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PRESENTATION

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Good afternoon. This is Peter Supino, the telecom, cable and satellite analyst at Sanford Bernstein. Welcome to today's SDC conversation with Ronan Dunne, who's the CEO of Verizon Consumer.

I want to start with a few FYIs relating to this year's format. First, for interactive Q&A, we'll be using Pigeonhole. By now, you're probably familiar with it. (Operator Instructions)

I also want to remind you about the guest poll, remember, we use Procensus, also on the lower left-hand side of your screen, at the end of the session. If you fill it out, and it's quick, you'll have immediate access to the poll results.

If you have any technical difficulties or have any questions, please reach out to your Bernstein sales contact or Bernstein corporate marketing.

And now with that, I have the pleasure of introducing to you, Ronan Dunne, who again, is the CEO of Verizon's industry-leading Consumer division. Ronan, welcome.

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

Peter, thank you very much, and thanks for the opportunity to address this audience. I would just make reference to the safe harbor statement that you see in front of you in relation to any forward-looking statements that I may make during the course of this conversation.

Peter, just a few opening remarks just to shape our conversation today. I think for a lot of people, they'll be interested to really maybe update the context in which we're having this conversation. It's been an unusual last 10 or 12 weeks.

And so the way I would shape that is very much that the initial response from Verizon was really around employee and customer in a way of reassuring customers they have what they needed, which was critical connectivity as COVID-19 struck and reassuring employees that they -- we have their health and well-being at heart. And by doing that, we effectively demonstrated to employees that we have their back, which allowed them to then position themselves to serve customers. We also enacted our broader community response.

And the impact of all of those means that, as we think about how we come out of this current phase of COVID, we come out with very strong trends on key elements, which is customer, insight and customer support and customer satisfaction; employee sat; but also, as investors would have seen, Forbes recognizing us as the best-performing company in relation to our response to COVID-19 in the U.S.; very strong brand metrics coming through around the performance of our network and how we've responded to customers on things like Keep Americans Connected; and just in the last few days, Brand Finance recognizing us as the #1 telecoms brand globally.

So when you think about momentum, I would normally have said we've seen the momentum that we had in Q4 in 2019 flow into Q1. And we absolutely did up until mid-March. But actually in this period, where, clearly, trading momentum has slowed down, what we have done is reinforced our position. And I think that really establishes the context in which we go back to a business as usual with very strong brand, customer and employee metrics behind us. So I think in that context, let's take the conversation.



Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst* Okay, great. Thanks for those introductory comments.

QUESTIONS AND ANSWERS

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

And let's stick with the pandemic for a minute. So I'm curious how you -- the company has a very consistent strategic message as the industry leader in its pursuit of new revenue streams. At the same time, pandemic has dislocated many, many things. And so we're curious about how you expect any priority shifts, whether that's cutting costs or increasing investment across the portfolio, specifically in response to the pandemic.

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

So I think the first thing to say is that we immediately responded by closing our retail stores and stopping our checks from crossing the threshold in homes within the Fios footprint, which was a very practical response to the health and well-being challenge that we needed to address right up front. The good news is that we've been able to innovate around how we deliver service, whether that be in retail with touchless retail or in the Fios footprint with Fios in a box. And so that has allowed us to build back momentum in the business as we've seen demand recover in the marketplace.

So as of today, the high 40s percent of our corporate stores opened. We will be back to fully open by the end of July. And we will start going back into people's homes in the Fios footprint in June.

If I take then the bigger picture of is there a change in our strategy, I think what we are identifying is there's an opportunity for us to accelerate some elements of our strategy. So digital retail, I think, we can further increase our mix of digital solutions, which is our online environment but also our in-app environment. We've seen strong demand for our in-store pickup with -- even when 50% of our corporate stores are closed, there's more in-store pickups in the half of the network that's open than there were prior to COVID-19.

And I think the other area that we have been lucky, we were ahead of our plans in our 5G rollout when it comes to reporting the end of Q1. It's very much our intention to keep that momentum during the course of the year. And in some areas like Stadia and other places, actually, it's easier to build in an environment where there aren't any events going on. So we're trying to get ahead in our rollout plan. And as customer demand comes back, we will be there ready and available to customers to meet and exceed their needs.

