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# EDITED TRANSCRIPT

VZ - Verizon Communications Inc at Citi Internet, Media & Telecommunications Conference

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## CORPORATE PARTICIPANTS

**Marni Walden** *Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses*

## CONFERENCE CALL PARTICIPANTS

**Mike Rollins** *Citigroup - Analyst*

## PRESENTATION

**Mike Rollins** - *Citigroup - Analyst*

Just by way of reference, disclosures are available at the registration desk. For those of you I haven't met or joining us via the webcast, I am Mike Rollins; I cover telecom services and communications infrastructure at Citi. And I would like to welcome you to the beginning of our second day at our annual IMT Conference.

It is my pleasure to welcome back Marni Walden, Executive Vice President and President of Product Innovation and New Businesses. And Marni also runs the strategy, development and planning group. So I suspect it has been a very busy year for you already.

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**Marni Walden** - *Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses*

It has been a very busy year, Mike. Yes, thank you. Every time I hear that title I think I need a shortened version. So maybe we can poll the audience for that too.

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**Mike Rollins** - *Citigroup - Analyst*

Add a question at the end.

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**Marni Walden** - *Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses*

Yes, add a question would be good, yes.

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**Mike Rollins** - *Citigroup - Analyst*

Good. Well, maybe you could just frame for us what the strategic and operating priorities are for Verizon as you are looking into the New Year?

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**Marni Walden** - *Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses*

Sure. So let me first say that our core business is very strong in a very competitive market and we are very confident in our strategic priorities. As we think about those it always starts with our network, so developing and innovating on our networks, having the leadership position that we've had in 4G and then a vision towards 5G.

And also continuing to enhance the customer experience, that has always been important to us. So even beyond the network, what are the things that we can do to delight customers? And we define customers as business customers, consumers, partnerships that we have.

And then particularly in my area it is really about disciplined investments for growth. And I know we will get to talk about some of those. But finding new ways to monetize the work that we do today and the assets that we have. And then leveraging all of Verizon's assets, how do we take the



collection that we have put together to find new ways for monetization? And then as always, as you would hear from Lowell, is how do we make sure we are returning shareholder value? So those are really the key principles.

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**Mike Rollins** - Citigroup - Analyst

Well, already since the election there has been a lot of question about the regulatory backdrop and what that is going to look like. So can you talk about what you think the regulatory backdrop or the potential change in that can have effect in terms of revenue or some of your new growth initiatives that you are pursuing?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes, I was just listening to the radio yesterday and I heard Trump say that for every new regulation proposed, two had to be killed. So I think we have a lot to see what is going to happen. So it is probably premature to say what is going to happen with the administration.

But for Verizon, we always say that less regulation is better. And when there is regulation it should be applied consistently to the categories that we are in. And we are very broad when we think about the categories that we participate in.

From a privacy perspective, privacy is really important to the brand that we've built. And so, we make sure that we are very transparent with our customers. We need to do that and we find ways to make sure we are communicating to our customers, and, as I said, transparency and following all of the rules that we need to be compliant with.

From a net neutrality standpoint, open Internet has always been important to consumers and it is vital to our business. We do offer sponsored data, so that is a way for us to offer sponsored data to all. So anyone who wants to pay for data for customers we can do that and we have had some implementations of that.

From a regulatory perspective, as I said, I think it is too early to tell what is going to happen with the administration. But it won't change our strategy. I think we have been very disciplined about how we think about what we are going to do, the things that we need to do to advance the business and to return value.

Look, if we see an opportunity to accelerate that strategy because of changes we will certainly look at that. But we are not going to take our eye off what we think is most critical.

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**Mike Rollins** - Citigroup - Analyst

So as you move further into the digital media category, you are a substantial provider of video services across the Northeast footprint today. You compete now with firms that are vertically integrated, like a Comcast. How does that affect your ability to get to your revenue and profit aspirations and does that change the way you want to structure the Company?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

No. I think we have always said -- I appreciate Comcast's strategy and the assets that they have had or others like them. We have said that we have a mobile first strategy that shows up in what we are doing in video, how we think about eyeballs moving to mobile.

