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EDITED TRANSCRIPT

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CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

Thank you. Tim Horan, Oppenheimer cloud and communications analyst. My pleasure to be hosting Verizon here, specifically, Sampath, who now runs the Verizon Business Group. I think this might be the first presentation he's given to Wall Street anyway in this role. He's had many roles at Verizon, and he's obviously been incredibly successful. He came out of the communications consulting world.

So him and I could basically talk for hours and hours, but we're going to focus here on Verizon Business Group and how they're going to successfully grow the business and transform over what's going to be probably the most dynamic period of time in the next decade that this group has ever seen, but we'll leave it up to Sampath here. But Sampath, I think you might have some opening comments to make.

Sowmyanarayan Sampath

Yes. Okay. Thanks so much for having us. Thank you, everyone. Good afternoon, everyone. Hope all -- everyone's well. Dog days of summer. For Verizon Business Group, our -- look, our strategy, we are very confident in our strategy right now. We think there are 3 big trends that we play into, mobility, broadband and cloud. We have a strong play in all 3 of them. And when you put that in the foundation of a network like ours, we think there's a huge opportunity to grow in front of us. Our vectors of growth or our pathways to growth, we think there's almost a \$90 billion opportunity in TAM for us to grow into. So we feel pretty confident in that.

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

And Sampath, I think you might have to have an opening safe harbor statement, but I'm not sure.

Sowmyanarayan Sampath

Yes. Everything we say will be covered as part of our safe harbor. It's on our website. Folks can go and see it.

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

Great. I didn't want to get in trouble. And there is going to be -- if people want to ask questions, there's a webcast chat room here that anyone can feel free. And I got a few basically coming in here also.

QUESTIONS AND ANSWERS

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

But before we get to that, so how do you need to transform the business, if at all, to take advantage of these 3 main growth areas?

Sowmyanarayan Sampath

Yes. Look, I think one of the things -- let's break this up a little. On the wireline side of our business, we have some secular challenges, primarily driven by transition from legacy MPLS network to more broadband-based networks. So we're helping customers go through that. But where we see massive growth is on the wireless side of our business and 3 big trends. 5G is the backbone of that, Tim. And 3 very big trends we play into.

The first is mobility. We have close to 45% share in a pretty competitive market. And every quarter, we are putting points on the board to grow that piece. And some of it is just the way we approach the market that lets us continue to take share in that space. So there's a big transformation on how we reach customers and take care of them.

The second is fixed wireless access. It's a new market for us, a new TAM. We've historically not played in that space. It's probably one of the fastest-growing products I have ever seen, both in my career at Verizon and broader as a kind of a viewer in the business as well.

The third big piece where transformations happen is mobile edge compute. Private MECs become the gateway to a mobile edge compute. But as more and more data stays at the edge of the network, you want to marry that with a very low latency, high throughput network like ours. So 3 big things, take share in mobility, grow the fixed wired access business and then grow the market or make the market in MEC and 5G.

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

And fixed wireless access, it seems like a huge opportunity in the business market. I mean, I know there's even a lot of industrial parks that have very limited fixed wireless. I know you guys have talked about the nomadic market a little bit. What percentage of the market of the country you're marketing to now? And what's your kind of primary price point and speed there? And maybe where can that be, the percentage coverage, in a year or 2?

Sowmyanarayan Sampath

Yes. Look, we offer what we call business Internet. It's a combination of LTE and C-band, so 4G and 5G built into it. We essentially cover the whole country today. Most business in America will get access to fixed wireless access, whether it's 4G or 5G. So we have very broad coverage, if you will.

The second thing we see is almost 80% of our connections are primary connections. In other words, it's used in a primary capacity to communicate. And within that, half of it is just a pure broadband cable replacement, and the other half is use cases that cable typically can't get to. And so it's a pretty competitive market, but we seem to be taking a fair amount of share in that space.