So it's business-as-usual strategy with an acceleration of some elements.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

So high elevation, Verizon reorganized for 2020. You resegmented from wireless and wireline to Consumer and Business. I'd love to hear about how that has changed the way in which the company operates. Specifically, I wonder about whether it makes it easier to play offense in certain ways. I'm in particular thinking about capital allocation and marketing and ways in which it might make the company more focused, more agile and then whether there have been some unintended challenges that you've experienced since the reorganization.

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

Great question. I think the first thing to say is, why did we reorganize? And the very important thing to reinforce is it was customer behavior-led. I strongly believe that in the consumer space, customers don't really buy technology. They buy what technology enables. In that context, the blurring



of the lines between traditional wireline and wireless made it less and less relevant to segregate the business based on the bearer as opposed to the services you are offering.

And probably the best highlight of that is the opportunity for us to be a national home connectivity provider in a 5G world, where we've traditionally been just a regional provider inside the Northeast. So we've seen it allow us to amplify the coherency of our brand messaging into the consumer space.

And Peter, I'd give you one very practical situation. When I ran and was President of Wireless, I would negotiate with the head of Fios. If I wanted to do a promotion for a bundle with Fios and wireless, we had to debate who paid for the \$20 discount. I have to debate with myself now because I paid the \$20 discount.

So makes it an awful lot easier in our go-to-market strategies. It also means that we can, for example, consolidate our online presence rather than a Fios web environment, a Verizon wireless web environment, a corporate environment, we can bring all those pieces together. So it simplifies and amplifies our brand messaging and our customer messaging. It allows us to use the Verizon brand halo more effectively and really positions Fios as a product and mix and match as a proposition which we can bridge across both wireless and the Fios footprint.

From the point of view of capital allocation and other operational things, we have previously, through our Intelligent Edge Network approach, already blended what is effectively the capabilities that we have on the network side. So we have complementary capabilities that can support multiple customers, whether they be wireless, wireline or whether they be Business and Consumer. So Intelligent Edge Network was already a precursor in some respects to that strategy of moving to Consumer and Business as it faces out to the end customer.

So I would say more efficient from a brand point of view, more efficient from a CRM and engagement point of view and more efficient from a delivery point of view.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Let's go to mobility and consumer mobility. It's been a very good multiyear run for ARPA in consumer mobility. And you, of course, have led the market with premium service at a premium price. At the same time, industry-wide, we've seen unlimited upgrades and new line additions per account. These are broader trends than simply at Verizon. And so I'm wondering, as you look forward, how do you analyze the remaining ARPA growth opportunity? And a specific angle I'm curious about is the 45% or so of postpaid subs who have not yet upgraded to unlimited. How many do you think have consumption profiles that warrant it?

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

So great question. I think the first thing I would say is -- to your very last point is consumption is only one of the elements that's a driver for a metered to unlimited migration. And what we've tried to do is to optimize the value and the flexibility within our unlimited plans. So really, our value proposition is quality experience and choice. And what we've done is we've created tiered environment inside unlimited, which was the first challenge to allow for ARPU and ARPA accretion structurally, and we've managed to establish that with our Mix & Match.

And so we see the drivers of both the ARPU in the migration from metered to unlimited and think of our 5G propositions as being an exclusively unlimited proposition. So that will also be a driver; and then within the ARPU and ARPA equation, the drivers of people moving up the tiers inside unlimited, expanding the number of connected devices they have and then participating in some of the value-add services that sit on top. One of those value-add services will be our expansion of our 5G Home offering, which is a significantly new addressable market for us.

But also within the mobility space, which was the focus of the question, we've seen an increased appetite for people to move up the unlimited tiers. And we've seen a strong appetite for people on other connected devices, whether it be tablets and the like or whether it be connected devices like smartwatches and other sports-, well-being-related devices.

So we see those trends to continue but maybe a little bit of a hiatus in the very short term associated with the dislocation that people are suffering, whether that be working from home or unemployment. But I think all of those trends, which we saw coming strongly into Q1 pre COVID, we expect those trends to reestablish themselves going forward.

