

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

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

EVENT DATE/TIME: DECEMBER 06, 2021 / 2:00PM GMT

John Hodulik *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

PRESENTATION

John Hodulik *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Okay, everyone. I'm John Hodulik, telecom and media analyst here at UBS. And welcome to the 2021 Global TMT Conference. I'm very happy to announce our next speaker of the day, is Hans Vestberg, the Chairman and CEO of Verizon. Hans, thanks for being here.

Hans Vestberg *Verizon Communications Inc. - Chairman & CEO*

Thank you. Great to be here. Before we start, I just need to remember to say that the safe harbor statement is valid. I might do some forward-looking statements. So be careful out there. So that's the safe harbor statement I'm doing today.

John Hodulik *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Okay. Good job. Brady will be happy.

Hans Vestberg *Verizon Communications Inc. - Chairman & CEO*

Yes, I hope so.

John Hodulik *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

So we've got about 45 minutes. I've got a bunch of questions prepared. (Operator Instructions). I'm looking at them here, and I can weave them into the discussion.

QUESTIONS AND ANSWERS

John Hodulik *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

So Hans, obviously, a pretty eventful year here in 2021. Can you give us a sense for, as we look out to '22, what your priorities are for the company over the next 12 months?

Hans Vestberg *Verizon Communications Inc. - Chairman & CEO*

Now rolling into '22 is, of course, an exciting year for us. We have been building now for 3 years our strategy, our Network-as-a-Service strategy, together with all the different vectors of growth we have. So of course, all of them are in full execution. And that's what we're exciting for.

exciting. We're probably going to talk about it. Then the nationwide broadband that we're going into next year is also very exciting for us given the assets we have.

The value segment, we just closed TracFone. We are now coming in with a fresh 20 million value customers, which is also very exciting. Then we have the network modernization, working with MVNOs on top of our network, which also is adding to our profitability and our return on investment on -- or capital invested. And finally, we have the old 5G mobile edge compute and the industrial IoT and everything we're doing there.

So 5 different vectors of growth based on the Network-as-a-Service going into '22. We have everything that we now decided that we needed in Verizon 2.0, which was our sort of strategy that we laid out in 2018. So I couldn't be more excited about 2022 than I've been. And you remember at the Investor Day already last year or this year '21, I guess, we started a guide that we are confident that we can grow our wireless service and other revenue going forward, going to 3%, and then over time going to 4%. So all that is adding to that. So no, I have to say '22 is an important year, and we feel really excited about it.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Fantastic. And we're going to dig into each one of these -- into one of these segments over the next 45 minutes. But before we do, a couple of areas I want to touch on. First, the recent management change at the top of the wireless and the consumer business. Ronan is stepping down. Manon is going to be taking part of that -- of those areas. Any change in strategy we should -- to expect that comes along with the management change?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

No. No change in strategy. We have been running this strategy right now. And we also work very diligently with our succession. I mean Ronan and I have been planning this work on this. We brought in Manon for a time ago as a Deputy CEO. So I guess it was clear that she was the appointed one. She has now gone in parallel with Ronan for a while, running all our operations. So she is well in and ready, long experience, both from broadband and from wireless. So we're excited to have her.

Ronan is going to

(technical difficulty)

Even he will work with some special tasks like the Yahoo! Board and things like that. So no, it's normal. I mean we are a very organized company, with a lot of processes. And talent management is something I work personally a lot with. And I have to say, our bench is very strong in the company right now. And we also announced just recently our new head of HR, which also is a great addition to the team. So I feel really good and excited with that team going into '22.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got you. And it's just that, Ronan obviously came from a large wireless company in Europe. Manon is from a relatively smaller one in Canada and is a little bit more of a challenger type strategy. And I've been asked whether or not it sort of signifies -- signals a more aggressive approach from Verizon going forward.

the moment.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

And then along with that, how would you characterize the current competitive environment that we're seeing, specifically in the wireless market?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. Yes, there's a lot of things to unpack there. But if we start with the consumer side, we have seen a little bit more competition right now. I have said that that's pretty normal. First of all, it's the holiday season, and number two, we're just getting into the, as I call it, second wave of 5G. Because the first wave, you build a network and you get people onto the network. And now we come to a second wave where, actually, it's very important to bring in the customers, giving them the experience that they deserve. I mean at the third quarter, we said that 25% of our customers now have a 5G phone, and that's in basically 1 year. I mean 4G after 1 year was 10%. So of course, it's an exciting time, and the competition is heating up a little bit.