Now in terms of price points, it varies anywhere from \$60 for a plan, all the way to \$200, depending on the size and scale. But what we do like, Tim, is the ARPU on a fixed wireless is 2.5x our smartphone ARPU, and that's something really good for us because there's no subsidy, our cost of acquisition is pretty limited. So it's a pretty high-margin product and a fast growth product as well.

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

And what other products are you bundling into there? Do you have like some of these UCaaS voice products on there? Do you have some cloud compute, some -- there's many, many other products that -- you have security products. What else are you doing for the business market?

Sowmyanarayan Sampath

Yes, 3 things, 3 big things. One is SD-WAN. We are one of the -- we were the first -- one of the first carriers in the world to launch SD-WAN many, many years ago. And a lot of our fixed wireless connections sit behind an SD-WAN controller. So as more and more companies, retailers move to

a broadband-based connection, they use fixed wireless access as a method of access and run SD-WAN on it. So that's a big thing we sell. We manage it, both sell the product, but also on a managed service basis, we do that.

Second is security. Whether it's DDoS, ransomware, other types of security. Or even for smaller businesses, we have simpler packages as part of the fixed wireless we sell. The third is classical UCaaS/meetings. We have BlueJeans, which we own. We have owner's economics on that. So 3 big things: UCaaS, security and SD-WAN as kind of clear attach to our fixed wireless access that gives us a bump in ARPU, but more importantly, also make it very sticky and lowers churn.

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

And remind me what kind of speeds are people -- I know what you offer, but what are they actually using? Like I would think retail locations probably don't use a lot of capacity, but just -- but they obviously need it.

Sowmyanarayan Sampath

Yes. Typically, we can go up to 400 megs on speed. With a millimeter, we can go even higher than that, which we do in some cases. But what we tend to see is our business customers use significantly less than consumer, hoping they, of course, they do more work in office and watch less Netflix. But definitely, they end up using a lot less bandwidth. And one of the things we take kind of pride in that is our quality of service. And more and more of our customers who had cable broadband now say, "Hey, we want the wireless connectivity, the reliability, the mean time to repair." And we are seeing a fair amount of migrations over from kind of cable broadband over to fixed wireless access.

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

Are you seeing many people using it as a backup service?

Sowmyanarayan Sampath

Look, backup is not new for us, Tim. We've had backup for literally a decade. So backup market is always there. It's a much lower ARPU product. But where we're spending all our calories is on our primary market. As I said, between 80% and 85% of our connections are primary in nature, and that's where we get the high ARPU and the pretty high stickiness to it.

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

Yes, yes, yes. And so you're probably also saving customers a lot of money on this and giving them a little bit more flexibility, but not to put words in your mouth.

Sowmyanarayan Sampath

Yes. Look, what we do is speed. So if it's now 1:30 Eastern Time, you can -- if you order at 6:00 p.m. Eastern, I'll have a broadband connection in your small business tomorrow morning by 8 a.m. And you don't need to wait for the technician, you don't need to wait someone to come. And the box that we have, it's a pretty cute-looking box. Maybe I'm a little biased. But it takes 5, 7 minutes to turn up. You literally turn it on, it activates by itself. It fundamentally changes the way broadband is bought from an experience perspective. And what we are seeing is very, very high NPS on that product. So agility, speed, and then last is reliability. Look, it runs on our wireless network, which is very, very reliable. So mean time to repair is low. Outages do happen, but they're pretty small and they move out quickly.

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

And this is mostly for SMBs? Or you're selling to very large chains also?

Sowmyanarayan Sampath

No. Look, we started off with SMBs, but just rough math, 30% tend to be with very large businesses, governments. A lot of government offices end up using it, large businesses, retail chains primarily end up. I think we spoke about AutoZone in the past. We've spoken about Walgreens. Some kind of thousands of retail locations, they end up using this as well. And of course, the small business as well, the Joe's Pizza around the corner. So pretty much everyone in between. We have different hardware configurations for them. Some of the large retailers want to get plugged into their SD-WAN. Operations has a little more work. Small business is just put it in the back of a closet or near a window and they're up and running.