I think the thing that has changed is really fiber and I know you have written about fiber and fiber assets. And I think for us and for many others in the category fiber has always been sort of an as needed build or just in time and there is many ways you can get after fiber.

We have also made some moves in the market with the XO transaction because we think the need for fiber is changing because of the growth on the network specifically. And then our vision for 5G, future networks, fiber will become very important.

So our strategy is the mobile first leading with wireless. Fiber is important, that is why you have seen some of the moves. And then as we move into 5G we think we have got a good plan on how we continue to monetize and deliver value to the market.

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**Mike Rollins** - Citigroup - Analyst

Investors look at situations in Europe, for example, where bundling and the idea of a quad play has picked up. So from Verizon's perspective, as you look at some of those examples and how the competitive landscape is evolving here in the US, how do you view the need to have a larger broadband access footprint into the home, vis-a-vis cable assets or more telco assets, recognizing of course you have actually sold a number of telco assets over the last few years?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes. So let me just start with the quad play. And I know you and I have talked about this in the past. And I have managed the product group for a while and we have done a number of integrated products with our FiOS properties. And I would tell you through all of the customer research and through all of the product iterations, what customers most expect when you bundle services is a discount at the bottom of the bill.

And we can certainly do that; that is something we can do, it doesn't add value or return value. But that is -- I think quad plays are overrated in the US unless you are going to do deep discounting, and that is not where we want to go.

Again back to the assets, fiber will be important to our 5G strategy. So you will see us do the things we need to do to be able to get there. And with 5G, and I know we'll probably talk about this, we believe that 5G, the first commercial opportunity will really be fixed wireless. And with that we can offer an in-home product that could be connected home kinds of things or it could be even a subscription with a bundled video offering.

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**Mike Rollins** - Citigroup - Analyst

One of the ways -- just keeping for one more moment on the regulatory theme and innovative products. One of the ways that you and some others have tried to monetize the network is the sponsored data initiative. How do you view that today in terms of a revenue model? And how do you think the FCC's evolving interpretation of net neutrality fits with that?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes, I think -- so just from being compliant, I think the way that we are doing FreeBee, which is what we have branded our sponsored data product as, is compliant with the rules that have been put out. I candidly think from a monetization standpoint it is -- with all of the unlimited kind of things that are going on, it maybe is not as valuable today in terms of monetizing but it is valuable to the consumer.

If you think about today we offer -- there is a product we call Stream Pass, which is really through go90, but for Verizon customers they can get all of the sports lineup and watch that. It is ad sponsored but they can watch those sports packages free of using their data. And we are able to offer that.

And then any Company who wants to buy data and have it on the Verizon network can do that and have that offered to the consumer. So I think it is great for the consumer. And so for us today it is really about having consumers want to be with Verizon because of that offering and it is not using their data. And also we offer it on the top end plans so they step up in access. So it is a revenue opportunity for us but I think it is more about a customer satisfier today.

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**Mike Rollins** - Citigroup - Analyst

Before we jump into some of the growth initiatives, I was wondering if we could just talk for a moment about the wireless business and the competitive intensity that you see and the ability to prosecute your strategy in the face of some of your competitors continuing to focus on discount and cheapening the price of the product or adding more value to the product depending on whose perspective you are looking at it from.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

I won't pick whose perspective I have when you mention that. But, look, I think the wireless industry -- and I grew up in this business so I have been watching it for the last 20 years -- it has always been competitive.

There was one point in time, I was thinking about this early in my career, where there were probably seven or eight competitors. There was two and then it went to eight and because of all of the MVNOs and all the crazy stuff happening, people giving away TVs when you subscribe and pizzas, we have seen some of that lately too. But it has always been competitive.

