

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

VZ - Verizon Communications Inc at Bank of America Merrill Lynch  
Media, Communications & Entertainment Conference

EVENT DATE/TIME: SEPTEMBER 11, 2019 / 4:30PM GMT



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**David Barden** *BofA Merrill Lynch, Research Division - MD*

## PRESENTATION

**David Barden** - *BofA Merrill Lynch, Research Division - MD*

My name is David Barden, I head up telecom and comm infrastructure research for the bank, based in New York here in the U.S. and Canada. And I also quarterback our global wireless product. Let me add my welcome to Jessica's from earlier. I'm really pleased to have with us today as our kind of telecom kickoff presentation, Ronan Dunne, who's Executive Vice President and CEO of Verizon's Consumer Services Group. Thank you for joining us, Ronan.

---

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

Thank you, Dave.

---

**David Barden** - *BofA Merrill Lynch, Research Division - MD*

I understand that you have a safe harbor statement you need to make?

---

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

Yes. If I could just draw everybody who's here and who's joining us on the webcast, attention to the safe harbor statement in relation to forward-looking statements. Thank you.

## QUESTIONS AND ANSWERS

**David Barden** - *BofA Merrill Lynch, Research Division - MD*

So thank you again for joining us. This is the first time you've joined us here in your role now as CEO of the Consumer Services Group, I believe, which was formed really April 1 as part of Hans's restructuring of the business. I guess my first question would be just could you kind of tell me how that restructuring is going for your group and what that looks like and how it's different from what you were doing when you were running the wireless business in its totality?

---

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

Sure. So I think on the consumer side, it's not as necessarily that big a change. I mean the big insight that Hans and I discussed when we were doing the leadership transition was around the fact that we see the opportunity to bring the best of 2 networks and a common architecture together to give customers choice. And therefore, that opportunity to really face out to consumers as a single unit, bringing the best of the best to them, rather than to be focused on traditional divisions, which were technology-based rather than solution or service-based.



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

So the practical reality of that is we're a 100-million-consumer business, and that's predominantly just over 90 million lines on the wireless side and then 6.5 million Fios homes and then 1.7 million additional homes inside the Fios footprint on traditional copper service.

The big thing for us is it gives us the opportunity to bring the pieces together to relay the strategy that I've been executing on the wireless side for the last 4 or 5 quarters, really bring that together in a way that we could amplify the scale of the organization for the benefit of customers. And we thought that the entry into the 5G world where, in addition to 5G Mobility, we also are building out a 5G fixed wireless access business meant that it was a perfect time to move to consumer business and media as 3 operating units.

---

**David Barden** - *BofA Merrill Lynch, Research Division - MD*

I think a lot of people felt like if it ain't broke, don't fix it. And Verizon Wireless had an amazing operation kind of between the business and the consumer sides of it. And I know that we're at the beginning of 5G and we're kind of thinking about where new applications are going to come from and they're going to be very distinct between enterprise and consumer, but we're not there yet. Why did this have to happen now?

---

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

So good question. I think the important thing to say is this is not about a change of strategy. This is about how do you make sure that the organization you have is best positioned to amplify and execute the strategy you have.

So the truth is, we still have the amazing Verizon Wireless capability of execution, which hasn't gone away. And you've seen that in the results that we've posted already this year, but we also have the opportunity. I have, for the first time now, a transversal responsibility for the customer, the consumer customer, in a way that my Fios customers get the benefit of the fact that Verizon Wireless is a great partner to Fios. And similarly, my wireless customers can have the opportunity for us to make a difference in the home. So unlike maybe some of the things that are going on in the market which may cause confusion and complexity, this is actually simplifying our organization to actually amplify the strategy that we've been executing very successfully.

---

**David Barden** - *BofA Merrill Lynch, Research Division - MD*

Okay. So let's talk about the wireless business, maybe the wireless industry and kind of the recent evolutions we've seen. So I think the most recent was Altice's launch of a service with a fairly eye-popping price if you're an Altice customer, \$20 per month for unlimited data. There's some caveats to that sort of thing, but it seemed like a pretty good deal and it's all in your footprint. How do you respond to that?