But it's nothing unusual. I mean it was like 4G as well. We saw the same at 4G, exactly the same. And then as you have seen us, we pulse in and out with offerings when we see it's a good momentum for us. We are very, very, I would say, organized and structured when it comes -- or disciplined when it comes to our offerings on the consumer side. And of course, we have our differentiation, with everything from the bundles that we have, with discovery+, Disney+, the big Disney+, now the gaming. And we probably have much more in the funnel, because right now, everybody wants to be with us when it comes to using our distribution channel.

But we're going to do it when it's right for our customers, right for our brand and when we can make money on it. I mean it's not like we're going to offer our distribution channel to anyone and our best network. So I would say that is an area, of course, of competition. But clearly, I feel that we are differentiating. And as you've seen the last couple of quarters, for us, we're now up to roughly 70% unlimited, 30% still metered on our value play. And 30% is on unlimited premium.

Our job is, of course, to see that our customer get the maximum value moving up that ladder. That's our main focus. And that's what you have seen on our ARPA expansion the last couple of years. And I think that Ronan said that by 2023, we would like to have 90% on unlimited and 50% of that on unlimited premium. So we have a way to go. But however, we're ahead of that plan. So -- but there's still a lot of expansion for us. And that excludes, of course, talking about the value segment, which we will probably come to later on. That's the consumers.

On the business side, we are performing very well. I mean the guys are doing a great job. As I said before, small and medium business are coming back. Not all of them are coming back, but the ones coming back are coming back with much more digitalization and wireless as a base for that. So we're very excited with that. Enterprise is basically the same thing. And then we have had, I would say, a little bit -- a throttle back on the federal and the government because they added so much wireless lines due to remote education, which somewhat is not that equally important. But that is starting to normalize as well.

So I feel really good about our position in wireless, on all sectors we're into, including IoT and what we're doing there. So I have to say the team is doing great work, very disciplined. And we have so much more headway we can do with our customers. And now we talk on consumer on the premium segment basically.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

It's still lower than before. I mean remember there are fewer players in the market so the switching pool is less. A lot of offerings has so far been in the market for retention, even though when -- what we are doing right now, when we are pulsing is we're looking more at -- as well as new acquisitions because we saw good momentum with our offerings and all of that. But as the focus has been on retention -- but that's fine for us.

I mean I think that for us, it means that we still have a lot of growth potential on our existing base with our existing offering. But of course, we're going to see that we always are there taking our share, that we are -- should have in the market. But we will do it disciplined. We will look long term, as Ronan and Manon is doing all the time, to see that this is accretive for bottom line for us over time. And if you look back the last 4 or 5 quarters, that's what we have done, and we will continue to do so. We feel very good about it.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Yes. Maybe just talk about the impact that cable is having on wireless. Obviously, they have a Verizon MVNO. They recently cut prices. How is the -- how does that affect the market and maybe Verizon in particular? Do you expect them to continue to take share at the seemingly 20%, 25% to 30% of sort of postpaid phone adds?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

There is no surprises here. Of course, they are offering it on their existing footprint as agreements stipulate. Again, we see that this is good for us in many senses. I mean first of all, I mean, we take our fair share in market. They take a portion of other portions in the market. And then, of course, every net add that they add is also benefiting our platform. So I think that's how it works in the market. We are happy with our relationship with these guys, and we're happy with the arrangement we have. So again, it's an add-on to our plans and to our long-term financial guidance.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Does the risk change as they begin to deploy CBRS? I think Charter has announced they're going to deploy in one market. You maybe see more in construction beyond that in '23. But does that change the equation?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

No.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

And then I guess, lastly, and this would be the segment to -- just to you guys, fixed wireless ambitions. We get a lot of investors, especially investors that have experience in the European telecom market, worried that sort of convergence between broadband and wireless from a service standpoint is going to lead to some real pressure on ARPUs in the United States, similar to what we've seen in Europe over the last, I would say, 5-plus years. I mean do you think the U.S. is heading in that -- obviously, with some experience in sort of European telecom, I mean, do you expect -- do you believe that the U.S. is at risk of that kind of competitive dynamic and pressure on ARPU over the next several years?