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

Wow, it's phenomenal. And how is the -- how do customers like the product there? Yes.

Sowmyanarayan Sampath

Look, what we are finding is, one, is they love the speed and reliability. Many of them did have cable broadband for their business use. This product is business-grade, both in terms of security as well as reliability, but also the managed services that we offer customers who want it. So there's a fair amount of pull that we are seeing in the market. The last one is also we're leading from a position of strength. When you have close to 45% share in a particular market, we're able to use our existing customers to buy into this product as well. So it's been a really fast ramp.

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

And where are you in this process do you think? Like -- it seems like -- it just seems like a great product that we're still early in the process, but maybe I'm wrong about it. Can you talk about how many subs you actually have in fixed wireless and where you think that can go?

Sowmyanarayan Sampath

Yes. Look, we've been public. Look, in our last Investor Day, say, we want to get to 1 million subscribers next couple of years. Look, I'm not going to revise guidance on that, but we feel very strong that I think we may end up exceeding that particular target. So it's -- we are quite bullish on where we are even quite early in the innings.

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

And obviously, that's just business customers.

Sowmyanarayan Sampath

Yes, that's business customers, yes.

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

And remind me, have you said how many you have now?

Sowmyanarayan Sampath

No, we haven't. But we publish every quarter how many we had. So we had a...

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

Yes, yes. I'll take a look back, yes. No, it seems like a phenomenal growth there. And so the bundle of managed services, like SD-WAN and security and UCaaS, how much could that add in ARPU per month?

Sowmyanarayan Sampath

Yes. Look, what we end up doing is most of these end up being used by our large customers and government accounts. And for there, what we do, Tim, is something called NaaS, Network-as-a Service. So typically, a large retailer will come and tell us, "We have 10,000 stores. On each of the stores, we need x amount of bandwidth, Y reliability, this type of security configuration." And we take care of everything for them. So it gets packaged as part or piece, but it's pretty meaningful ARPU accretion on top of our base.

Now what we have to do is continue driving more attach rate. Some of our smaller business customers end up just using plain connectivity with a very small security overlay. So I think the work in front of us is to keep increasing our attach rates for more products, which will drive ARPU accretion.

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

And can you talk about some of those new products that you can do that with?

Sowmyanarayan Sampath

Yes. It's still back in the 3 buckets that we have. It's SD-WAN, security and UCaaS, but it's a lot of new configurations that we are getting in those pieces. Better security solutions, fraud protection solutions, on UCaaS, BlueJeans. We have a deal with RingCentral. So just adding new things on top. But those 3 are logical attaches. Another one, we also do is tech support, pro tech support. So for example, we'll provide day 0, day 1 support on top of your products as well as some insurance products that we add on top of it.

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

And do a lot of these locations have like Wi-Fi for customers? And so Wi-Fi router, do you supply that equipment and maintain that?

Sowmyanarayan Sampath

Yes, we do. We have our own box. A portion of these customers buy the box from us. We end up giving it free if you take an X year contract from us. Some like their own equipment. Cradlepoint is a common hardware partner we work with. They're more industrial-grade, probably more for industrial applications. So it's -- we are quite flexible on that piece. Look, we don't make any margin on the hardware piece. So whatever the customer wants, we are quite happy to supply them as long as it meets our performance standards.

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

And how about the concept of the mobile edge compute here? How does that fit into what you're doing, which sounds like a phenomenal product?

Sowmyanarayan Sampath

Yes. Now look, this is -- I'm very excited about this piece where the overall thesis, and I know one you've written a lot about, is movement of data to the edge. And one of the big reasons where you move data to the edge, you need somewhere to store it, you need somewhere to access it. And we think when you take a mobile edge and the mobile network, mostly the 5G network with very low latency, very high throughput, when you put that combination together, it's almost impossible to beat some of those metrics.