---

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

So look, first thing I would say is, and you touched a little bit on it, is it's a bit of what you get and what you don't get. The Sprint network I compete very, very effectively with every single day. I don't expect that to be different for those who are riding on the Sprint network. You'll note that they don't have a roaming agreement with us. Sprint customers, when they find the holes in the Sprint network, can come on the Verizon network, but Altice customers can't.

And the second thing I would say is that we have a range of compelling offers within our own footprint and we are leveraging the fact that we have that common architectures to be able to give value to a wireless customer who was also a Fios customer and vice versa. So you may not see it in that -- at the same traditional bundling way, but this idea of component pricing and being able to pick the best of the Verizon services and put them together is important. My experience, generally, with bundles is that, whether it be my European experience or elsewhere, is that sometimes you ask a customer to compromise. So in order to get the best price, you get the second-best broadband network attached to the third-best wireless carrier. As opposed to, with Verizon, what we'll do is we'll deliver you the best wireline solution and we'll deliver you the best wireless solution, no compromise.



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

**David Barden** - BofA Merrill Lynch, Research Division - MD

Have you formulated a game plan to deliver that message specifically in this kind of relatively confined footprint? Because I know you do things more on a national basis. This is an opportunity maybe to give...

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

Sure. So we've already, since the launch of Verizon 2.0 in the consumer business, we've already been talking to our customers within the Northeast footprint. But we have a range of plans and initiatives in that space that will play out over the next while. We launched our new pricing and plans in the wireless business on the 1st of August, and we have a range of follow-on steps that you will see in due course. So I think we're well set up to make sure that those customers in that footprint, not just in relation to Altice, but in relation to all of the choices they have, are well-positioned to take advantage of the high-quality experience that you can get from Verizon.

I think one of the things that this crystallizes is the debate sometimes is about value. We very much in Verizon Consumer see value as being the blending together of choice, quality and experience. It's a no-compromise value offering. And I think you will increasingly see us represent that to customers. Backed up by incredible support for loyalty, our VerizonUp program is growing really, really strongly and is garnering huge satisfaction from customers. We see customers who are active in that program now having 10 to 12 points higher satisfaction than benchmark.

**David Barden** - BofA Merrill Lynch, Research Division - MD

So the other thing that kind of bubbled up over the summer is I imagine when you were coming up with your game plan last year, at the end of the year for your 2019 and 3-year and 5-year planning horizon, the potential for DISH to be a wireless competitor was probably not in that game plan. So I guess I've got a few questions on this topic. But I guess question number one would be what does that mean to your planning horizon to have DISH now in there and how is it affecting how you think about the market?

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

So look, specifically to Sprint, T-Mobile as a firm we haven't expressed a view, but it's fair to say that it's complicated. And I suppose that's the first observation is, and I will come to the specifics, but I wake up in the morning and I have a clear strategy that's being well articulated that my investors know and understand, that my customers get. I'm not sure anybody else in the market can make that statement just at the moment. So we're really focused on that clear execution, while others may be distracted by other things.

Specifically on DISH, the exam question is can and when will DISH be an operator? It's shown no evidence of that today. So how it evolves subject to the challenges, I think the question for the Attorneys General is why is DISH a better operator than Sprint, which is an interesting question. So just for the moment, I'm focused on the competitors that are on the field, but I don't see that if that deal goes through and DISH is a rival, while I'm respectful of all of my competitors, I don't see it as a reason to divert me from the strategy that we have today, which is foundational around the fact of network as a platform, we deliver the best possible connectivity and build on top of that the experiences that customers truly value. If I do that, I think I can compete with the DISH, even if that's a DISH-providing wholesale access because I'm not sure my wholesale partners would necessarily want to downgrade the customer experience for their established bases.