So I think in that regard, the drivers for our aspiration of a GDP-plus growth profile in the long term are completely intact. And I would say when we get to talk about 5G Home, I think that opportunity is probably even bigger than I would have told you 3 months ago.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Okay. I think that's a natural setup to ask you about something relating to the consumer hunger for value. I still struggle to understand how we just lost 40 million jobs in the United States. And there was already a lot of growth in the segment of postpaid mobility that we call premium value, and that's really service that's not quite as good as Verizon's but competitive at a lower price. And that has been a growing subsegment of the postpaid market. I thought Verizon acknowledged that in August of 2019 when you introduced the entry-level -- the Start Unlimited package. And then your net adds accelerated a lot in the second half of 2019. And so I'm wondering, how important was Start Unlimited to that acceleration? And going forward, are there -- do you have new ideas for how to serve this premium-value customer segment?

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

Great question. I would break it into 2 parts: the Verizon-branded response and the overall network opportunity in response. So in the Verizon-branded space, as you say, 5 lines for \$30 a line is compelling. And so Start Unlimited allows us to participate in that space. The amplification of that value proposition as we build out 5G Home will allow us to increasingly disrupt on the cable side as well.

But the other part of our participation in that space is through our wholesale relationships, whether they be the MSO relationships or other MVNO relationships like TracFone. And that's really part of the strategy that I outlined to investors a couple of months before lockdown, which was this idea of that network as a platform, distribution as a platform and billing and service as a platform. We very much see the opportunity to take the scale of the network and its capability and to optimize yield management on that by delivering a premium service into Verizon-branded customers but also giving access to other segments in the market, whether that be through a wholesale arrangement or be it new initiatives like our Visible proposition, which is a digital only and sits naturally in that hybrid between the prepaid and the postpaid space. And that's a proposition that's doing very well in the current environment.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst* And can you tell us any more about how Visible is doing? There's an audience question about that.

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

Yes, sure. So we don't give specific details in the same way as we don't break out between the plans. But what I would say to you is the fact that we doubled down in that space with the launch of Yahoo Mobile just before the lockdown evidences the fact that we've been very pleased with what we've seen there. And look, contextually, what we want to try and make sure that we do is create clearly differentiated and segmented opportunities for customers to get access to the best network without it being at the expense of dilution to the premium brand of Verizon. And that's why there's a balance in the portfolio.

And so we've been pleased with what we've seen on Visible. Its lower cost to serve and operate means that while it participates in the market at a lower entry price, that is in part at least compensated for by the fact that it doesn't run retail stores. It doesn't run customer service in the same way. And it lends itself to a customer who is not naturally coming into a bricks-and-mortar environment or necessarily operating or looking to have a traditional brand as its provider.

So that idea of forensic segmentation of the market means that we can take the scale benefits of the network and apply them much more effectively to the opportunities we see in the marketplace.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

And further on wireless competition or mobile competition, I wanted to ask you about 2 different forces that will affect gross add share in the next year. One is perhaps AT&T launching the HBO Max bundles aimed at premium mobile subscribers. And the other, a bit harder to pin down, is the effect of competing 5G deployments on consumers, particularly as the 5G iPhone comes to market later this year. I'm wondering, as you work to scale your own higher capacity offerings, what options do you have to respond to those increasing investments by competitors in the premium segment of postpaid mobile?

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

The approach that we've taken in relation to our base is a really simple and transparent one with the Mix & Match model. Unlike some of our competitors who have a bit of an inherent conflict between those who are buying their product linear or buying the same product we packaged as an OTT, we have a very simple, transparent offering for our wireless consumers and with the introduction of Mix & Match to Fios, a similarly transparent, more of what you want, less of what you don't for our Fios customers. So actually, I see us as the natural direct-to-consumer partner of choice for the best brands in America outside of a platform like a Marketplace in Amazon. We're the largest paid-for-service, direct-to-consumer play in the U.S.

