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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

Good afternoon, everybody. This is Tim Horan, the cloud and communications analyst here at Oppenheimer. Welcome to what I think is our 22nd or so year of our Tech and Communications Conference, this year, the second in a row that's virtual. And like last year, we are kicking it off with Verizon. It's just a day early this year because we have so many participants.

Unfortunately, this is the time that DISH has decided to have their earnings call, so I apologize that for everyone who's kind of double booked here. But hopefully, you can all read that transcript because Matt's going to be much more entertaining and interesting. And with that, Matt, I think you might have an opening safe harbor statement.

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

Yes. Thanks, Tim, and hello, everyone. Good afternoon. Great to be here as always. But before I get started, just draw your attention to our safe harbor, which can be found on our Investor Relations website. I'm fairly sure we'll probably make some forward-looking statements today, Tim, and obviously, those are subject to risk, so I just draw everyone's attention to them.

QUESTIONS AND ANSWERS

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

We'd better make some forward-looking statements, Matt, or you and I will be out of business. Well, thanks everybody, for joining here. So a great quarter, good momentum. ARPU growth or ARPA growth, sorry, kind of guide is in the 3% to 4% range, I think. Can we talk about what's driving that and is it sustainable?

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

Yes, absolutely. It's -- as you say, it was a good quarter and some strong revenue growth in there, driven as ARPA increases and it's absolutely sustainable. This is something that we've done for many, many years. The nature of the way we go around those increases has evolved over time. But we've always had that ability to bring a customer in at a certain price point and then step them up to higher levels as we extend the relationship with them. And so that's absolutely something you're seeing play through here at the moment.

We had very high step-up rates in the second quarter. Obviously, we may have got some benefit in the second quarter for those, but we'll get a full quarter's worth of billing customers at those stepped-up levels here in 3Q. So good to see customers migrating to premium and then migrating to the -- sorry, migrating to unlimited and then to premium unlimited when they get there. Over 60% of new accounts in the quarter selected premium unlimited as an example.

So we certainly have the ability to keep driving ARPA increases. It's a mix of the pricing plan, but also the products that we have that customers are buying from us, whether that be things like our cloud product, our handset protection product, but also some of the value that's coming through

from the relationships with some of the content companies that -- some of our customers when they get to year 2, stop paying for their relationship through their Verizon relationship.

So there is a long way for us to go here. But what you see us doing is exactly what you heard us talk about at the Investor Day back in March, where Ronan guided consistent ARPA increase, some of that coming from the mix and the core plans customers are on and a smaller portion coming from product also growing those segments, too. So absolutely, we expect to see that continue.

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

And can you talk about maybe some ability to upsell other products and services longer term to kind of keep that going? Do you have a game plan there? Maybe even like hotspot, what percentage of that is there? Would you kind of include fixed wireless in that ability to grow ARPA?

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

Absolutely. I mean, what it's really about is taking what is a best-in-class relationship with consumers, predominantly talking about here, obviously, businesses has its own path to ARPA growth. But within the consumer side, it's about taking those best-in-class relationships we have and how do we deepen them? So whether that be stepping customers up, whether that be bringing some of this content that we've brought in over the past 2, 3 years now, whether it be some of the products, the cloud product that I mentioned, the handset protection, there's other products in there that may be coming along, absolutely.

And then fixed wireless access is another example of how do we bring that best-in-class network experience that customers know us for and give them another opportunity to experience that with us. So absolutely, we think about fixed wireless as being another lever as we grow the ARPA as we go forward here.

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

That's great, great color. And can you talk about a little bit more what type of ARPU do you get for customers that are really taking these premium products versus a legacy customer base? Just how much of an upsell is it?

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

Yes. So if you go back to when we introduced Unlimited, you had the customers who had the ability to -- they're buying really large data buckets. They've essentially stepped down to unlimited. That happened within the first 3 to 6 months, the vast majority of customers that could move to unlimited and saved money. And we've obviously worked through that. You see the service revenue growth that we have at this point.