We're probably the only carrier in the world have gone and tied up with all the 3 hyperscalers. So you can access the 5G -- Verizon's 5G network and the cloud -- any of the 3 clouds that you want today to do that. So we're quite bullish about that. We are kind of -- I would say we are past the technical proof of concept stage to some pretty early deployments right now. But that's a pretty growth product for us in the next couple of years.

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

And if you're deploying MEC, would it -- let's say, I have a government building, would I be deploying it in the building? Or would I be deploying it from an edge data center a mile away?

Sowmyanarayan Sampath

Yes. Tim, we have 2 models for that. One is what we call a private MEC. A private MEC, as the name suggests, it's a small box. Think of it as a size of a refrigerator in your dorm room back in the day. It's a small -- it's a MEC. It has access to AWS. It has access to all the AWS controllers and productivity suites on top of it. It sits on-prem, typically in the back of a closet or a telco room, but it can even sit on the floor of a factory as well. That's a private MEC.

Then you have a public MEC, which we have almost 20 locations where we've colocated, where the clouds have colocated with us. There, it's based by the city. And our point is we want most of America to be within 150 miles of one of these public MEC locations so that you're able to get the latency advantages of that.

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

Got it. And typically, the small box, is that -- are you partnering with someone like an outpost? Or would that be your own kind of compute storage in...

Sowmyanarayan Sampath

No, we'll work with Amazon, Google and Microsoft on that piece. So it will be their box, but then we'll integrate our private network or our 5G network deep with that. So in a single control plane, Tim, you can control network, you can control throughput, you can control the cloud functions or in a single control plane. And you get the best of both worlds in one place. You don't have to do any integration.

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

And so what's the advantages of having like a more centralized location as opposed to right on the prem, advantages or disadvantages?

Sowmyanarayan Sampath

Yes. Look, private networks, by definition, the data never leaves your 4 walls. So what we see is large factory floors where they do pretty sensitive manufacturing. You don't want the data to leave. Security, health care, whether it's latency or it's security, you want the data to sit within your 4

walls. They like to do a private MEC deployment. Some others, where the data is probably a little less sensitive, you want to use scale. Like smaller retail locations where it doesn't make sense to put a MEC in each store, you can use the public MEC, which sits, as I said, there are 20 of them in the Americas, and we'll keep adding more.

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

And are you starting to see the CPE equipment like used on the factory floor has changed where they can take advantage of a centralized within the factory compute, or maybe even retail where maybe you can use more virtualized desktops over time? Or -- and not every robot would have to have a massive amount of compute on it?

Sowmyanarayan Sampath

Yes. Look, that's a very well-framed question, Tim, because one of the things we see is most deployments tend to be brownfield deployments. In other words, they have some legacy equipment and the new equipment gets added. So one of the good things about the private 5G network is it almost becomes a control plane for an equipment on the floor. You go into a large factory, I'm making it up, making any machinery parts, you have equipment circa 2010, 2005, 2018, 2022. And then the 5G network almost becomes like the control plane. All the PLCs get attached to it either using gateways. And the 5G network becomes a control plane where you can make different vintage equipment sing and dance at the same time. So it's a use case that we are very excited by. It does require some integration, but that's how we're going to make legacy and new equipment sit together.

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

And what are the barriers to entry to what you're doing? I mean, this sounds like you guys are a few years ahead of your peers. And I know you've been talking about it and focused on it for a long time, but now it sounds like we're really starting to see some major traction here. High-quality product, lower cost. Probably, frankly, goes a lot less downtime, if at all, in a lot of ways. So what have you done to make sure that this is a unique product and you're years ahead of your competitors?

Sowmyanarayan Sampath

Look, the first is just having the right vision. We strongly believe that the mobile edge compute is the foundation of the industrial revolution. As manufacturing comes back or reshores back, there's going to have to be a step function improvement in productivity to make the math work. There's no way of us running around that. So it takes a little more automation on the floor, and the vision to bring a MEC product out in the space is pretty modern.