So I think there's opportunities for us. We passed on the Quibi opportunity. That seems like a good call on our part. We are comfortable with the position we find ourselves in, but we also have, we believe, lots of road with existing partners and with other partners who are -- we'll be seeing as premium partners. We're critically -- Peter, the value we deliver to the customer is higher than the cost to us of delivering it because we can use our economies of scale and our purchasing power on behalf of the customer. And I don't have a fixed cost when it comes to content.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Great. Makes a kind of sense. Let's go to the network. So you've been clear -- your whole team has been clear about Verizon's layered approach to delivering 5G. And with millimeter wave providing ultra-wideband service and then DSS supporting with coverage, I'm wondering, if you were to buy additional mid-band spectrum of any sort to complement your millimeter wave capacity, how long might it take to deploy the radio access network to deliver that new capacity you might add in the future?

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

So obviously, we're in the middle of a spectrum auction as we seem to be pretty much always, so I will be somewhat circumspect in my specific comment. But in relation to the timing of any C-band auction, it is the case that the satellite companies have already a majority over the necessary threshold have confirmed their participation. So that means that it's as planned for the winter auction and for the availability of the first tranche of that spectrum by the end of 2021. So that's public domain fact.

We certainly have the opportunity in the way we build the network and in the way we touch the network to prepare significantly in advance for any opportunities we might have. So therefore, our ability to match the timing of the availability of cleared spectrum if we were to acquire any in the C-band or any other spectrum and our ability to rapidly deploy that within our network are pretty tightly aligned. And we can certainly do that within the overall financial guidance and envelope that we have from a capital point of view.

What we've also said, Peter, I think very clearly is, if we see accelerated opportunities out there, we won't be shy of coming back to investors and saying to them we think we can go faster and further. And if that were the case, we would continue to do that. The one thing I'm sure about is we will use the same discipline that we always do in evaluating build versus buy in relation to any assessment of a spectrum opportunity.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Okay, great. Let's go to profitability. So I'm curious about the retail distribution strategy. COVID has accelerated so many consumer behaviors, and one of them has been digital gross adds for the mobility business. And so I'm wondering whether that has informed your perspective on where we are in the long arc of changing retail distribution footprints and perhaps consolidating them as consumers become more comfortable initiating a service and receiving service online.

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

There are 2 parts of this for me: the first is retail as a component of an omnichannel strategy, and the other is the service element that goes with the engagement with the customer. So if I take retail specifically, we've, for a long time now, seen retail as an integral component of what was first multichannel and then, increasingly, omnichannel. So we don't see an environment in which physical retail doesn't represent a part of our omnichannel distribution strategy. The role it plays absolutely will evolve. And so what you've seen us do recently is introduce touchless retail as one of the ways we've been able to reopen stores.

And really, within touchless retail, think of it as next-gen retail, which is the merging of the physical and the digital, something that is starting to be called phygital, to just add a new word to everyone's vocabulary. But when a customer buys online and collects from the store, is that physical retailing? Or is that online retailing? Because actually, when they come into the store, they may well buy accessories, take TMP, the insurance product, other things.

So the way we're looking at it is, how do we maximize the digital element within retail, which allows 2 things to happen. First is that the experience is as consistent as it can possibly be between the elements of the channel. So you start online. You finish where you choose, whether that's in a voice channel or whether that's in a physical store. And actually, with digital retailing, you can actually do more of that, so more consistency.

And then the second thing is the role that the store plays itself and may well, therefore, mean that we have different size of footprint, different ratio of employees to customers to the volume that we'll go through. So we've already made changes, and that is one of the areas that we're definitely accelerating.

The other big insight that we've had is, when we closed our retail stores, rather than have our employees sit at home without work to do, we immediately went through a retraining and redeployment program. As a result, we had at a peak about 8,000 retail employees who were supporting other telesales or customer service. What I would say to you is I will now bring into my standardized model a hybrid training model that it will allow me to have more fungible resource between the different elements of omnichannel and a better overarching customer experience because the retail person also understands the telesales environment and the customer service environment.

So those are the sort of things that allow us to morph what retail is inside an overarching environment where more of what a customer needs is available to them digitally and self-serve.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

An important business in the Consumer segment that doesn't come up as often is Fios. It's been hard to tease out the underlying trend in the Fios segment because of differing approaches among industry players in handling or reacting to the pandemic. Could you talk about Q1 before the pandemic, Q1 after the pandemic and provide any kind of an outlook for Fios in the quarters to come?

