Well, Verizon is well positioned now, subject to regulatory clearance to participate more broadly across those sectors as well, while at the same time, strong position in 5G, strong position in home and new products and services that will come through, where the quality of the base you have will be a determinant in the adoption curve of those new products and services. So I get the analysis. I'd still -- if I had $1 to invest, I know where I'd invest it.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Justin, let's bring up survey #3 on fixed wireless broadband being an effective competitor to the actual fixed broadband service. This is one, Ronan, that we've been asking you now for a few years or asking our group with you for a few years now. And so, Justin, you could just post that, and you can pull up the results when you get that.

We're going to come back to 5G Home in just a moment. Let's just talk a little bit more about the bundles that you're doing. The Disney+. You've now got Discovery Plus. How should investors think about the take rates that you're seeing from these? And is there a discernible evidence of what that's doing for the retention and churn in the base?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

Yes. So look, I have to be sensitive to not report in on another company's business model. But Disney have been generous in their comments when they've reported as regards the significance of carrier partnerships, built around the Verizon model. And I suppose if I was an investor and looking at whether Disney thought that was significant, you'd note the fact that they've now done similar agreements pretty much across the globe starting as they did in the U.S. with Verizon. So we're seeing it as an opportunity to really leverage our scale to deliver customers real value. And customers get the transparent intrinsic value of the Disney bundle versus the price they pay, which for a 12 months free, obviously, is free. But then a $10 step-up or whatever, giving you the opportunity to access a bundle that's worth more than that. So we're definitely seeing high levels of satisfaction from the customers, high levels of engagement with the proposition, like that's millions and millions. I'm not going to go into very specific, but millions and millions of customers and plans that are adopting that.

And as a result, we're seeing that as a factor in loyalty. But we're also seeing it as a factor in people's propensity to step up because they also gain other benefits, which also improve their stickiness when they step up, like access to better connected devices plans, access to more premium data, whatever the examples might be. So we're using those partnerships as a way of demonstrating the value we can offer to a customer through those partnerships, while, at the same time, using them as an opportunity for them to try out some of the benefits that are Verizon-delivered benefits at the same time.

So we see it as a win-win. We see opportunities in other segments. So it's not just content. We see the opportunities in the 5G world in other areas to also have partnerships, whether it be in the home going forward as you think about telehealth, telemedicine, if you think about the gaming environment, if you think about the sports environments, there are plenty of other vectors for partnership there, where we can use our scale to add incremental value.

And I think if customers see the value, then the follow-on question from an investor would be, but how much is it costing you to deliver that value? And if the answer there is that it's just all adding to my cost of acquisition and cost of retention, then that might be a challenge. What I've been able to demonstrate over the last 3 or 4 quarters is that I can essentially keep my cost of retention broadly flat while giving extra value to customers. So I haven't had to increase my cost of retention, and my cost of acquisition has generally been declining as I've been able to demonstrate greater value in this quality, choice and experience proposition to customers. So that's a good win for customers, perceived value increase, while at the same time, an absolute lower or at least level cost from an investment point of view.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

So when you roll all these things together, you've got these additional vectors that you're pursuing for your existing customers. Of course, you're competitive in the marketplace. And then you consider some of the revenue that went away during the pandemic in 2020 that could come back in 2021. Is it possible that service revenue growth for wireless is better in '21 than the guidance for the fourth quarter, which, I believe is 2% or greater?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

So I'm not here to update guidance for 2021. Matt will have the privilege of doing that in the normal way in a few weeks' time. But I think implicit within your question is things like roaming, some overage, some other fees, et cetera, et cetera, have either been waived or eliminated because of a lack of travel or other rules in place. Some of those revenues will absolutely come back probably more slowly in '21 than perhaps some people perceive, given where we are. So we're not making aggressive assumptions about their recovery, particularly in the first half of the year. But that overall question is absolutely consistent with our philosophy that sees the opportunity for GDP plus growth in the medium, long-term for a business like ours.

And also don't forget is when you think about the 2% or better growth in the fourth quarter, just remember, it's wireless overall. So consumer tends to be a bit like a supertanker. It's slow, but when it builds up speed, then it's very hard to take off course.

Clearly, our wireless business also enjoys access to the enterprise and the small and medium business, where you tend to have what you call a volatility or activity levels like this. So you will see in the fourth quarter, Verizon Business Group will be a big contributor to the growth factor in service revenue. So what I expect is that you'll see consumer slow but steady, which is what I would want, and it's that building on because the real strength of the consumer business is that sense of, as I say, once it builds its momentum, it's very, very hard to knock off course. And so I would see '21 going into '22 with some steady trends that will allow people to lean in to the hypothesis of superior growth coming from Verizon over the medium term.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Thanks, and we've got the 5G home question up. So as you know, our audience has evolved in their views with this over time. Do you believe 5G fixed wireless will be an effective competitor to your fixed broadband services? 48%, no; 30%, yes; 21%, undecided.