**David Barden** - BofA Merrill Lynch, Research Division - MD

And related to that, maybe zooming out a little bit based on maybe your European experience, could you kind of talk about the 2 sides of what it -- being an MVNO, but then also being kind of a government-constructed MVNO in this case? And you've seen this before.



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

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

Yes. So I mean the truth is there have been some exceptionally successful MVNOs in Europe as a matter of public record. But Tesco Mobile in the U.K., which was a joint venture between O2 and Tesco, is probably one of the most successful MVNOs in the European market and that was really focused on this idea of network as a platform and focusing on segment access, very effectively supporting Tesco's loyal customers and providing them with mobility. So very targeted, very well-executed.

I think with some of these, the challenge is a lack of clarity around exactly what segment is being served and whether or not the economics of those deals are sustainable in an unlimited world. And so we've seen -- I think as the market evolves, we have a very clear view that we want to be the partner of choice to our MVNO partners. And we see them as complementing the Verizon-branded premium solution that's offered in the market.

So I think the readthrough is probably that an MVNO needs a combination of capabilities, it needs knowledge and operational capability and then it needs to partner really, really well. And I think the challenge is for a new entrant, whether it be DISH or others, is which of those skills do you have or how much of that do you have to try and bring in. Building a network in the U.S. at the same time, as most of the other carriers are flat out, building 5G and other things will be a challenge.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

So let's kind of shift then back to Verizon Wireless. And in February '18 when you guys initiated the unlimited plan, it was kind of a big revolution for the marketplace. And...

---

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

'17.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

Sorry, '17, yes, sorry. It's been 2 years now. And so I actually think, since kind of the time of you instituting unlimited and then kind of Sprint/T-Mobile really starting to begin the merger dance, things have been pretty stable. There's been some bifurcation of plans that works one plan and then there was a high- and low-speed plan, but it's been pretty quiet. And then all of a sudden, last month, you guys kind of came out and took a swing at the market with a new set of plans, 4 plans instead 3, all about \$5 cheaper than before. Why was that done?

---

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

So great question. So when we introduced in February of '17, the exam question I suppose investors had is how do you monetize within an unlimited world? And the point that we always made was that an unlimited amount of data is only just one of the components that customers are looking for. And so what we've done is we've evolved that, both customers' comfort and confidence with unlimited, and then what we've done is we've structured plans that better meet their needs to create real choice to those who like to play more or do more, the new plans will do.

And the first set of plans were based predominantly on network feature differentiation. Now as people get comfortable and understand that, now it's more your uses, it's not just what you do, but when you do it and where you do it. And so we've seen that as a natural evolution and customers love it. So when we introduced mix-and-match, more of the customers choose to go onto the higher plans because it's properly targeted to more of what I want and less of what I don't, and they like that.

So when it came to our plans, and you can imagine that this plan was developed at the back end of 2018, built and then executed into the market in mid-2019, we thought we could go further on that and we could do 2 things at the one time. First thing that we could do is we could make sure that we stayed competitive across the range inside the marketplace. But we could also improve the bridge from those unmetered plans to unlimited.



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

So the first use cases for those who came in on unlimited were the heavy users. Some of those, as we said at that time, it was actually dilutive for us to move them across because they've been paying for excess data. And so as soon as they moved across, what we then got was more customers coming across because they like the peace of mind and they like the flexibility of having more data. Now as people established more use cases and more commonly on their phone or on their tablet, they have their smartwatch and other connected devices, now they want to be able to do more. But some of those found that just the step between metered and unlimited was a little bit of a stretch.