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

I like to describe Fios as small but perfectly formed. The challenge sometimes, I think, is the perception of the delta between a brilliant connectivity business with a fabulous fiber network that is superior to the alternatives out there and a content business that sits on top, where I don't have

owner's economics and I don't have the scale of a Comcast or a Charter. So what we've been trying to do is maximize the benefit of the asset we haven't had owner's economics in and lean into some of the behavioral trends that we're seeing around cord cutting and cord shaving, where I don't enjoy the same economics.

To accelerate that, we introduced our Mix & Match principles that have been so successful in wireless into the wireline space at the beginning of the year. And we had -- I'll tell you, Peter, in the very first couple of weeks, we had a slightly slower start as both agents and customers got used to the new offerings. And then we saw a significant acceleration, and we were seeing some of our best performance in Fios before the lockdown that we had seen for some time. And really, what was driving it was the flexibility and choice we were offering meant that, actually, from a margin accretion point of view, we were writing better quality business because less of the customers' dollars were being eaten up on lower 0-margin content, where it was just a pass-through to me.

So I'm very excited about the future of the Fios business, and some of those same dynamics is what makes me excited about 5G Home.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Okay, great. Let's go to 5G Home. I mean, this is one of the most exciting things happening at Verizon. And yet, there's a slightly snarky question in the queue about why it hasn't happened yet. And a question, I think, to organize this, this is a huge TAM, and it is a big TAM in which Verizon has a lot of experience and expertise. And so I'm wondering, why do you think investors are skeptical? Why do you think investors are so far cautious about placing a value on this opportunity ahead of Verizon?

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

I think there's 2 components to it. I think there's a big equity play out there, whether you're long cable, short wireless or short cable and long wireless, to be transparent about it. And I think right at the heart of that is just making sure that people understand what the 5G Home and 5G office proposition really is.

Our 5G millimeter wave strategy is a mobility strategy. And therefore, our prioritization of how, where and when we build is driven by my wireless business needs and my colleague Tami's SMB and Business wireless needs. The opportunity of 5G Home and 5G office there -- is therefore a by-product opportunity so that, as we build out, our focus has been on providing a mobility play. But our opportunity then is that we have a lower cost per home passed because the marginal cost to us is not building that incremental 600-foot trench into each home or whatever. It's simply the cost of CPE, which over time, will equate to the same cost as in the Fios footprint.

One of the reasons why we've been slower to deploy is that as we've built out in the very first phases, we're waiting for the 5G NR capability, which is now being deployed. And the second thing was high-powered CPE strikes the right balance between the number of nodes we need and the coverage per node that maximizes the yield. What we've seen in the markets like Chicago, where we have 5G NR Home service deployed, is we're seeing strong performance, we're seeing the quality of the experience that customers is getting is meeting their expectations since this offering is a very real competitor to cable. What we need to do and what we absolutely intend to do is to accelerate our scaling of that as we get the high-powered CPE, which is we're very confident about the fall and the fall time lines and winter for that.

The other thing that we've been able to do is optimize the CPE itself because in the economics of the offering, the amount of self-install and the amount of interior -- internal antenna versus external antenna are also key drivers. We've seen the simplification of the finding of a signal and, therefore, the placing of the CPE. We've significantly improved our capability there; and in the CPE itself, our ability to bring more of the CPE fully indoors rather than some of the hybrids that we had, where we had inside coupled with outside and just meshed across the windowsill.

So the hardware is getting better, the software is getting better, the ability to pick the signal is getting better, and the CPE will be enhanced in late fall as we get the high-powered CPE. If I'd had the opportunity to sell 5G Home in the last 12 weeks, I would have made out like a bandit.



Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

And in thinking about the great progress you were describing, would you characterize 5G Home at this point as a business that is, in targeted areas, performing at levels that will allow it to scale and with the equipment to scale? Or is it more about being on a journey towards performance that is scalable?