So now you have -- you still got a good percentage of people who have the ability to get on -- it's roughly 69% of our consumer base is on an unlimited plan. So we've got 31% of customers who can move from a data plan out to unlimited. And the vast, vast majority of those, it would be a step up in typically something \$5 to \$10 a month, depending on the current plan the customer's on versus where they go to.

And then when you step from the entry-level unlimited to premium unlimited, that's typically \$10 a line per month opportunity for us. So significant opportunities ahead of us as we step customers up here. And then you bring additional value and, as we mentioned, things like fixed wireless access, I'm sure we'll talk more about here and other products and services.

Customers trust the relationship they have with Verizon. We have the right to talk to our customer base about other products and services that can be part of that. We're scratching the surface today. We think there's more opportunities to come.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Yes, I would agree. And so sorry, how many are on -- what percentage of the base is on the premium unlimited, the highest plan?

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

It's around, at the end of the second quarter, 27%. So there's significant runway as you think about certainly moving the customers who aren't on unlimited to unlimited. But then even those on unlimited, majority of them on the entry level at the moment. So you've got about 27% on the premium unlimited plan.

And by the way, to get to our 5G Ultra Wideband, which is our millimeter-wave and it will be the C-band network, you have to be on one of those premium unlimited plans to get access to that Ultra Wideband Network. So we think there's a significant opportunity to move that 27% up fairly significantly over the course of the next 2 to 3 years.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And Matt, that 27% references that 60% of incremental flow share of taking the premium, is that correct, this last quarter?

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

The 27% includes that, yes, the -- obviously, a greater number of new customers coming in are immediately going on than the base to be moved up. But we're making good progress getting the base to step up as well.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And do you think COVID has helped that process? I mean, I know in my own household, I've stepped up most of my family members to premium, just because they've become so reliant on it for work and school and everything else.

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

Well, certainly, consumers and businesses value the quality of their connectivity, whether that be wireline or wireless today more than we did maybe 18 months ago. And so we're certainly seeing some of that. And even as we hopefully get back to a more normal type of activity. Obviously, Delta is maybe slowing that down right now. But as we get back to that, we think people will continue to remember the value, the connectivity experience brings and why having the best connectivity experience matters.

So whether that's Verizon wireless, whether that's on the Fios side, et cetera, we think we don't just bring connectivity to our customers, we bring them the best connectivity experience. And we see them wanting to step up, whether that be in wireless, as you mentioned, step up there or whether it be the speed tiers within Fios, we do see customers choosing to step up to the higher tiers over the past 18 months.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And I was just reading an article yesterday, I think it was in the Wall Street Journal, where they were talking about the fires in California, how a lot of people have moved from the cities out to more rural areas here for COVID, and now they're not used to kind of dealing with fires like this.

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

Right.

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

But it got me kind of thinking, I know you guys historically were known as having, by far, the best rural wireless network out there. Have you seen a lot of increased usage in some of these rural areas? And is the network able to keep up with it?

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

Yes. That was one of the questions when we came into the pandemic last year, when we saw the change in the locations of the usage. Not only did usage increase in areas, as you mentioned, but where it was being used changed. We would obviously spend a lot of time densifying the network in urban areas. And then as you say, people weren't commuting into urban areas or if they lived there, some number of them relocated away.

So the network performed incredibly well. The team does what they always do. And this is the -- you've heard Kyle talking at Investor Days in the last couple of years about the headroom we have in the network. We're always adding capacity a good 18 months in advance of where we see demand getting there. So when you have a shift in where the network is being used, that capacity exists in the network to be able to handle that. Network's performed incredibly well in urban areas, in rural areas throughout the pandemic. And it's what our customers expect of us, it's what our consumer customers expect of us.

And as you mentioned, the wildfires we're seeing out there, it's also what our first responder customers have learned to expect from us. And they know that just like our consumers when they need us most, first responders more so than anyone else, when you need a network most, there's one network you should be on.

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

And I just have to tell you, personally, I switched over to using my Verizon wireless phone for most of my work calls, and that the voice quality is generally fairly impeccable. And I'm on it probably 10x more per day than I was pre-COVID and I'm sure I'm not the only one out there.