Then you have also how the MVNOs are set up, which is very different than in Europe because they are not nationwide and they can offer to any customers. That's different as well. I think it -- I see this more as an opportunity for Verizon because I have all the optionalities. I have the strongest portfolio in wireless. If that's the premium or value segment, doesn't matter, I'm #1 in both. And then going nationwide with broadband. If that is Fios or if it's fixed wireless access, this doesn't matter. I can give my customers optionality. Do you want convergence? Do you not want convergence?

And number two, I also have all the service offerings that I can do uniquely for us. The -- everything from discovery+, Disney+, music, gaming that we can put on the platform as a converged if you want to. So we're going to play this with our customers in sort of in our mix and match way and see that they -- that our customers get the right out of it. It's a clear differentiation for any of our competitors. No one else can do it in the market. And that's our strength, that we can do so many different.

And we have built our IT system. Remember, this was sort of a vision we had in 2018, that we can do this type of differentiation and using our platforms, not only the network, but also the building platform, the distribution platform for our customers. And that's what we're doing right now. And we are coming full force into that in the next generation of wireless and broadband. And let's see where the customers are going. One thing is for certain. We see over-the-top content going. We see much heavier. We see sort of mix and match of that being more important. And I think that with our portfolio, I feel good about it. So no, it's very different from Europe, clearly.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got you. So now switching to fixed wireless before we get into the sort of core wireless business. First of all, you've said nationwide fixed wireless offering a couple of times. And how big of an opportunity is this for Verizon? I mean obviously, from a -- I mean, is there a way to sort of size the opportunity versus the current business? I mean are you excited that this is going to be a big growth driver for the company over the next 5 years?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, yes and yes. Yes, we're excited over it. We believe it's a big growth opportunity for us. We have seen how great we have been doing on -- with fixed wireless access in the beginning here with mmWave and 4G. And of course, this will kick off when we get the C-Band launched because then we can address so many more households. Our marketing machine can go there. And remember, we have all the learnings from Fios that is doing exceptionally well. And number two, we have learned everything about fixed wireless access.

We have devices that can handle different type of frequencies. We have learned to -- our customers to do self-install. So it's a different type of offering we are coming with as well. So no, we are very excited about it. And if we want to bundle, we can bundle. It depends on our customers what they see in the most value. And I think we said in the third quarter, we brought in, I think, 55,000 fixed wireless access customers. 50% of them were new, meaning they were new broadband customers. And 50% of them were new new, meaning they were a new customer. They have never used Verizon before, and they were new broadband.

So it's a great subset of customers are getting in there. So you think about the new and the new new. I mean the new new, they have wireless opportunity with them as well. So now I have to say, we -- the team has been working on this for 2 years. We have talked a lot about it. We're going to hit the 50 million households, as we have said, with -- as an addressable market very soon here. So that all is coming into play. But the most important is how long have we prepared this, our IT system marketing, our self-install, seeing that our CPEs are working with this frequency and network.

So 55,000 in the third quarter. How should we expect that to ramp over the next, say, several quarters, maybe a couple of years? I mean when do you think that you -- in that initiative or with that vector, when do you guys hit your run rate? And maybe one of the things -- you mentioned the C-Band. What are the things that have to happen to get you to that run rate?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Now I think that, first of all, C-Band will be an important enabler when that come because that opens up more opportunities together with the mmWave and the 4G. That's for sure. So I think that we will have a time here when we're going to roll it out. Remember also, the C-Band is adding spectrum over time. So we were going to increase our opportunity 50 to 70 million households over time. So of course, it's not that we will reach any peaks in '22. We're going to see more opportunity as we turn on more and more spectrum over time.

And remember also, I mean, when it comes to mmWave, we are doubling our footprint this year from 14,000 to plus 14,000 small cells. So we're also doing that at the same time. And then we have seen that the 4G has been working very well for us as well. So all that is playing in. And then we have Fios on top of that, which means that we have a great opportunity to continue with expansion.

John Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Yes. So you expect it to ramp through '22 but into '23 as well in terms of demand?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Yes, as we turn on more spectrum on C-Band over time, we just open up new opportunities. So that's how going to be. But of course, when we turn on the first tranche of C-Band, we're going to open up quite a lot of new opportunities, which we will, of course, execute on as soon as we can, and we are ready to do that immediately.

John Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Right. So getting back to the question I asked you about cable taking, call it, 25% of wireless net adds each quarter, roughly that. I mean do you foresee -- the broadband market in the United States adds about 3 million a year, 3 million net adds. I mean do -- so do you think you can get to a point where Verizon or maybe fixed wireless in general can get to that 25% sort of flow share should -- sort of be less than 1 million adds a year, say in '22, '23? Is that a potential goal?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

I don't know that anybody else have an offering than us that is viable on fixed wireless access. So I think the question is just asked for me. So I don't know. But I definitely believe that we're going to gain share of it over time. We, of course, should be competing with cable as any other. I mean I think we're going to have superior quality. I think we're going to have superior customer care. And our brand is just having a fantastic brand value in the market. So all that is going to help us tremendously.

And we have a product that is innovative. It's self-install. You don't need 500 channels. You can actually pick and choose whatever over-the-top you want. We can help you with that. So there's a lot of other additions we can do that hasn't been able to do in the broadband business before.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

You need to be respectful for competition in the market, so of course, on that. But I also know that we worked for 2 years to get to where we are with fixed wireless access. And seeing how you use the capacity elements in the network, how you secure the quality, uptime 99%, all of that, it takes time to see that you are really certain about the bandwidth offerings through the stores and all of that. So it takes some time to build it up. But of course, everybody want to compete and everybody want to copy us. So of course, they're going to chase us. But I feel that we're first out of the gate. Again, we have a much better offering than others, and we have a great experience in the team.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Okay. Okay. And last question on fixed wireless before we turn to the core wireless business, the -- I would say the pushback that I often get when we talk about fixed wireless is speed and capacity. So maybe talk a little bit about the speeds you're able to deliver, maybe both now and when you have what might be a more fully loaded network. And then capacity, right? I mean there's a big segment of users that still use roughly 100 gig, but a lot are using over 500 gigs a month...

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Absolutely.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

On the household so -- especially cord-cutters. So talk about where you need to get -- when does that start to become an issue, the capacity? A lot of people think, hey, these guys are going to have to pull the plug on this and stop adding subs because of capacity limitations a lot earlier than people expect right now. I mean can you have millions -- I mean, obviously, it's going to depend on where these customers are located. But when does capacity become an issue for you guys, [if it's worth?]

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I cannot even see it. I mean first of all, right now, our fixed wireless users on 5G are using more data than our Fios customers. That's what's happening today. They are using more. And we are guaranteeing minimum 300 megabits per second. And of course, that's -- usually, people are using 50, but we're guaranteeing 300. Usually, they have one gig. I think that when C-Band is going to be launched, we're going to be somewhere on -- a little bit lower. But it's still going to be that we can offer as much data as they want them and as we have done before.

On 4G, of course, for certain reasons, that's a little bit lower, 50 megabits per second or something like that. So that's a little bit slower. But that also is working well for the use cases that they need. And that's basically the average usage they have in the broadband network.

So -- and then, of course, when it comes to capacity, given that we have 1,600, 1,800 megahertz of mmWave, we have 161 megahertz of C-Band nationwide, and we're only starting with piece and blocks of it, not even using at all. And if it's going to be one day, you're going to have so many fantastic fixed wireless customers on a certain cell site, you just do a split, then you split the network, and you set the power radio.

is going to add tremendous capacity on it. If you just look on the 4G, launching the 4G until where we are today, it's probably 10x how much more capacity you get out of that spectrum because of software improvement. The same will happen in 5G, on top of all the spectrum I have. So it's not that we are sitting and thinking, okay, are we going to get capacity constraints? Not in the plans that we have and the markets we have. We don't see that right now.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. Perfect. So let's move to the regular wireless -- the traditional wireless business. So as you mentioned, ARPU trends have been very solid, and a lot of it has to do with the move to unlimited and the move to unlimited premium. One, what would you say are the drivers of that? Is it the bigger buckets? Is it the media apps that you -- that come with the higher premium plans? And then how much visibility do you have? You talked about the goals that Ronan has. How much visibility do you have in terms of continued ARPU growth and continued migration to these higher plans?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

We see a -- we have a good visibility into it. I mean the reason is that we see our customers coming into the stores and what they take right now. I mean I think the new accounts in the third quarter, 90% took unlimited, and a high proportion of that, of course, was unlimited premium. I think it was 50% of the 90% got unlimited premium. So for that reason, we see our customers actually coming in for this, seeing the value of the network, the bundles we have, with everything from discovery+, Disney+, the gaming apps and all of that, which is a key differential from anybody else in the market.