So creating the Start Plan, plus the Kids Plan, which we did a couple of months earlier, what we've done is we've created an on ramp. So we've reported each quarter the migration of our base and we've said we still have more than half of our customers who are on metered plans. We're getting to the point where we're pretty close now to half-and-half. This is very much focused on continuing the trend that have supported our growth over the last 4 or 5 quarters and allowing more of our customers to have an on ramp to unlimited, which we think is both accretive in the short term, but also is a great priming of the pump for 5G in the second half of 2020, particularly when I think that market will go more mass market. Because 5G, you can expect, will be an unlimited plan in the marketplace. So it's very much a case of continued execution of the current strategy, builds on the momentum we have, its improving customer satisfaction, its improving customer take in the markets, so our actual win share and capture rate actually have increased '19 over '18 and we've been very pleased with what we've seen in the first 6 weeks or so since we introduced the new plan. So it's very much business as usual rather than a reset of the market. But it allows us to be more competitive for our existing base and attract more new customers.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

So a couple of questions on that. So the first question is do we need to be concerned about a step down in ARPU in the third quarter because of that \$5 reduction for the highest end plans?

---

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

No. So, look, there's always a kind of feathering in, in the first period, but think about it in kind of 3 buckets. If more of my metered customers go to unlimited, that's accretive. If more of my customers who are sitting in limited go up the tiers within unlimited, that's accretive.

If some of my customers, maybe there's a slight price arbitrage for them, some of that is very purposeful. We've had targeted repricing into areas like military, first responders, over 55s, very intentional done. So I would expect that the blend of those should be net-neutral to positive and then we should see top of the funnel more growth coming in. And that's pretty much what we've seen in the early days.

So Q1, i.e. the first quarter that it's in, won't be the way to measure it. But actually the trends are entirely consistent with this being consistent with the guidance that we've given for continued service revenue growth inside the business for '19 and into '20.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

And just a quick question, I mean, obviously, you've only had the 3 plans previously. But once someone moves from metered to unlimited, is there actually a meaningful amount of movement within the unlimited basket? Do people really go from the starter to the higher package to the higher packages (inaudible)?

---

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

So some will say Start is a kind of a try before you buy for people. It's a bit like one of the insights are for the fixed wireless access is you can't have 2 cable providers or 2 broadband providers plugged in at the same time in your home. But you can have a 5G Home service running side-by-side with a cable provider. And so you get that opportunity to try before you buy. What we will see is somebody steps up to an unlimited plan, gets the confidence, enjoys the experience, decides they want to do a bit more and then they step others up. And then what we do is we have promotions, things like we've been very, very successful with the Apple Music deal and that has encouraged people again to step up in the plan structure. So



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

you should see the network and the unlimited is just one component of a suite of value that's offered within the plans. And the opportunity there for us to step people up is not just the fact that I use more data, but actually, I value some of the services that you're -- incremental services you're offering.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

And you kind of referenced that your funnel is larger now as a function of the new price plans. Should we expect to see Verizon taking share this quarter and into the end of the year?

---

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

Yes, so my strategy has always been that I see growth coming from 3 buckets and that I want it balanced. I do see opportunities to particularly targeting areas in the market where we're maybe underrepresented. I think, in the broad sense, these unlimited plans allow us to potentially pick up a little more market share. But I'm not trying to take value out of the market. I'm trying to grow the value for the attractiveness of the Verizon brand for new and existing customers.

The second thing is people growing within the base, whether that be stepping up in the -- to unlimited. But also, some of our other products and services, our Verizon Protect products, our cloud products, others, we see steady growth in those. And then, clearly, as we get into the back half of 2019, we will launch the first of our 5G Home markets that are on the NR platform, and that will start to be a growth driver as well. So, yes, I expect it to be more attractive to customers overall in the market, and I expect my existing customers to expand their usage. So that should drive ARPA and top of the funnel as well.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

And so kind of moving down the income statement a little bit. The industry is enjoying kind of record-low churn and that's been helpful to margins. But that always gets impacted moment to moment by what the new devices coming out are. What's your reaction to Apple's new iPhone launch yesterday and how do you think about it and how are you preparing to leverage it and what kind of a risk or opportunity is it for the business in the back half?