The second is the ecosystem. We've gone and integrated because we don't want to pick -- every customer has their own cloud partner they like to work with. We don't want to come in the way of that. So we've gone and tied up with all 3 of the cloud guys, Google, Microsoft and Amazon, and created an ecosystem where you can on-ramp using their frameworks. So the learning curve is pretty low, and we've done the upfront hard work of integrating that.

The third one is use cases. And this is a market that's still developing. So we've started going and working with partners like Cisco, IBM and the others to develop very, very key use cases that are vertical-specific to do that. So those 3 tend to be barriers to entry. But look, we are ahead of the market. And -- but we've got a lot of work to do because we are just in the process of transforming from technical proof of concepts to commercial deployments now.

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

And are you going to be utilizing your millimeter spectrum in this context, which I think is still quite unique? Or have you seen many use cases for that?

Sowmyanarayan Sampath

Look, millimeter wave, our fixed wireless access product runs on millimeter wave. Of course, our handsets also run in it, but it puts great use case for fixed wireless access, where we're able to bring really high speeds to -- broadband speeds to homes and businesses. So it's paid off really well in that space. And then last is private networks, too.

If you go to most stadiums today, if you go to the SoFi Stadium where the Super Bowl was played, most NFL stadiums have a Verizon millimeter wave network up and running. There is no other scenario in which we can serve 60,000, 70,000 customers all streaming the game back home using other forms. So we just need a big amount of spectrum, and millimeter wave gives us that.

So I don't know if you were there at the Super Bowl, but we had thousands and thousands of fans streaming live video back as well as using the augmented reality cameras as well. So just high-density applications, fixed wireless access and mobility, those are some pretty clear millimeter wave use cases that we've deployed.

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

Yes, that's for sure. And those NFL stadiums are clearly premium use cases, and stadiums, broadly speaking. And how about factory floors or I always think of like warehouse logistics are now becoming more and more complicated. Have you started to deploy in any of them?

Sowmyanarayan Sampath

Yes, we have, and 2 very interesting deployments that I can talk about. One is Associated British Ports, it's a port in Southampton, one of the larger ports in the U.K.; and then the Virginia International Terminal, which is the largest inland container terminal in America. Both of them large, very complex environments, very metal-heavy environments, and most Wi-Fi solutions were not working. And in the case of Associated British Ports, they're having close to 200 Wi-Fi hotspots, and then we replaced that with less than 10 private network access nodes.

So just to take down the complexity of the network, you get better performance. But every warehouse, every logistic environment is going to need an automated solution. In fact, in America, there's probably going to be close to 400 million square feet of warehouse, industrial space added every single year, and that's a big market for us.

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

And we also have the concept of Network-as-a-Service where maybe you would set up APIs and customers can optimize for latency or capacity or tying their own applications on to it. Are you starting to deploy that also?

Sowmyanarayan Sampath

Yes, we are very early stages of that. Network slicing lets us do that, where we can create an end-to-end network of all network resources for that particular use case of that customer. So we've got a fair amount of work to get network slicing a reality. But right now, private network gives us a lot of that flexibility, and it's a good on-ramp to customers getting a slice network down the line.

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

And how do you charge for services like this, like if you're building out a private network and I guess, in a particular location, and I guess who you're competing with? It sounds like you have fairly unique products in some of these really high-end places?

Sowmyanarayan Sampath

Yes. One, we'll do -- sometimes customers want flexibility and we'll take care of the flexibility there. But 2 major models. One is an OpEx model, which is just charge per square feet. It's X dollars or X cents per square feet per month. We take care of the equipment, the service, the managed services, any maintenance, and you just pay X dollars or X cents per square feet per month.

The other one is a more traditional model where the customer pays upfront for the equipment and then we charge a maintenance fee down the line. And what we are seeing is a 50-50 split. Some like the as-a-service model because it takes -- we take care of all the complexity. The others want a little more control and they want to have more say in the engineering work upfront.

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

And well, it's fairly fascinating. And so your wireline customers, are you out there maybe trying to proactively trying to, maybe it's not the right word, cannibalize yourself or migrate customers on to a new wireless plans? Or if they have like the wireline capability in place, you're just trying to extend it where you're building more wireless inside?