And they see a value in us. And that's why they move up the value chain and that -- and as we also know that we have more products continuing here, and it's not -- we have not ended now, we have more coming. We feel that, hey, this is going to be great for our customers because they're going to get more value, more optionalities with us. And then we have the mix and match in the accounts. So we still have a lot of accounts where we might have one on unlimited premium but not the others, and we can move up as well.

So that's why I'm saying that my team feel very confident about the strategy we have that we came out within 2018 or end of '17 with the mix and match and all of that. And we're probably going to have some exciting mix and match coming up very soon again because usually we refresh that every year.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

So when you say mix and match, so you're talking about new pricing for services or sort of new services you're adding on top of the existing connectivity?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Might be both.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Okay. Okay. That's good.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst
I was trying to encourage you.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

No, no. Ronan and Manon would kill me so I wouldn't do that. But no, clearly, they constantly think about what are good for the customers and how can we continue to evolve together with them. Because ultimately, for us, it's both customer satisfaction with these offerings, but it's also a way to bring them through this uplift from [beta] to unlimited, unlimited premium.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst
Right. Another sort of tailwind for the wireless industry in general is actually the mix in terms of tiering is international roaming. I mean obviously, not a lot of international travel. I mean how should we think of that in 2022, assuming that things continue to improve from a pandemic standpoint?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. If everything improves, but I don't think we're going to see the same type of traveling as we have seen before, especially on the business side, not in the short term. Maybe consumers and normal tourists will come back to the same levels. And of course, that will add something. But business, I can only look at our own company. I mean we -- I mean, nowadays, you can actually do a business meeting over blue jeans or -- instead of visiting people. So of course, it's going to be every second time.

So I don't think that the business travel -- and of course, a lot of the roaming, the heavy roaming is with business travelers. So I don't think -- but this is a pure speculation, I don't think it will come back in '22 to normal levels. But it's not a big deal. I mean we're going to probably see the consumers coming back on roaming pretty soon.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst
Got it. And then lastly, on ARPU. Just how is the retention on Disney+, discovery+, maybe the Apple Music partnerships? Have those relationships yielded the kind of sort of economics, and I would say, stickiness that you had hoped?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think that we are positively surprised about the stickiness and the -- and how customers have stayed with the services and the retention of them and also the uptake when they -- when we rolled them over to paying service for it. I think we have been surprised. But we have learned a lot how to do it and see that our customers really understand what they're paying for and what they're getting. So no, I'm -- we are very happy with that model. And there are probably more to be done there. We have now some streaming service. We have gaming services. We have music services. And let's see what we can do more over time here.

But again, we use -- in the strategy we have, we use our platforms. We have a network platform. We have a billing platform, and we have a distribution platform. And our direct-to-consumer is the biggest in the market. I mean now we're adding also the 20 million from TracFone. So of course, we have so many ways we can play with the distribution channel, either for value segment, premium segment, broadband segment, combination of

Got you. Maybe shifting to TracFone and the prepaid strategy. Obviously, you now become a massive player in prepaid after sort of not -- having that not been your focus. I would imagine that we'll -- over the next couple of months, we'll get a better sense. But what is the strategy in prepaid? And maybe how do the things change? Should we see sort of more advertising around the prepaid product? Do you want to give us your brand strategy right now? That would be great. But just how should we think of that as an opportunity for Verizon?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

When it comes to the brand strategy, many of the brands will be kept. We have had the Verizon prepaid brand, which is very small. So I think that we -- the guys at TracFone have done a fantastic job with their brands in the markets. So they will continue with that. I think the main difference is that everything from behind will be Verizon, all the way from how we deal with customer care, how we deal with the UX for customer, how we deal with the network. That will be additions and support on them so they can even do a better work.

And then, of course, we have products and services that we have not offered to TracFone before that will be available probably over time. And of course -- so we feel really good about it going into next year. We closed it just a week or 2 ago and coming into the next year with a full portfolio. Of course, 2/3 of the subscribers are already on our network, then 1/3 is roughly on other carriers. Over time, of course, we'll see that they come over.