---

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

So there's probably a couple of things that I thought were interesting out of yesterday and maybe didn't get picked up as much. The -- I think we learned more about Apple's strategy yesterday than we did necessarily about hardware innovation. So whether it be the gaming arcade or whether it be the introduction of the Apple TV content, I thought both were interesting. And that really plays into a space where it's very much aligned to the strategy we have in Verizon Consumer where I see the opportunity for us to be a distributor because we have access to 100 million consumers, to be a distributor of high-value content and other consumer products.

So it was interesting. The \$4.99 price points I thought were interesting on both of those. And certainly, our experience with Apple Music is, I think Apple have said this publicly, it's the most successful partnership they've had with a carrier anywhere in the world. So I'm very much of the view that I can leverage my scale of distribution, the quality of my network to be a great partner in the ecosystem for value-add products and services, whether they're ones that come from us or whether they come from a small select group of partners.

And I think that also, on the content side, helps me with my wireline business because Fios is a great technology business with an average content business because I'm kind of subscale at 6.5 million Fios homes. But if I've got 100 million consumers as my market, I look quite attractive to somebody who wants to distribute direct-to-consumer. So whether it be the deals we've already announced, like YouTube TV, or whether it be other opportunities in the market, I see that as the direction the market is going and therefore cord shaving, cord cutting I think is good for my business overall. And I can start to expand my TAM inside the existing wireless business so that people think about us for content as well, not as



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

us buying in content in the linear sense, but being a distributor of content and allowing us to curate experience and give customers choice. That will really support me as I go into homes with my 5G service in due course. And that's why, for example, the YouTube TV offering is available both in my Fios footprint, but also to my wireless customers.

---

**David Barden** - *BofA Merrill Lynch, Research Division - MD*

So you're bored with the phone like everybody else?

---

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

I don't think -- look, I'm all-in on 5G. And so anybody launching a 4G phone, I think the interesting thing for me was actually the price point on the iPhone 8 because I have customers who were in my metered base who the sweet spot for them might be a great value of an iPhone 8, which will allow them to experience all of the feature enhancement that I've made on the network over the last 3 or 4 years, 256-QAM, MIMO, all of these other features which they're not enjoying today. So they will see an enhanced network experience and that may well be the catalyst to, say, when 2020 or whenever comes, that they're ready for a 5G experience.

---

**David Barden** - *BofA Merrill Lynch, Research Division - MD*

So I want to follow up on that point you made, that the announcement was as much about kind of content strategy as much as was devices. And that is going to be the theme, probably for the next 6 months or so, right? We've got Apple -- or AT&T coming out. We've got Apple now. We've got Disney coming out. We're going to have NBC Universal coming out. We're going to be talking about this in a panel tomorrow, kind of thinking about where direct-to-consumer goes.

I guess there's a couple questions I have for Verizon on this. One is, is there anything going on at Oath as it relates to the business that can be value-add to you? And the second is like you've done with YouTube TV, are you in any conversations with these various players to leverage the distribution that you talked about and kind of maybe deliver a premium experience to your customer base?

---

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

Yes. So let me take the last part, first, and then I'll come back to Verizon Media Group. I'm in the DTC business every single day, that's what I do, and I'm broadly the largest distribution portal out there for consumers who are consuming content, product services, gaming, other things like that. So I consider myself as a platform business. So my platforms, predominantly, I've got network-as-a-platform or service, I've got distributions-as-a-platform service, I've got billing and I've got customer service. So those 4 things are broad scale assets that I have. And yes, I deploy them for the support of the Verizon branded business, but I'm also capable of using that to support other carefully chosen brands that will add value to my customers. So I think I'm well-positioned to be a value creator for me and for others in that ecosystem. So that's absolutely something that sits within our overall strategy.

When I look at that in the context of Verizon Media Group, there are a number of things, there is incredibly strong brand assets in brands like Yahoo!, a thing that maybe not everybody listening or in the audience knows is, but Yahoo! Finance and Yahoo! Sport are, if not the biggest, they're the #2 portal and active user bases of their kind in the U.S. for those activities. That's tens and tens of millions of monthly active unique users in those. Very, very interesting.