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

I think we can all relate to that, can't we?

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

Yes, I think we can. So maybe just talking about subscriber flow share a little bit. What would you like to target and how do you reach that target?

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

Yes. So in terms of share, it's very simple. We think we should be getting our fair share, which is -- means from a gross add standpoint, we should be getting at least our market share. And so the market will dictate how large the actual -- the flow share is. We saw a nice uptick in the early part of this year, certainly saw that through the second quarter. We'll see if that continues here all the way into the third quarter, especially as we're seeing some of the impact from Delta across the country.

So the market will be what the market is. What you should expect from us is that we believe we should get at least our fair share on a gross add basis. And we'll be surgical in our promotions so that we're looking at the opportunities in the marketplace. You saw us do that in the second quarter as foot traffic picked up, as stores are reopening, customers were out there wanting to do things.

You saw us bring some promotions to the marketplace to take advantage of that subscriber flow that increased versus what we'd seen over the prior year. So when the opportunity is there, you will see us do the things we need to do to compete effectively and get our fair share.

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

Got it. So I think you've been coming a little bit below that the last couple of quarters, but basically, you're saying when the economy opens, people want new phones, they go out shopping again. That's when you'll be much more targeted and aggressive in your promotions to kind of improve that?

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

Yes. No, so when you look at the gross adds in the second quarter, I think we were in line with about where we'd expect to be, maybe a little opportunity to get a point or 2 extra out of that. And we'll obviously look to do that any time that we can. And then also made good -- really good headway on the upgrade side with the customer base as well.

So -- but you should see us continue to compete in the marketplace. And we do that off of the base of having the best network experience. That gives us a strong platform which to build our pricing propositions and our promotions.

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

And would you include your cable wholesale customers and the thinking about the flow share? Or are you thinking about that separately?

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

Well, the answer's kind of yes and yes. So on the one hand, we want to monetize the network, and there's multiple ways that we can monetize the network. Obviously, we can do that with retail postpaid customers. We can also do that with our wholesale customers. We can also do that by offering LTE Home, for example. So it's -- we talk about our 5 vectors of growth, one of which is network monetization, and we want to absolutely drive as much traffic on the network as possible.

I'd like as much of that to be retail activity with the Verizon brand on it, but we're also very happy to be the partner of choice for the larger MSOs out there as they want to make an offering to their customers. So it comes down to, yes, our preference, obviously, is to have the direct relationship, but we also want to monetize the network to the maximum possible extent as well.

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

When I add up the postpaid phone adds for the industry, I think the last few years, we've been doing like 5 million to 7 million. This year, it looks like we're coming in to like 9 million to 11 million. That's just postpaid phone-only adds. And I know everyone's been asking like what's created this pickup? Do you guys have a little bit more color what's accelerated this overall growth and how sustainable it might be?

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

Yes. So we look at where that growth is coming from. Certainly, we talked about the switcher pool. That's certainly a little bit larger this year than it was last year. Pre to postpaid, we don't think, is fundamentally different. And then obviously, there's some other growth out there that everyone is trying to pinpoint exactly what that is.

I'd say as you get into the second quarter, we saw enterprise volumes start to pick back up into an area we'd like to see them. Small, medium business also recovering in the second quarter. That's -- excuse me, that's part of the story.

But the biggest thing that you're going to see us focus on is, while certainly volumes are an important view on the business for everyone, what we're really focused on is making sure that the gross adds that we're bringing into the Verizon family are ones that drive revenue growth. And I think if you look at the sequential revenue growth in service revenue, not just your last quarter but 3, 4 quarters in a row now, you've seen our focus on value-additive gross adds be coming through in the service revenue line and that continue to be what we stay focused on.

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

Well, that's a great point. And on that metric, you're doing extremely well on flow share and everything else. Great. Could you talk a little bit more about fixed wireless, kind of where you're at with that? How excited are you about it now? How important can it be to the growth over the next few years?