So Ronan, can you give us an update on where you are with 5G home. We have a few minutes left. So the update on 5G home. And the other question we've been getting from investors is, in the past, you've talked about a 7-year clock to ramp to 30 million homes. Is that 7 years from when you first spoke about it a few years ago? Or is it 7 years now that you have the 5G CPE in place as of the fourth quarter of 2020?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

Yes. So first thing, and let me start with the CPE. We're still in the very early phases of new technology. And what we've seen, and not just Verizon because you're seeing data on this coming from carriers around the world is we're seeing consistent reports of updates, which saying actually in the millimeter wave, we're seeing longer carries of the signal. You've seen some stuff from Europe that's been well over a kilometer.

And so the efficiency of both the software and the deployment is getting better. As well as that, the CPE itself, both integrated radio on the small cells themselves plus the CPE upgrades that we announced and which came into market at the beginning of the fourth quarter also improve signal strength, signal quality, signal reliability and repeaters so that, whether it be Corning, being able to deliver indoor 5G solutions or pivotals, repeaters, et cetera. So the tools in my toolkit are significantly better in today on the 5th of January than they were even on the 1st of October last year. So that's undoubtedly a factor.

So to the broader question -- I'll come back to time lines, to the broader question of can 5G fixed wireless access be an alternative to cable. Well, then my strong view is, yes, it can. But to be clear, we only build where there's a mobility case to build. We're not building a stand-alone 5G fixed wireless network. So sometimes when respectfully, people get frustrated with us and say, well, hold on a second. What about -- I want to see all your discrete reporting of 5G fixed wireless or why aren't you there or there or there? The answer, which -- forgive me, but I keep repeating is because I'm not building a fixed wireless access network. I'm building a 5G mobility network with a second use case, where it's appropriate, where it covers 5G office and 5G home. So we shouldn't lose sight of that.

So as I build over that sort of 7-, 8-year horizon, one of the realities is that I will be updating my mobility deployment patterns all the time. So we're not really -- we're not saying that, that sort of 7, 8 years for the 30 million homes time line is shifting. But what I am saying is we continue to optimize the mobility 5G deployment strategy. And as a result, we continue to finesse and update the practicalities of that relative to the homes past.

But one of the other things that I think is important for people to think about is that as we build out the 5G network, we've also built 4G home, and we've seen significant response to that. And yes, that's a maybe a 50 meg product rather than a 500 meg product. But for a lot of people, that's important. And that also affords us this opportunity that as we build out 5G, as we put more nodes in place, but also as we put more carriers out there, deploy more spectrum, et cetera, we have this ability to build a home portfolio, which is carrier -- basically bearer-agnostic. And I think the thing for us is that we see the opportunities to participate in tens of millions of homes across the U.S. as really attractive.

What I want to do is have toolkit that says, in my Fios footprint, if fiber is the right thing to do, great. If anywhere in the U.S. 5G ultra-wideband is available to me, I have that. And in other places, I have my 4G increasingly enhanced performance in that network, which may ultimately be a 5G nationwide solution. So my addressable market for home for me has always been not limited to the specific of a 5G fixed wireless but a broader ambition to be able to participate in the home and to bring the scale benefits of that to my customers who see Verizon as the partner of choice.

If you see it in that context, I think you have a better sense of how we might compete with a large MSO in that sense rather than it simply being, I have a narrow product and the question is a binary, does this product kill this product? The answer is, it is the suite of capability that Verizon brings you in home and out and about that may well represent that you are -- Verizon is seen as the partner of choice for all my connectivity needs.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

And just a final question in our last minute is one of the things that Verizon would talk about with 5G from a few years ago is if the business case was there to push and accelerate CapEx for 5G, whether it's for home or other things, you would then come to the market and say, yes, we're accelerating CapEx for these reasons. Is that still the discussion or the toggle? Or now that you've been investing in 5G for a few years, has it shifted?

And now it's just capital intensity around where it's been and just pursuing a number of projects under that umbrella versus that option of someday, maybe, significantly accelerating that capital investment line?

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

So Michael, I think that option is always available to us, and it's something that we've been very clear and transparent with the market. What I would say to you is that, believe it or not, dollars is rarely the fundamental constraint here. It's just the physical constraints, the operational constraints, et cetera. Us investing 17-point-x billion or whatever we will likely have in 2020 is a full on, flat out execution program. So while we absolutely continue to focus on where best to spend, it's fair to say that the deltas in our current capacity and capability and the market is that it would be hard for us to have a meaningful shift in the very short-term in the sort of quantum that we're investing. But if we saw those opportunities in the same way as we worked with Corning for them to build incremental manufacturing facilities to support a One Fiber program, then we would go in and make sure that the ecosystem was there and available to support that sort of accelerated opportunity. But we would always come to market and explain that first.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Ronan, thank you for your time today. I appreciate it.

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**Ronan Dunne** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer*

My pleasure, Michael. Thank you very much indeed. Appreciate it, and looking forward to an exciting 2021.

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**Michael Rollins** - *Citigroup Inc. Exchange Research - Research Analyst*

Thank you, and thanks to our audience.

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