And I think Verizon has proven it has a track record of showing that it can continue to have very good results, deliver great results in competitive environments while being disciplined and responsible for what we have to deliver. Now our network leadership continues to matter, that is validated by a third party. We have had six quarters of consecutive performance where phone churn has been under 0.9. So I think we have shown that we can do that.

Now price and value still matter to consumers and so you have seen us make some moves. We needed to do that to make sure we retain our high-value customers. We launched new pricing, which you can now have four lines for -- 20 gigs for \$160 and we have done that. We have added safety mode so data overages don't become a surprise for customers' bills and they have more control. So we have made those moves, but we still believe that we will be successful in that environment with a very responsible approach.

Now in terms of monetization, this is the role that my team plays is how do you get more devices? As buckets get bigger -- data buckets get bigger how do you bring more devices to those plans? We are doing that through products like hum, which I am sure we will get to talk about, tablets and integrating content into tablets. All of the work that we are doing in IoT, which has mainly been enterprise focused but you will see us do more in consumer.

Today in consumer we do things more through accessories and margin-based products, but you will see more integrated features and products coming from us this year on the consumer front. So the obligation is for how do we continue to add more devices to those plans that are valuable to the consumer and to businesses and we monetize through that? And again, I think our results have spoken for themselves that we can live through competitive environments and still be responsible and disciplined to our shareholders.

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**Mike Rollins** - Citigroup - Analyst

What does your research tell you about the importance of price in the customer decision-making process and the ability to use some of the products and device bundles that you are describing as ways to counteract what some of the others are doing?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes, I think -- and I don't do a lot of the consumer research on core pricing today, but I would tell you price and value has always been important. But network has always been critical and total customer experience, simplicity comes up now too. So price and value will always be important. But again, I would just go back to we've made moves on pricing and, again, our churn I think speaks to the fact that it is more than just price; it has got to be the total package of what the consumer experience is.

**Mike Rollins** - Citigroup - Analyst

Last question on this front for me. You have already taken some big steps to unbundle the device sale from the sale of the monthly rate plan. Do you foresee a day where Verizon just gets out of the device business altogether and it is done by a third party and you just focus on providing service?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Oh, I hate these prediction questions, my crystal ball is not working this week. But, look, I think today we do installment plans. Models are always changing so never say never. But for now I think the installment where people pay for equipment over time is a model that is working so far.

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**Mike Rollins** - Citigroup - Analyst

Yes, moving over to the vision to the growth initiatives, IoT, 5G, digital media. Can you talk a little bit more about how these are fitting into the long-term strategy of Verizon?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes, so I know everyone has probably heard all of us at the executive level talk about our strategy, but I think worth just setting the foundation. So the way we think about our business is the connectivity layer which we have done for years, which is really a revenue model based on access; platforms which we have done some of but now we are doing a whole lot more. And then the service layer, and that is where we have really been focused in some of these new growth areas.

So we always lead with our network. And that is -- if we can get all three of those in play we really like that model. But sometimes it is not necessary to do all three. But our aspiration is we do a whole lot more in the platforms and service layer. And what that does for us is that diversifies the way that we think about driving revenue.

So we go from just simply access or network connectivity, if you will, a smart pipe, to monetizing through platforms like ad tech or platforms like ThingSpace, which is our IoT platform, and then starting to deliver solutions like a product like hum or video products that we have launched.

So all of those things are really trying to make sure we have got multiple paths to monetization, that we are not settling for just the connectivity layer. We love the connectivity part of it because once you get in it helps you do those other things. And then with 5G, one of the things I would say if I looked back at the work that we have done that I am critical of is we have built these amazing networks and they have enabled innovation for all.

With 5G we very much think about how do we make sure Verizon is innovating on top of that network at the same speed that others are and getting that portion of the revenue that we think we can get after. So thinking about it not just from the connectivity perspective, we want that. But what are the services that we at Verizon can deliver instead of having somebody else come and deliver services on top of that.