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

Yes, I'm very excited about it. I think it continues to be a very significant opportunity for us as we think about the next few years ahead of us. We've talked about how great the LTE network is and it's been obviously a very, very huge part of our success. But when you bring the bandwidth that comes in 5G, it really opens up the opportunity, not just do mobility wirelessly but also to do home broadband wirelessly as well.

So as I think about fixed wireless in kind of 3 different buckets, the first is our millimeter-wave bucket and our 5G home internet. That's now in almost 50 markets across the country, continuing to expand the number of open for sale as we build out the millimeter-wave network. The second piece that's in market today is our 4G Home, which we launched late last year. It's now available in over 200 markets in every -- in parts of all 50 states. So we recently doubled the amount of the size of the footprint that our 4G Home is available.

And then it comes back to my comment on to the previous questions around monetizing the network that we've built and where we have the capacity in addition to our Mobility customers to offer the LTE Home product. We're doing that. We're seeing good take rates on that. Customers are seeing great performance on it.

And then last month, we upgraded the hardware, you think the router that customers get. So it doesn't just support LTE Home, it's also got C-band in it. So as soon as we turn the C-band network on, that customer can upgrade to 5G Home on C-band without having to change out hardware.

So we're excited that we're starting to populate the base of LTE Home customers with customers that already have a C-band-ready device and C-band being the third one of the levers here within fixed wireless access. So excited about the opportunity that will kick in when we turn C-band on later this year. But fixed wireless access gives us the opportunity to monetize the network in a way that we haven't previously been able to, where we can offer not just mobility solutions for our consumers but also home broadband and also for businesses as well.

We talk about fixed -- LTE Home, but we also have the similar product in 5G Home for business as well. You think 5G office the same way. So it gives us the opportunity to take that network that you built out mobility and yet monetize it with another use case. We're just scratching the surface here, and I think the next few years are going to be very exciting for us on fixed wireless access.

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

One of your competitors said the demand for their fixed wireless access product is extremely, extremely strong. I think they almost have to throttle it back a little bit. And I'm assuming you can almost add customers yourself at will, obviously funneling it in at the right price point. Can you talk about the overall demand maybe and what type of price do you think is -- makes the most sense?

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

Yes, I mean so we've -- I think we're seeing very good demand for our LTE Home product where we have it available. But it comes down to offering it where we have capacity. But then when -- if demand gets too high in a particular geography, we're going to reduce the availability of it because you've been a customer of ours for many years. You know the one thing you rely on Verizon for is maintaining that network quality. And so we're not going to overload the network on the LTE side with too many of those customers.

And again, that's a geography by geography thing. That's not a total U.S. number we look at. It's almost cell site by cell site that we're making those decisions. Now when we get to C-band, obviously, there's a massive amount more capacity there that we can bring on. But just seeing the demand for the LTE product is very, very encouraging.

And I think from a price point -- a pricing standpoint, we can be -- gives us a lot of flexibility in how we view the right way to bring customers on to the platform in a way that allows us to monetize that spare capacity in the network, but do it in a way that makes sense and helps create a return for us.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And just remind me, roughly, what type of pricing are you charging and are you doing promotions there?

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

There are some promotions there. For our 5G Home, it's \$50 a month if you're also a Verizon Wireless customer; \$70 a month if you're not a Verizon Wireless customer. And then the LTE Home is at price points underneath that.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And I mean, that's a very attractive price point, obviously, from what we're seeing out there. Yes, I would think you basically would have very, very strong demand. And can you maybe just remind us like in 5 years how many fixed wireless customers you think you can have?

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

Yes. So we've talked at the Investor Day about, across those 3 different methods for us to get the customers, the millimeter wave 5G, the LTE Home and then the C-band base. And obviously, as we move into the 5G era, the LTE Home will drop off and it will be predominantly 5G. But we talked about having 15 million homes open for sale across all 3 technologies as the C-band is -- comes online, and then that growing to 30 million homes open for sale by the end of '23 and 50 million homes open for sale by the end of 2025.