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

So I think I have all of the components now, whether it be CPE, whether it be nodes, whether it be software stability, whether it be deployment simplification, et cetera. I think I have all of the tools that I need. So it's now about scaling it against the opportunity as we build out those 5G small cells as part of our mobility deployment.

And one of the things that I think for people who are saying, "Well, so what? Can't I get higher speeds on cable?" All those things. Just to remind people, there are 2 qualities of 5G Home which I think are really significant. One is I don't have a principal position in content, so I will actually give you real and meaningful choice in the bundle that's available to you, one. Secondly, I have what is essentially uncontended capacity because I have so much spectrum available to me that you can assume for the foreseeable future that it's fully uncontended capacity. And people who've been working from home, as many have in the last 10 weeks, realize that when their neighbor's at home, they're sharing some of that capacity in a cable environment with their neighbors and other people in the block. That won't be the case with 5G Home.

And the last thing is because it's a wireless offering, this ability to essentially try before you buy, compare it to the existing offering. Taking out one of your home utilities is a big decision. If you can bring 5G Home in and run it side-by-side with your -- another provider and just see how good it is, it gives you that confidence to buy. So I think the combination of those things means that I think we can do really well in this space.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

So I want to ask you about pricing. If we assume that cable can soon offer gigabit speeds wherever it perceives 5G Home to be investing, then -- and given today, there isn't much demand for gigabit speeds within the cable footprint where it is being offered, how does Verizon lure subscribers away from cable? My sense is Verizon has no interest in being a discount provider.

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

The first thing I would say is that people's attitude to bandwidth has probably changed more in the last 10 weeks than it's changed in the last 5 years. And therefore, that idea of multiple users in the same location has made people aware of the fact that you share that bandwidth inside the property. But coupled with that, if you take gig-cable speed and your neighbor takes it as well, you both don't have gig-cable speed because it's a contended capacity.

So I think the value of consistent, high quality, high throughput, where more and more devices will be connected and more and more time will be spent in the home environment in mission-critical services like online gaming, where your latency and your capacity is so important, or in business applications that you're running video conferencing, where your uplink will be as important as your downlink, I think for all of those reasons, the quality of your connectivity at home will matter. And the use cases, therefore, for gig are higher and for you to know that you have that bandwidth dedicated to you, I think, will become increasingly relevant.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

So one understanding we have of 5G Home is it has the ability to provide superior uplink speeds. Has the environment we're in created a teachable moment relating to uplink speeds? And is there a way to market that in a way that consumers can relate to? Or is that an esoteric concept of interest to you and I but perhaps not to consumers?

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

I think what we're doing today is a demonstration of it. Most people are consuming video as a one-way video stream. This is a 2-way video conversation that we're having, and therefore, the uplink as well as the downlink are critical as part of that. So I think the use cases that people are seeing today in their home, people who are studying from home and their linkages as well are giving evidence to the fact that you need to think about the uplink as well as the downlink.

We just announced in the last few days the fact that we've moved the uplink in our entire 5G network to being a 5G uplink from 4G uplink. We've talked about a 30% increase in uplink. But to put that in context, we're talking about up to 100 megs is being available in the uplink. But that's based on an allocation of spectrum. As we get higher and higher carrier aggregation and go from 4CC to 8CC, et cetera, I can afford to put more of my carriers on the uplink, and therefore, I can build product that will give you symmetrical gig-gig if that's what users need.

And I have up to 1,600 megs now of nationwide millimeter wave spectrum. So I have a massive flexibility there to give you uncontended downlink and to give you all the uplink you need coupled with super low-latency.

Peter Supino - Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst

Ronan, in past conversations, you've explained to me that the majority of mobile data consumption occurs in a narrow subset of a metropolitan area, especially the highest-value consumption. And in that light, the millimeter wave deployment will be targeted. Within that zone, does that create a marketing challenge for 5G Home because media is typically bought regionally or nationally? And so how do you efficiently sell and market 5G Home to the subset of an urban area that is covered by millimeter wave? Is it door to door? Are there other local media opportunities?