But there's some handsets and a couple of other things that need to be there. So it's going to take us some time to bring all of them in. But ultimately, that's the plan, to see that the customers are on the -- our network and, again, using our platforms. That's what we're going to do. And using all the things we've learned from our wireless work. So we're excited about it.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

And do you think the prepaid business can be another driver of growth, where you see some nice subscriber growth and maybe ARPU growth as well?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think it is a segment that will continue to be well served and an important segment. It's many people coming into the market for the first time, start like that. Now we're going to sit with the biggest base and the best offering there as well. So I see it as an excellent addition for us. Basically, we can cover from all the way in all segments, the wireless market, all from the ultra, premium, to the prepaids so -- and the metered plan. So we feel really good about that.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. Maybe we'll delve into a couple of other growth areas. First, fiber to the home deployment is a hot topic again in the United States. Obviously, we had a couple of year period where there really wasn't much construction going on. And now AT&T is driving this, I would say. There's a bunch of other ones. And AT&T is actually suggesting that they think it's more cost effective than fixed wireless. I mean could -- Verizon obviously has a big history with Fios. Could you see Verizon sort of leaning into that again and deploying more fiber? Or is fixed wireless really the way that you expect it to address volumes going forward?

And remember also, we're doing our One Fiber project, which is basically covering more than 60 markets across the nation to see that we can support our network and support everything. And of course, that's going to be an important asset over time when we at least come to enterprises and things like that, that we want to serve as well because we're going to have our own fiber basically across the nation in the most important and populated places.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Right. Maybe on -- you mentioned earlier the mobile edge compute. Give us a sort of an update on where you are, both from a deployment standpoint. I know you have an arrangement with AWS and Amazon. How do you think about this initiative in terms of monetization? When do you expect -- what needs to happen to your actually monetizing the opportunity? And can you give us a sense of when you'd start to think it will become meaningful?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. You're right. So there are 2 different offerings here. It's a private 5G network where you basically build a private 5G network. Then you put cloud software at the edge. We do that with both the large-scale guys, AWS and Microsoft, which is a great opportunity for us because they also are sort of a partnership -- doing partnership with us for go-to-market. We see a great uptick. And many new areas coming up from automation of manufacturing, logistic, health care, using it for a private network, both for security, low latency and enormous throughput.

Here, we're using mmWave. Of course, it's a great opportunity for mmWave. With the bandwidth we have, we can just deploy this immediately. And now the ecosystem is coming. I mean, first, it was sort of we build the network. Now we have small cell indoor for mmWave. And now handsets and other devices are coming. So this is a very important area for us going into '22.

The public 5G mobile edge compute, that's basically what we do with Amazon. We're basically deploying in the public network mobile edge compute, where developer gets to develop application straight into the Amazon, the sort of cloud infrastructure and then host and keep the data, the processing and everything there. So that we have done for quite a while. And now, of course, with the C-Band, we amplify it with all the devices coming out.

So we have been really preparing for these moments, both on public and private. Going into '22, to start now scaling this as the ecosystem is coming out. So we feel good about it. We're probably 2 years ahead of anybody else in the market, in the world even. And this is a bet we're doing. And again, we build the network once, and we have another opportunity based on it. And we have talked about the opportunity, a multibillion-dollar market opportunity for us going forward.

And we want to take a piece of that, and that's the revenue share we have with these guys. So we feel good about it. We will probably talk more and more about it. We have already signed customers as we have announced through the quarters here that start using it, and the funnel is long. It's more the ecosystem that now is catching up. So we feel excited about 5G mobile edge compute, both for the private and the public.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got you. In terms of the customers that you signed up for, I mean, anything you can tell us in terms of the industries that you think are most susceptible to be the first movers in signing up for the -- or utilizing the mobile edge compute architecture?

seeing that you don't have any interruptions like you can have on Wi-Fi and things like that. 99.999%, is of uptime and all of that.

So those have been the early ones that we have seen, but there's no industry that we're not talking to. We're basically talking to all the leaders in any industry and having proof of concept, going into trials and then after that, going to commercial. The banking industry is clearly there as well for secure communication and real-time decision-making or even trading.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. So last week at AWS re:Invent, AWS announced that they were going to sort of stand up a private 5G offering. And this is sort of -- adds to some services that they've done on the fixed side that would seemingly compete with Verizon. I mean, first of all, any thoughts on that private 5G offering, that announcement? Do you think it could over time become disruptive or could garner some share and can pull from the existing carriers?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

No. No, I don't feel that that's -- it's an add-on that they have, and we can be part of it if we want to. We see it much stronger when you have licensed spectrum than shared spectrum or something like that. So it is a broken out sort of cloud offering. But ultimately, what we are doing is an integrated solution with them which we think are far, far more interesting for customers than having the other solution. But again, it doesn't exclude that we can do that solution with them as well, because ultimately, somebody needs to have the spectrum doing it with them, and we have that type of spectrum as well.