So very significant opportunity there. And we believe that fixed wireless access should be approaching a billion-dollar business by the end of 2023. So as I say, very excited about the path ahead for us here.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And I know you touched on it. When your experience with lighting up some C-band here, I know we're very, very early, but how much more capacity do you think you can get lighting up the C-band spectrum?

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

Well, so when we turned C-band on in these first 46 markets, we're going to be bringing 60 megahertz of spectrum available. And it's the combination of 60 megahertz of what's clear spectrum today with the increased spectral efficiency of 5G versus prior technology.

So it's a very, very large increase in capacity. And remember, that 60 megahertz, that's the first piece. Once we get another couple of years in and all of the C-band clears, on average, we're at 160 megahertz nationwide.

So it is a more than doubling of our mid-band spectrum that doesn't have any customers on it today, combined with, let's say, the 5G efficiency and it creates a very significant amount of capacity. And then when you think about it from a fixed wireless standpoint, you have to combine it with also the capacity that's being created by millimeter wave.

Last year was our first full year of what I call run rate build, where we did about 14,000 sites, ended the year at 17,000. We'll do another 14,000 sites this year. So the coverage area for millimeter wave is also expanding significantly, and the capacity there is way beyond even the C-band capacity.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And is the equipment for millimeter and C-band, is it -- can you get access to the equipment? Can you talk about how it's performing versus your expectations?

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

Yes. So the millimeter wave is obviously, we've been deploying them for a couple of years now. And we set a target this year to do another 14,000 sites. We're ahead of pace on that already and that's by design. We wanted to be ahead of pace in the first half of the year on millimeter-wave, so that when the C-band started picking up in the second half of the year, we had the capacity to do that as well. But the millimeter wave equipment is up and running, has been for a couple of years and is working very well.

On the C-band side, we said we'd have 7,000 to 8,000 sites up by the end of the year or when we launch in December, the expected launch date. But the vast majority of those radios, we already have in our warehouses. The rest of them, purchase orders are out there for the vast majority that we haven't already received. So I know there's been a fair amount of concern about the supply chain, just given what we're seeing not just in our sector but across all sectors with chipsets. I can tell you that in terms of building out the radios for the C-band, those are in good shape.

And we've started to test those and we've got the first few sites up. Obviously, we can't turn those on yet because we don't have the licenses approved from the FCC until we get to the clearing date. But with the early testing we've been doing, we're seeing the equipment perform as we would expect it to, which really isn't a surprise. This is one of the things that made C-band such an attractive spectrum for us because it's a global 5G band. And so our partners at Samsung and Nokia and Ericsson aren't just building C-band equipment for the U.S. market. And so they've got the scale there to really have high-performing equipment available. So the supply chain ecosystem is bringing the radio equipment to market as we expected it to.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And it might not be a fair question, but can you talk about the spectral efficiency of the equipment? Can -- I know you're doubling the amount of spectrum, but is the equipment operating at 5G 4 or 5x better than what it operated at 4G in terms of the throughput or other metrics?

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

Yes. I mean, so the exact metric you used will be a little different. So the throughput is going to be due to a combination of both the amount of spectrum and the difference in the technology. So absolutely seeing what we would expect there. On the speed side, certainly seeing speeds significantly above what we're seeing on LTE today.

And that's important because we believe when customers step up from one generation of technology to the next, they should notice a difference in performance. And I'm not sure that every customer that's getting on 5G with other folks is necessarily seeing that step-up in performance.

But when we talked about 5G, we've talked about 5G built right for a couple of years now, Tim. You've heard us use that phrase. And that really describes what we're doing with C-band, what we're doing with millimeter wave, you're going to get that improvement in bandwidth. You're going to see a significant step-up in speed. You're going to see the latency improvements. We're seeing that absolutely where we've got millimeter wave deployed and in the tests on C-band as well, where we're seeing some good shifts in that direction, too.