So if I think about it, and I've said this before, but if I think about our relationship with the NFL, we've just launched 13 NFL stadia for 5G on Thursday for kickoff. I direct traffic from my digital assets to the Verizon Media Group digital assets for people to watch NFL content. But as I build that user experiences inside stadium in partnership with NFL for our 5G interactive partnership, then the Yahoo! business, the sports business, the fantasy business, all sit very neatly inside that ecosystem.





SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

If I think of the personal finance space, I'm not saying it will be the biggest piece of my business, but 5G, ultra wideband giving me super low latency, that means that a Yahoo! Finance premium subscriber who is doing their trading on the Yahoo! platform on a Verizon phone can actually have lower latency than a Wall Street trader. And that's an interesting play as well. So we definitely see spaces where there is good and natural complementarity between the 2 businesses. And that idea of direct-to-consumer that we can play on both sides.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

So before we shift gears a little bit to the 5G and kind of the next-generation stuff, my last question is, with respect to Verizon's \$10 billion multiyear cost savings initiative, I think it kind of was understood, we had a wireline business and we had a wireless business and now we've kind of sliced them up in different ways. How much of this cost initiative do you own in the consumer side now and how do you get it?

---

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

Sure. So, look, again, and I think I don't want to downplay the significance of us reorganizing in 2.0 and the focus around consumer business. But it reflects...

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

And network?

---

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

Yes. But it reflects what was going on in the business already rather than some sort of shift in the execution strategy. So we've been talking about common architecture for a while, our Intelligent Edge Network. And so we've been able to avoid the duplication of cost within the network environment. And that means, while our guidance, \$17 billion, \$18 billion, has been pretty consistent in our delivery in the last couple of years, every dollar that we spend inside that \$17 billion and \$18 billion is probably worth \$1.25 now because of the efficiency with which we spend it. So there's nothing that's happened in the way we've shifted the organizational model that has lost line of sight to what's driving the cost. And I think somebody wrote a letter the other day, which complemented us on the fact that we had clear line of sight on the assets that we're executing on and we have clear line of sight to driving costs within the business, and I wouldn't disagree with that.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

Okay. So just about a year ago, Verizon kind of came out with the first commercial 5G fixed wireless broadband to the home product, and it was understood to be kind of a laboratory experiment. It was TF, nonstandard. It was white glove installs, it was limited markets and I think we're teeing up kind of a refresh of that. Can you kind of tell us about where we are now from a year ago, what have we learned, what is the product kind of attributes and then let's talk about kind of where we're going next?

---

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

Sure. So again, and you summarized it well, the opportunity we launched in 4 markets in October of last year, the opportunity was to get real live experience, not lab but actually real live people living every day with the service. And what that has allowed us to do is understand how we develop our go-to-market and how we actually market street-by-street and it has also allowed us to develop and understand the interplay in the deployment. And the deployment, the key thing here is some of the biggest drivers of the balance between indoor and outdoor antenna and the proportion of those indoor antenna that can be self-activated rather than needing to have a truck-roll. And so those are the key things in the drivers of the cost side and the overall experience. And what we've essentially learned is we move -- we've moved in the year to a point now where almost 80% of the antenna are indoor rather than outdoor. And that's critical for them, the ability to self-provision.



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

The second thing we found is the consistency of experience for consumers. What proportion of the time they're on the 5G network rather than fall back to the 4G LTE, and that's in the high 90s percent all the time. We've also understood about some of the practicalities around how we built the CPE because we've actually gone out and we've worked with them. And I think some people had the opportunity to see that yesterday. We've gone and built and designed the whole user experience for the self-activation at home.

So we're now ready to go mass market. Now there are 2 critical enablers for that, NR equipment coming and that's now the process where we're actually out with some NR equipment in friendly homes in some of our early markets. And so in this back end of this year we will be launching the full commercial launch.