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

About 50% of my distribution for Fios today is digital because, digital, I can forensically target to individual zip codes, I can forensically target to IP areas so that I can be quite specific and focused in where I promote. I also use door to door. But how big the door-to-door model will be in the short, medium term, is anyone's guess given the current environment. But digital allows me to be very, very targeted and so consistent with the sort of approach that we would take.

What I would say more broadly, though, is that don't necessarily think that a fully built-out 5G millimeter wave city is only simply picking up Times Square and these -- even in Chicago, since we launched it as one of our first 5G cities, we have about a 300% increase in the number of nodes and, therefore, coverage that we have in the city. So you expect to see it built out and contiguous in those areas as time goes by.

Peter Supino - Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst

Every -- as you know well, every subscriber business's value is very sensitive to subscriber acquisition cost. On 5G Home, what are the most important things you've learned so far to try to optimize subscriber acquisition costs? And could you update us, in particular, on self-installations, which you alluded to earlier, how successful you think you can be there and what risk there remains to sack from self-installs?

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

So in a like-for-like comparison, I don't trench to your front door, so I don't have that cost. I have similar CPE cost to what others would have for providing the same service, so my physical cost per home passed is lower as a result. And to give you an idea, about 50% of the cost of a Fios home use the actual directly to the door and ONT connectivity there.

The second piece is -- that I have the opportunity with my market share is that I can do a lot of cross-selling into my existing wireless base. Therefore, the cost of acquisition generally in those for an upsell to additional service is lower. And I can incent that behavior with a discount for existing wireless customers at a lower price, the \$50 and \$70 that I offer today.

Then in relation to the unit cost per home, as you say, indoor or outdoor antenna and self-install versus "truck roll," not really a truck roll in the case of 5G Home, are definitely the variables. We've seen improvements in the CPE that allows more of our antenna to be internal to external, and we continue to see strong appetite for customers to self-install.

With higher-powered CPE, the proportion of self-install will naturally go up because the finding of signal and being able to latch to a strong signal in the place that you would ideally like the nice piece of CPE to be sat in your apartment or your home means that we are confident that those metrics will continue to improve. And until I have the CPE, the new CPE out in earnest, it's hard for me to give you directionally what the proportion of changes are. But all of the trends are consistent with our business plan.

Peter Supino - Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst

One of the most elegant aspects of 5G Home is, as you described, the lack of need for a drop, the wireless drop and, therefore, the amount of network leverage that exists, amount of fixed cost leverage that exists in places in which one fiber and small cells have already been deployed in support of mobility. The question that falls out of that for me is, does that also allow Verizon to be more patient about the rate of penetration growth? If so much of the cost structure is already in place, does it incentivize you to focus on highest-lifetime-value, highest-ARPU customer growth rather than pressing for more share faster?

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

I think it gives us the choice of being patient or disruptive as we choose. And I think the nature of it is that we have the flexibility of being market by market in the opportunities. And I would also say that the nature of the line between the wireless business and the wireline business is blurring. So I don't necessarily see them in the medium term as being 2 discrete markets anymore.

In my mind, in due course -- you have a 5-line account, 3 smartphones, 1 piece of CPE for property A, 1 piece of CPE for property B, and it's the 5 lines at \$45 or whatever it may be, so I see it more kind of holistically as part of your suite of connectivity. And in due course, as the footprint of 5G Home increases, the beauty of one of the biggest risks for a home broadband provider is when you move home because it's a big churn event. Well, as we build out our footprint and you just simply unplug a piece of CPE and you just bring it to your new property and you're up and running, and that obviously depends on the amount of footprint that we have in the rollout. But I see a lot of components of that, that people start to think of it more like their smartphone or their laptop or another piece of -- another connected device and less like this physical utility that's kind of the old-fashioned model.

Peter Supino - Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst

Fantastic. We've landed just on time. And so I will thank you so much for this contribution, Ronan, to our event and look forward to our next conversation. I want to say to those listening to please look at the lower-left corner of your screen and fill out the Procensus poll and, again, just thank Ronan so much for participating. Everybody, stay well and enjoy the rest of the conference.

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

Peter, thank you for the invitation. Thank you all for taking the time out of your busy schedules to listen today. Hope you found it valuable. And as Peter said, please stay well.



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