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**Mike Rollins** - Citigroup - Analyst

So before we get into some of the specifics of the services and the platforms, one of the most popular questions that we are getting from the buy side is how big this can be for Verizon in terms of where it gets to in revenue contribution over the next three to five years?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes, so I can maybe talk about this and each one of the specifics is about the market opportunities. You have heard us talk about in the advertising space it is a total addressable market of probably what is in -- by 2020 it is a \$90 billion number. The global fleet business is \$40 billion. And we can talk specifically about those. So these are big markets that we are going after, but it does take time to develop.

So I am not going to give you here is the revenue number in three to five years; I certainly have one on my performance agreement so I think about it frequently. But we think it is going to be meaningful or we wouldn't be doing it. At Verizon's scale we have to do things that are meaningful.

And so, in three to five years IoT -- and we have released some of the IoT numbers, by the way. So we have been talking about what we have been doing quarterly, a couple hundred million dollars every quarter. We talked about that in the third quarter earnings. Those are growing at double-digits.

We haven't spent -- talked specifically about some of the other areas, but you'll hear us talk more about that. We did talk a little bit about the AOL revenues. So these are going to be meaningful pieces of revenue for Verizon in the next three to five years. They need to be and we wouldn't be doing it if we didn't think that could be done.

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**Mike Rollins** - Citigroup - Analyst

So you mentioned AOL. And I'm wondering if you can talk about the performance of AOL and what Verizon's participation in the asset has done for that business?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

So the way this started, and I have talked about this many times, is we had a number of assets at Verizon that we were unable to monetize, because ultimately the path to monetization was ad tech capabilities. And so, that is how the whole pursuit of heading down the AOL path started.

And so, what I would tell you for the first year we have worked on bringing Verizon data into AOL. Candidly that has been slower than I would have liked it to be and you will see us accelerate that this year.

The reason for that is around privacy and transparency with our customers, which I talked about. So we will accelerate bringing that data into AOL so that they can use that for ad targeting. We have got to make sure we don't ever compromise the relationship we have with our consumer, so we will do that in a very responsible way.

But what we do know is when you bring that kind of data, that rich set of data from Verizon into the AOL platform the result you get on targeted advertising is significantly better. Now what we have to do is we have to do much more.

And then when we look at the AOL asset -- and, by the way, there is other things that we can do like leveraging. This is why I mentioned one of my key operating initiatives this year is leveraging all of the assets. Because we can leverage all of the distribution that we've got at Verizon to promote what we are doing at AOL. We haven't done as much of that as we need to; we will do that this year.

Cross marketing, so go90 for example. We now have go90 not only in the mobile app but we are now featuring that content on AOL, and we've seen triple-digit audience growth just by cross promoting, putting a piece of content on go90 in Huff Post and then moving it back and forth.

So really leveraging that scale is the focus for this year and I think you will really see that come to light. So the assets are working together, scale is what matters and ultimately that is what led us to probably your next question which is Yahoo!, so --. And maybe it isn't your next question, but --.



**Mike Rollins** - Citigroup - Analyst

Well, let's -- no, certainly on the list. Let's definitely go there. So Yahoo!, the question is is the deal going to get done? There were some comments this morning on CNBC from Tim Armstrong about him being hopeful. If you can add your perspective to how investors should think about what Yahoo! means to the Company and the next steps in terms of figuring out whether this gets done?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes. So let me just reiterate what I have said in the past is that the strategic rationale for doing Yahoo! was that we needed to scale the audience. So if you think about who you are competing with here -- and this is a global business and that is something else I should probably talk about, all of these new things that I am doing we very much think about having global aspirations.

But -- so, when you are sitting with Verizon assets and AOL assets, it wasn't enough to really scale and compete in the market like we want to if you think about the big guys that play in this space. And so, we were looking at opportunities to scale the eyeballs.

Yahoo! obviously a number of synergies that you get when you put AOL and Yahoo! together because very much similar businesses. Yahoo! has a very, very respected product organization, some capabilities that AOL doesn't have today. But it was really about taking an audience from hundreds of millions to into the billions. And that still remains important to us. It is -- so that the merits of that transaction still make sense.