So we expect, when we turn C-band on here in the next few months, that our customers will see a noticeable step-up in the quality of the connectivity experience they get.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

It looks like the next couple of months, we probably have another iPhone generation out. Will you be able to market that with the new C-band spectrum or the new 5G? And do you think the new devices coming out anyway will be able to take advantage of all the different spectrum bands you have?

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

Yes. Well, look, I'll let Apple make their product announcement at the appropriate time. But yes, you're right, we are heading out to that time of year where historically, over the past 10 years now, has typically been when they've done that.

Look, the device that came out last year had both millimeter wave and C-band in. When that last year's iPhone came out, we spent a lot of time talking about the fact it had millimeter wave in and that was very, very important. It continues to be important.

We didn't talk as much at the time because it wasn't really relevant then, but certainly it's more so today. The device they launched last year also had C-band in. So we have about 20% of our base -- phone base now has a 5G device in their hand. The vast majority of them has a 5G device that doesn't just do millimeter wave but also has C-band in it already. So when we turn that spectrum on later in the year, unlike when we launched 4G LTE, we're going to have a significant chunk of our base that can immediately use that.

That's great for the customer experience. It's great for our network management. So we'll see what Apple announces in the next device here. But certainly, both C-band and millimeter wave are already in the device that we're selling today.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And is that true also for CBRS? And maybe while we're on it, where are you with CBRS build-out?

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

Yes. So CBRS, and there's a couple of pieces there, both from an unlicensed and a licensed standpoint. As I think about the -- probably your question is more on the unlicensed side, we think there is a good opportunity for the industry to continue to explore more usage of unlicensed bands. That

has to be done the right way. We're very happy with the auction last year with the priority access licenses. You see that we acquired those in high-traffic areas.

We think unlicensed bands are a great way for us to add capacity where we already have network as an overlay to an existing network build where you want to add additional capacity. Probably not the right spectrum to build out an initial coverage layer, given the unlicensed nature of it, the shared nature of it. But certainly, for adding capacity in certain areas, we think it's another tool in the toolbox and you see what our engineers do when you give them as many tools as possible.

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

Very good. Matt, can we talk a little bit about the competitive environment? I know we're jumping around a little bit. I apologize for that, but...

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

That's all right.

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

The cable companies seem to be ramping up a little bit, which is obviously good and bad for you. DISH, we didn't get to listen to their call but we'll read their transcript shortly. It's coming to the market. T-Mobile is talking about capturing flow share. Could you talk about maybe what the competitive intensity is like now and what do you expect a year from now?

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

Yes. Yes, great question. Look, first of all, this is a wonderful industry to be in. The reason there's a competitive intensity there is because you see the growth the industry has had for a number of years now and the increasing importance that we play in our customers' lives, to the point that most of us -- the people we've done surveys with, we all noticed that if we can't find our phone quicker than if we can't find our wallet.

So given that it's a great industry to be in and it's not a surprise as a result that there is a level of competition. The precise amount of competitiveness changes from month-to-month, year-to-year. I kind of look at it, if I go back 2016, 2017, there was a lot of competitive actions. I think as you got into 2019 and then certainly last year, some of that was probably a little lower than it had been.

And then I think late last year, you saw the competitive intensity pick back up again. The exact specifics of how we see that show up in the marketplace change over time. And the exact -- how the level of it changes over time. But I don't think we're outside of historical norms.

We may be in the higher end of the normal band right now, but it's certainly the normal band. And we've competed very effectively for many, many years in the industry, and you see where we are today as a result of that. So we pay very close attention to what our competitors are doing, whether that be facilities-based competitors or whether it be MVNOs. And you'll see us react to that as we need to do. But I think it's -- overall, it has been an industry that's had a fair amount of competitive activity, but also being able to grow revenues while that occurs.

And as I think about the next few months for the remainder of this year and then heading into the next couple of years, I don't expect it to be anything but that, and we think we can compete effectively within that, grow revenue and grow earnings as well.

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

And can you talk about your strategy on handset promotions? And I guess, specifically, AT&T kind of started, obviously, early to give existing customers subsidies on their phones. Do you think that will remain a current, basically, landscape for the industry at this point?