So it's more of optionality where we're going to invest right now. Where do we see the best traction with customers? So we have a really good relationship with Amazon, with Andy Jassy and the whole team. We are investing in research together. So I feel that we have all the optionality with Amazon, what we want to do. And I think we're well ahead of anybody else thinking about doing any 5G in the network together with the cloud players.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. Okay. So 4 minutes, I'm going to do -- just ask you a few quick hitters here. First of all -- yes, yes. So first of all, what -- how do you sort of look at the risks to attaining the goal -- your goal of accelerating revenue growth to 4% or better from sort of 2% today? I mean are you -- do you still remain confident in that goal?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, I do. I mean this sounds crazy, but I feel even more confident because now I have all the asset. When I said that, I didn't have TracFone. I might have them. The C-Band was sort of an idea that we had then. Of course, we bought it later on. So we have added things in the portfolio. We have seen the greatness of our fixed wireless access as well as our 5G monetization. And of course, we can only add that we -- our MVNO partners are also adding to all of that.

So I would say, given what we see in front of us, we have more vectors of growth than anybody else in the market. We are leading in basically all of them. And then topping with that, that's growing TAMs in all of them. And we are positioned well as a company with our assets, with our company, with our leadership team and all of that. So we feel good about it. The team has -- we have the incentives, all the way from strategy, strategy execution, incentives, everything is set up for doing Verizon 2.0. I know that's an internal name. But for us, it's extremely important because

infrastructure any country can have. We are in the middle of it. I mean we are the #1. You couldn't be in a better place so -- but competition will be there. It would be strange if it wouldn't.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Right. We talked about C-Band deployment here a few times. Obviously, you have a little bit of a hit with the FAA. How should we think of that? Does cutting the power -- first of all, is that an acceptable solution to the FAA? Does that have any real impact on the business? And how long do you think that gets clear?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

The answer is no. There is no impact. But just to make it clear. We have the spectrum. We launched where we want. We thought it was a good sort of a fair thing to do to offer them some more time to look into this. I deal with FCC. That's how it works. We have the spectrum and all of that. There is very small and minor tweaks that has to be done. And the reason is there are very few towers close to an airport. But remember, this spectrum is deployed in 40 countries. And the guard band and the spectrum is far more narrow than we have here. So apparently, aircraft lands in other countries as well.

But I think it's just a way. We're a good citizen. We want everybody to feel good about it. We don't see no issues at all with it. So that's what we have said. So no impact on our launch date. No impact on how many POPs we will cover. Our commitment is 1 year after we won the auction, we will have 100 million POPs on the C-Band. There's no change to that commitment and that target. The team will definitely make that.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. Okay. And lastly, just capital allocation over the next 3 to 5 years. Are you still sort of comfortable with your leverage goals? And maybe just -- can you talk about CapEx trends when the C-Band deployment is completed?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think that we have our clear priorities with business first, then continue to keep our shareholders with a growing dividend, then reducing the debt, and then finally, coming back to share buyback, which will take some time. When it comes to CapEx, what Matt and I said was that we will -- after this cycle is over, our capital intensity will go down, for many reasons. First of all, we're making an extra \$10 billion for the C-Band just to get it out there. After that, there's going to be normal BAU.

At the same time, 4G capacity will come down. As well as we will also have done our hump on mmWave. So that will also go into BAU. And we will finish the sort of the build of our fiber, and then it will be more a sort of revenue building fiber when we have a direct correlation with the customer. So all that leads to that win. In 2 to 3 year, our capital intensity will go down. That's clear. And we also have invested in our Verizon Intelligent Edge Network, with multi-routers, fiber in between everything, new optical equipment and all of that.

So clearly, that was the plan when we launched the Verizon Intelligent Edge Network in 2017. And we're going to bear the fruit here in the capital intensity in a couple of years. So that's already modeled in, and the team knows it and everybody knows it.

Thank you, John. Thank you, everyone.

John Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Very good. Thanks, everyone.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021, Refinitiv. All Rights Reserved.