However, we obviously had the first breach and we were headed down the path to understand that to make sure we weren't jumping off blindly off a cliff, I have used that before. We have that responsibility. And we have that same responsibility -- and unfortunately I can't sit here today and say with confidence one way or the other because we still don't know.

There are still things that have to be completed in the investigation. Has the asset changed in any way? Are there other things that will need to happen to that asset? So we are -- with time we will have answers to those questions and we will come back, but we will be very responsible about what we do to make sure that we are getting the value out of the asset and doing the right thing for our shareholders.

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**Mike Rollins** - Citigroup - Analyst

And the one thing I wanted to come back to was, you mention privacy at the beginning in terms of regulatory. You talked about it as something that is holding back your ability to leverage the data from your existing network businesses. So is the issue -- just to -- to just explore it for one more moment -- the issue is the lack of a level playing field for a Company like yours in terms of using customer data versus some of the digital advertisers that you compete with, is that a fair way of characterizing it?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

I think it is fair. The new ruling that came out, we now have clarity around what we need to do, for targeted one-to-one kind of advertising we need to have opt-ins to do that. So a customer needs to say, yes, I agree to do this. And then for aggregated anonymous we can go ahead that can be an opt-out situation. But it is different for others that we compete with, but with the ruling that came out we believe we can successfully execute our plan and we are on an aggressive path to do that.

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**Mike Rollins** - Citigroup - Analyst

And you mentioned the progress with go90. Are there any other metrics that you can share? Investors have been following the progress of go90 since the launch.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes. Yes, so I will just share the one that we have already shared so I know that won't disappoint, so hopefully that won't be the headline for today. But we have already shared that it is 30 minutes of daily viewing which we like. I will tell you at the end when we do our earnings we'll release a few more metrics on this. We feel very, very good about the progress we have made on cross promoting.

And in addition, the content that we have invested in, so complex networks, we will start to talk about that as well and just looking at the viewership that is happening through the new content that we have launched.

So, look, I mean we have learned a ton and I have said that before. We know what customers want to watch, we have shows that have been very successful, sports is very successful, the work that we have done with NBA we are super pleased about. So we are very encouraged by what we are seeing but we still have a long way to go and we will continue to work it and make it successful.

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**Mike Rollins** - Citigroup - Analyst

And you have talked about the opportunity to use M&A to accelerate scale when it relates to digital media and advertising. Should investors think about this as a sequential process? You have got to figure out Yahoo! and then integrate that and then you get to the next opportunity? Or is there a parallel process where you could further accelerate the scale and work on several transactions at once?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes, I would tell you we always look for -- we are always looking at opportunity. We have always done that at Verizon. You have always heard Lowell say that. For me today -- and Yahoo! obviously, we have uncertainty around that, so we have got to get through that. My team -- and we have got a number of acquisitions we have done on the fleet side and on the media side -- we need to integrate and execute. And so we are very much focused on execution this year.

That doesn't mean if something came our way that was a tuck-in or made sense, we always look at those things. We look at it through our ventures team, we look at it even through partnerships. But this is a year for me where we are very much focused on execution because we need to get those right before we go to the next one. So for now I would say look at small things, but we have got to execute on the ones we have got.

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**Mike Rollins** - Citigroup - Analyst

And when you look at the digital media -- and we will get into I think part of the IoT products in a moment. But when you look at those opportunities does that help you reclaim additional customers on the wireless business?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes, I think our approach to millennials is something we very much would like to do better in. It is a market that is growing. And so I would say the answer is yes there is more to do. Maybe if I step back a little bit, and I know you didn't ask this directly, but maybe to clarify how we think about our content strategy because that is very much evolved and it very much ties into how we leverage assets across the business.

So if you looked at Verizon five years ago, even three years ago, our relationship with content was linear licensing of content to put onto our FiOS TV offering. So we made our money on access, content was relatively an expense against that and that was the model. We now think about content very differently.