Sowmyanarayan Sampath

Look, what we like about the wireline business is some of the deep customer relationships, both with large enterprise, global enterprise, MNCs as well with government agencies. And typically, let's say you have a large retailer, they have 10,000 locations, if they're going to deploy private networks in 100 of them, they're going to work with someone who manages 10,000 of their locations. They're not going to go for a new partner just for those 100 or 1,000 locations.

So it's a very large installed base. We know how large enterprises run their infrastructure. We are very deep in their operating system and their operating procedures. So it's a very natural extension to our wireline business, if you will, to do that.

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

And in many ways, it would seem like it's a lot less labor intensive for you guys to deploy this. I mean, obviously, if it's a wireline network, moves, add changes, you have to have like technicians everywhere. I mean, this is almost like once it's set up, if you have to replace the equipment, it's a pretty easy repair or replacement. But not to put words in your mouth, it would just seem like it's so much more efficient than your legacy wireline.

Sowmyanarayan Sampath

Yes, it is. I'll give you an example. Associated British Ports, I said they had close to 200 Wi-Fi hotspots, and then we took it down to almost just 10 nodes. I mean just imagine 200 Wi-Fi hotspots, you have 200 pieces of equipment, 200 points of power, 200 points of fiber connectivity, and all the break fix that goes as opposed to 10 nodes that just a lot more deterministic and have better performance. So we're seeing that consistently. In fact, I stick my neck out a little bit where the total cost of ownership of these private networks when you take it over a 3-year period is not that different from Wi-Fi. You get better service. So economics is not the barrier for a lot of private networks being deployed right now.

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

And how have you changed your go-to-market strategy for what's frankly a very different product?

Sowmyanarayan Sampath

Yes. Look, I think, historically, we've been a very horizontal company. If you look at our networks, they tend to be more horizontal in nature. As we get more deeper into use cases on the 5G MEC piece, we're going to have to develop even more vertical expertise. This is where we are working very closely with partners. Large system integrators are a big kind of source of partnership for us. And we are much more partner-friendly and channel-friendly than we've ever been before because, look, we're not going to know every use case in every company. We don't have some of those deep system integrated capabilities. So how can we leverage the larger ecosystem there, which is why we provide the connectivity, we provide the cloud interfaces, and then the system integrators can go and build solution around it.

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

And are you kind of willing to share revenue with them? Or are you kind of in a situation where you bring them some customers, they bring you some, how the economics work on that?

Sowmyanarayan Sampath

Yes, it tends to be the latter. Some where they have deeper relationships; some, we have very deep relationships, we need system integrator pieces. And what tends to happen is on the network piece, we like to own all the revenue that comes off it. We feel that's our core. It's our heritage. We know how to do that very well. And then when it gets to the cloud piece, we share revenue with our partners, a, with the cloud partners; and b, with the system integrators as well. But the network component is us to own and us to provide the best in the world.

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

And that's great color. And so are you like increasing your number of salespeople? Will they decline over time? And I guess the same thing just for technicians, are they increasing, declining for you?

Sowmyanarayan Sampath

Look, one of the reasons why we have such large market share in a very competitive market is our sales force. Our competitors have been trying to build B2B sales force for a very long time. We have very good market coverage, starting with the biggest customers in the world, what we call our signature segment. Then we have a premier segment, then we have our core segment, and we have mid-market, then we have small business, then we have our government agencies. So a very, very segmented and a very methodical approach to covering the market.

And we think that's one of our secret sauce is that market coverage. And we also have pretty high-tenure managers, account managers in these relationships. So that is an asset for us. We want to use that to improve the wallet size and the size of each of these accounts. So I think our sales team is our strength in this space.

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

And I'm being asked by investors, the government seems to be wanting to build out more broadband to more rural areas. Well, they've given a lot of subsidies for that, but they seem to be favoring kind of fiber as opposed to fixed wireless products out there. I mean, I guess in your experience, what do you think businesses or governments are thinking about fixed wireless versus fiber?