And the second critical thing for us to broaden out the addressable market will be the availability of high-powered CPE. So the early NR CPE is effectively using a cellphone chipset in a piece of in-home CPE, whereas, normally, a CPE would have higher power output. That higher power output requires the next iteration of chipset, which will be available in the first half of 2020.

So the balance of technological advancements, stability of experience, user throughput, all of those things, coupled with all of the pieces around device CPE and that means that we're now in a position where, as we build out our 30 cities, because again we're not building 2 networks, we're building a mobility network that enables a 5G residential offering, we're now in a position where we can lean into that. And so you'll see launched cities before the end of the year as part of the overall commitment of 30 mobility cities. We'll open for business on the full commercial launch of NR fixed wireless access. And then you'll see us rollout across 2020 with the arrival of the high-powered CPE and the opening up of additional markets.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

So you -- I think we're at 10 markets, mobile, 5G, NR-based in -- at the end of second quarter, we've got another 20 to go. Any hurdles to getting there, everything's on track?

---

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

So, really, what we saw is and I think as well as opening new markets, so we opened up 13 stadia the other day, 6 of those were in markets that have never seen 5G before. So these are all pieces of a jigsaw. If I take the example of Chicago, when we opened one of the first markets that we launched with 5G Mobility, since the day we've launched, we were launching with 600 meg throughput speeds, you're now 3x that. And the footprint in Chicago is broadly 3x what it was when we launched. So it's the build out.

What we're doing, as you do with the beginning of any generation of technology, we're seeing software upgrades on a regular basis. We're learning on the ground and that's allowing us to improve the experience that customers are getting and then broaden out. And some of the key things for us to deliver from a scale point of view, we're having a better experience now with the support of FCC and others in relation to permitting and sighting. And we're also progressing with all of the equipment vendors for integrated radio where, previously, we were putting up 4G and 5G radio. So, obviously, that's much more operationally efficient and cost-efficient for us. So all of those pieces of the jigsaw are coming together nicely. And we're still way ahead of anyone else from the point of view of actual real experience in the millimeter wave space.

---

**David Barden** - BofA Merrill Lynch, Research Division - MD

And so kind of coupling these things together, the fact that you're building one NR network, not a separate network for fixed wireless broadband and mobility, plus you're kind of launching a new kind of customer prem suite of gear in the fourth quarter and we're going to have -- pushing towards 30 markets, is fixed wireless broadband then going to be available in like 30 markets nationally at some point next year or is there a different game plan?



SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

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

Yes. So you should expect that every market that opens a 5G Mobility market will in due course be a 5G fixed wireless because it is one network. And we've been very clear to investors that, really, meaningful revenue growth associated with 5G is a 2021 play. But the good news is the strategy we're executing today and what we've already reported in the first half of this year demonstrates the fact that you don't have to wait for the 5G for the service revenue growth. We're delivering service revenue growth and we will for the balance of '19 and through 2020. And then what we will do is we'll have the incremental opportunities associated with 5G on top of that in due course. And that's the key thing is, it's not waiting for a strategy. We're priming the pump on the existing strategy today, and you should see seamless flow-through from a great 4G LTE network supporting a great customer experience to being first and best in 5G.

**David Barden** - BofA Merrill Lynch, Research Division - MD

So I think I want to talk about the monetization part of it into 2020, '21. Before I go there, just one of the criticisms that has been leveled is that Verizon hasn't really, as they have done historically, kind of put out coverage maps for the 5G service. They kind of made it clear where it is, where it isn't, where it's -- how it's evolving. Is there a plan to try to fulfill that goal?

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

Yes, absolutely. And look, the truth is when we're in this early phase, we're being completely transparent on this, is we are pioneering on behalf of customers and we are demonstrating to them the potential of 5G in a way that is attracting interest from businesses all over the world from innovators, creators. You've seen our 5G labs, the stuff that we're doing. There's almost nobody who's not talking to Verizon because we're setting the agenda. So very much what we are doing is doing all of those pieces and, ultimately, that will deliver a better consumer experience that would otherwise have been the case with all of the features around the maps, the coverage, the tools that give you the experience.