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

I think it will evolve. I mean, it's interesting that the nature of the promotions evolve, how they're designed. I absolutely think we'll continue to see handset promotions out there. But I don't think anything was surprising there. Look, I think it's all a part of creating long-term relationships with the customer base is fundamentally what it's about. And we look at what's the most cost-effective way to do that as we go forward here.

So we look at the lifetime value we believe we get from either getting a new customer or upgrading an existing customer to a new device. And the current handset promotions fit within our math of what it makes sense for us to do. So I think handset promotions will absolutely continue to be part of the industry.

And that doesn't come as a surprise me at all. And I think we can do that in a manner that allows us to actually amplifies our ability to grow the top line and do it in a way that's also accretive to margin as well.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Very helpful. TracFone seems like a huge opportunity for you guys. Can you just give any updated thoughts here what you can do with that asset?

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

Yes. Look, we continue to be very, very excited about the opportunity with Trac. Obviously, the prepaid segment is one where we've typically under-indexed when you think about the -- all the different segments of the U.S. population. Those served by prepaid has not been our core focus. It also happens to be one of the segments of the U.S. population that's growing fastest.

And so we think being able to build off of the great work that TracFone has done in building up their customer base, their presence in that market, taking what they have done in building that base, bringing our 5G network and the products and services, you think about bringing fixed wireless into that customer segment as a very significant opportunity.

So we look forward to closing that transaction later this year and then being able to start that integration and bring in the full Verizon experience to the TracFone customer base, while maintaining this secret sauce that TracFone has that allowed them to be successful in that segment.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Well, I could talk to Matt forever. I only have 3 more minutes. So Matt, I'm going to ask only 2 questions, hopefully a quick one and then something a little longer. But looks like we're getting \$65 billion of government stimulus. Do you think some of that could go towards fixed wireless? Or can you take advantage of some of that, either there or with Fios?

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

Absolutely. I think one of the important things in the way that the bill has been crafted at this point in time is that it doesn't favor any particular technology. It's more based off of outcomes. And so there's areas where it could make sense to build more broadband. There's areas where it makes sense to provide a better experience to customers through building out fixed wireless faster than otherwise may happen. So we think it's a good approach that's in the bill today.

Obviously, it's got to get all the way through the legislative process. But certainly, the requirement that we continue to build out high-quality broadband throughout the country is something that the bill is focused on, is something that we're very supportive of. And now we're looking at geography by geography, where do we think it would make the most sense to either deploy fiber or to deploy fixed wireless as a solution to bring that to the faster broadband to consumers and businesses.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Lastly, some of your competitors are looking to take advantage of cloud-based technologies to lower network costs, operating costs. Are you looking at the same? Or what are you doing on that front?

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

Yes. I mean, absolutely, we've been deploying cloud technologies for the last few years now, both within the network and also within the core operations of the business. It brings significant efficiencies in the right place. We went through an interesting transition from cloud from the standpoint of initially being skeptical about it. Kind of how comfortable am I moving these applications and so on into the cloud?

Then you get comfortable with it and you say, okay, we're going to move everything. And then if you look at it further, you think about there are some things that some should move and there's some things that shouldn't. And so the team has done a really good job over the past few years of identifying where it makes sense for things to move, and we've got that underway. Some things have transitioned already. Other things are still in the process of transitioning.

And then there are some pieces where we don't think it makes sense because of the scale we have and so on, and there are certain pieces like the network core, for example, is something that we have our own cloud product that we're deploying there that we think that's part of what makes Verizon, Verizon.

And so it's an application-by-application analysis. That analysis is largely done. Where it makes sense to do to transition to public cloud, we have. Where it doesn't, we won't. But it really comes down to finding the most efficient and effective ways of running all parts of the business.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Matt, really appreciate your time. I know you're incredibly busy. Thanks so much, Brady, for allowing Matt to present. Thanks, everybody.

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

Tim, thank you. Appreciate everyone's time and look forward to seeing everyone soon. Thank you.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Bye-bye.

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