Sowmyanarayan Sampath

Yes. Look, there's some -- look, in the Northeast corridor, we have a fiber network. We were the OG fiber provider in the world with the FiOS network. And we have almost 50% share on the SMB side when we operate. Outside the Northeast, we use fixed wireless access very aggressively, and we're putting on pretty strong numbers. Look, it depends on the use case and exactly what the customers want to use that for. But what we've seen is for most use cases today, fixed wireless access works very well, and then the reliability is -- it's more than the speed, it's just the overall reliability and the ease of use.

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

That's for sure. And so can you -- maybe you can't give the forecast here, but can you think about the transition? You have some businesses declining, some businesses growing, when we can maybe get to overall growth for the business as you look at the mix? It's hard for us to look at that from the outside.

Sowmyanarayan Sampath

Yes. Look, it's a good question. Look, if you think about our business more broadly, we have a wireline business, the wireline businesses, some of our legacy services as well as our FiOS wireline business. The legacy services are declining. The first 2 quarters of this year, we had declines. And we see that trend continuing at least back half of this year and into next year there. The FiOS business is a healthy business, 49% share. And as we keep adding more businesses we connect, that keeps growing.

The wireless part of our business is seeing very strong growth. We've seen that. I think 4 quarters in a row, we've put on some pretty incredible numbers on the top. And that's where we are seeing a lot of the growth on the backbone of 5G mobility, fixed wireless access and MEC. So we've seen the cross path happen already between those 2 businesses. So now it's just doubling down on the wireless businesses and growing there.

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

And I'm getting a question here. So investors are concerned that fixed wireless can't support the capacity that customers need. But obviously, the business use is much lower than the consumer use. Can you talk about how much lower it is? And are you worried at all about stressing out the networks with fixed wireless?

Sowmyanarayan Sampath

Yes. This question has come up before, and Kyle Malady, our CTO, we are very confident in the capacity of the network. And just to dimensionalize how it works, capacity is a function of the number of sites you have, the spectral efficiency as well as the total amount of spectrum. Some combination of these 3 factors is what drives capacity. And you've seen we are adding a large number of sites with our millimeter wave and C-band. We've just increased the number of spectrum x times. And we are seeing massive spectral efficiency driven by 5G.

So we're just seeing a lot of capacity in the network. And we are not at all worried, not concerned that the network is not going to hold up. We just say, bring it on, and our sales teams are asked to go and sell as fast, and we've not seen any impact at all in this space.

Now business customers do tend to use less by a couple of times, x times less than what a residential customer does. But Manon, who runs our residential business, feels very comfortable selling the residential product even with the high usage right now. The network is holding up. It's not hot, and we're getting pretty good performance out of it.

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

I mean, business is probably using 20% the utilization of a house. I mean it depends on the business, obviously. But -- and you can market this nationwide and you have the capacity and you can save customers a lot of money. I mean why don't you just get a lot more aggressive and get this thing kind of going viral where -- I'm not asking you to change your forecast here. But it seems like it's something that can really take off in the next 18 months as you get the 5G networks built out.

Sowmyanarayan Sampath

We completely agree. C-band has been a game changer for us in that. Look, we offer LTE more broadly. A lot of our customers use LTE and are very, very happy with it. But our C-band customers are extremely happy because they just get that huge burst of capacity and a lowered latency in that piece. So look, I do agree, this is a big growth product for us, and we're going to keep putting numbers. And the last is the ARPU is good. We've held on to our ARPU 2.5x the smartphone ARPU with no subsidy. So our CFO is also happy, which is sometimes a good thing.

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

Well, it also helps you sell a lot of other products, right? It helps you lock in the mobile products, managed services, partnering with the cloud companies. There's really good upsell opportunity here. Yes, great. So we're on the same page. Congratulations. It sounds like a really, really great product, and I know you guys have been working on this for quite a few years, and people have been a little skeptical. But it sounds like it's working right now, and I think the growth is going to be a lot bigger than what you're forecasting, but we're on the same page. And then how are enterprises or businesses changing their -- you think, their -- just their IT strategy or structure based on some of these new capabilities out here?