I'm in a position now where a customer calls me and tells me I'm having an experience issue and I can go to the individual customer and I can say it was that call dropped and that cell on that day and that was actually a function of the fact that you got of a 4-year-old device that is not using the features that are on that cell which we upgraded 2 years ago. I literally have that level of detail because what we've committed ourselves to doing is delivering to be as famous for the experience we deliver as the networks that they're delivered on. And that allows us really to go down this personalization route.

And in 5G, one of the beauties is you can deliver an individual network experience to every single business or customer because of the way you can customize the availability of the currencies within 5G. And that means, for example, when somebody fires up a banking application, we have the potential to, say, "You know what, I'll direct -- connect you straight into the bank so that your data never goes on the public network but it's on the encrypted network, end-to-end." So it's the load of features here that the way we're doing the testing and developing today. What customers are seeing today is near real time, the fact that you can download the whole House of Cards in 45 seconds, you know what, that's kind of interesting. Not because, well, you can, but it's because of the fact that when you're in those areas that don't support those sort of download speeds, you're still enjoying buffer-free high-resolution video. That's a real thing. So the experience that people are getting already is about better at what we do today within a year or 18 months, the new capabilities will be delivering new experiences they have onto the AR, the VR. The substantial improvement in uplink will allow significant enhancements in a lot of social media activities, video streaming, other things like that. Actually, the most congested part on most people's networks these days is actually the uplink because we're all backing up our photograph to the Apple Cloud or whatever. In 5G we can have significant, like 10x, improvement in the uplink, which means you can sit in a private Shawn Mendez concert for Verizon's Up customers and actually live stream 4K video.

**David Barden** - BofA Merrill Lynch, Research Division - MD

So we're running out of time a little bit, but I just wanted to hit this point just in terms of monetization and revenue generation 2021, which is really what the meat of it is going to be for the investors. You started off charging \$10 for the 5G experience and got some criticism for that. And then made it still \$10 but free, effectively, for the high-end users. Fixed wireless broadband, we know the pricing there, but it feels like that rollout is



## SEPTEMBER 11, 2019 / 4:30PM, VZ - Verizon Communications Inc at Bank of America Merrill Lynch Media, Communications & Entertainment Conference

going to be deliberate. So what is the thing that's going to be generating the money that's going to -- that we're going to see the 5G revenues in 2021? Is it getting back to that \$10 fee or what is it?

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

So in the consumer space, you should see really 3 drivers. The first is people moving from metered plans to unlimited plans in order to enjoy 5G. The second is, as you build through the plans, taking more services, that might be gaming services, that might be media services, that might be music services, that might be other services that are in the plans goes naturally. I think in the consumer space, the unique plans or unique use cases will take a little longer, the B2B cases that are driven by MEC and other things I think will happen a little earlier. But we see the opportunity to grow people's participation in the space very clearly. And in due course, there may be some very specific 5G services where we might bundle in, let's imagine, it's real-time gaming goes into a plan and that's a special 5G plan that has access to the platform, plus access to the 5G network as part of that as a monetization.

But, overall, what you should see is that the strategy we're executing today has plenty of mileage in it to continue to see monetization. And really, what I want to do for our customers is to deliver them enhanced experiences rather than to sell them technology. So the more I do that, the more natural will be that expansion of people's participation in the category. And therefore, the growth in ARPU and ARPA because we grow share of wallet.

**David Barden** - BofA Merrill Lynch, Research Division - MD

Looking forward to it. Thank you, Ronan. Appreciate the time. Thank you, everybody.

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

Thank you. I appreciate it. My pleasure. Thank you.

### DISCLAIMER

Thomson Reuters 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 THOMSON REUTERS 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.

©2019, Thomson Reuters. All Rights Reserved.