Sowmyanarayan Sampath

Yes. That's a good question, Tim. And what we are seeing is every company is going through some form of digital transformation. I'm not going to overexpand. Everyone has their own flavor of that. But the biggest thing is moving applications away from their own data centers into either public data center or a cloud piece. So the type of connections are changing. Earlier, we used to have connections from data centers into headquarters or data centers into branches. Now with the cloud architecture, it's a lot more cloud-based connectivity into the clouds as well as the data centers. It's a completely different type of connectivity. It's more a mesh network as opposed to a point-to-point network.

But on the other hand, you also have very different types of connections. Earlier, all connections were PIP, or private IP connections, highly secure, highly managed. Now your work-from-home customers, they're sitting in their home, in their kitchen table through their broadband and accessing company assets around the world. So there's a very different type of access architecture that has come. Because of that, security has changed a lot. Earlier, it was very easy to say the company is the safe zone. Outside the company is the unsafe zone. But hey, if someone is working from their kitchen table, is it a safe zone or an unsafe zone? We don't know.

So the rise of zero trust architecture is pretty big, and every connection that comes back has to be verified and checked. So changes in type of architecture as well as changes in security are probably the 2 bigger things in infrastructure that people are dealing with.

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

And you guys are already naturally highly, highly secure. And you can also control the zero trust pretty well, particularly if the employees are also Verizon wireless customers. I mean then, you can control it like device, device. I mean, that's like zero trust on steroids in a lot of ways.

Sowmyanarayan Sampath

Yes. No, that's our plan. Security is built into the 5G piece. So I'll give you an example, WeWork, we've gone and lit up 5G in, I think, almost the top 10 locations. We're halfway through the project. If you're a company, you go in, you boot up your laptop, that's it. There's no -- you don't need to go into a VPN. You don't need to go into a Wi-Fi connection, get a sticky from the receptionist and put it in, nothing. You're connected. It's secure, recognizes you and you're connected to the -- to your LAN or your WAN network of your company. So it's a pretty interesting, this, which is why we want -- we think 5G is the way to go for handsets but also for tablets and eventually laptops as well.

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

And I guess if you get enough usage -- well, you can always backfill the fiber in certain locations, and you're building out a pretty dense 5G network anyway, so -- in millimeter network. So you can always kind of manage that flexibility and capacity. I am getting asked, how is the latency? Is the latency actually maybe even better on 5G than on wired or legacy wired?

Sowmyanarayan Sampath

Yes. Look, it's definitely better than our 4G connections by design because 5G has a higher architecture. It's getting very close to wired levels of latency. Now at some point, latency is a function of distance from where you are accessing the information. So when you factor all of that, the goal is we want 5G latency to be very close to wired latency, which is why we sometimes call it wireless fiber, if you will.

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

Well, it makes a lot of sense. So we're just about out of time. Is there -- I know we could have talked for hours and hours, and hopefully, we will get together to talk for longer. One of these days Sampath. Congratulations, it sounds like you've got a great product, the right place at the right time, and a great job. Congratulations with that. Anything we didn't touch on that you want to kind of emphasize?

Sowmyanarayan Sampath

No, look, we have good momentum. In the first and second quarter, we had good -- an excellent momentum. Back half of the year, we're seeing very good momentum in our business. But the underlying thesis around mobility, broadband and cloud is what we are really excited about. I think 5G plus some of our fiber assets creates an ecosystem of partners, creates a winning strategy for us. So we are heads down on executing that plan into this year and all in next year as well.

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

Yes. I would completely agree with you, Sampath. Congratulations and good luck, and thanks so much for the time. And thanks, everybody, for joining. Okay.

Sowmyanarayan Sampath

Thanks, Tim.

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

Thanks, Brady.

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