So when I go and speak with all of the content folks around the business we talk to them about addressing multiple audiences through multiple platforms. And there are some that really understand this. I would say Adam Silver at the NBA has been best-in-class in this where we have a great relationship. And he understands that if you limit your content to a TV screen in the family room there is an audience that you will not get.

And so we talked to him about the fact that Verizon is one of the companies, one of the only companies that can bring you an audience through a mobile device, can bring you an audience through a desktop platform like AOL, or soon hopefully to be Yahoo!, or a FiOS TV screen. And so, multiple audiences.

And then as we think about but there is also multiple monetization paths. So it is not just access anymore, it can be access, it can be subscription, it can be data utilization that is encouraged on the Verizon network and it can be ad monetization.

And one of the things we know about these audiences is brands, so when you -- in our research when we think about what content to bring to market, when we do our research and you talk to someone who is younger than 25, they don't say my favorite show is on CBS, they don't say my favorite show is on ABC. They say my favorite show is X or my favorite personality is X.

And so, what brands are struggling with is if a consumer -- if a 14-year-old girl doesn't think about her access as being the television screen, then that brand has to reach her somewhere else. And so, reaching her on a mobile screen or even a desktop is important. And so, we think we have got a great model where we can hit different audiences, hit different brands and help them and then also we have different ways to monetize.

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**Mike Rollins** - Citigroup - Analyst

Moving more to the IoT category, if you could talk about just some of the different platforms and services that you are focused on. You have got the connected car with hum, you have got telematics, you have got Smart Cities. Give us a flavor of what you are trying to do with these different platforms and services?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

So we are super excited, IoT is probably the biggest buzzword, it probably needs a different nomenclature at some point. But let me break it down. Let me start with our telematics business.

So in Verizon telematics we have three key product lines, we have first the relationship that we have with the OEMs and we have been doing that for a long time with GM and Ford and Mercedes. We have various relationships with OEMs; sometimes we are just doing the connectivity part, sometimes we are doing connectivity and platforms. And then in a relationship like Mercedes we do all three. So if you are driving a Mercedes and you have mbrace in your car, Verizon provides that service, it is just rebranded as mbrace.

That business is also a global business. So we do business in China, Japan, Europe. So that is where we don't always do the connectivity, we do the top two layers not just -- we don't do the bottom in some places. But that OEM business continues to grow. It is a great business because once you get into it it is a long-term relationship. And so, we continue to do that and the OEM business, we'll continue to look to grow that both domestically and globally.

The second part of the business is what we call direct-to-consumer, which really started out as the usage-based insurance model. And we took that model and we did a direct-to-consumer offering, which is our product called hum, which addresses all of the cars on the road that don't have smarts in them or aren't connected. And we have now taken the muscle of Verizon distribution and, as you have heard Fran and you will hear Matt now talk on our earnings call, it is providing growth for the wireless business.

And so, we have got that in the majority of our -- we have it in all of our corporate stores, we are moving it now into our agent distribution. So think about 20,000-plus distribution points selling that product. We will make product enhancements to it. So we feel really good about where we are headed with that and have gotten some really good traction.

The third part of the business is fleet. And we had a small company called Networkfleet which came as part of the Hughes transaction. I would tell you the product was decent, was probably more suited for small and midsize businesses.



And so we started looking around at this space because we were getting very good at it. We were leveraging the distribution that Verizon has, the relationship that we have with all small, medium and large businesses. And we started looking at how we could scale that and we looked at opportunities in the market.

And as you have seen we have done two acquisitions, one Telogis, which is a Company based out of Aliso Viejo, we closed on that in I guess late third quarter of last year. And that business is a global business and really focuses on large enterprise.

Fleetmatics we closed in November of last year, its specialty is really in midsize business and they have got advanced products. So if we were looking at who was best-in-class from a product standpoint mid, their product was better than what we had at fleet.

And so we looked at the opportunity to bring those together to really be a market share leader globally. And they are global businesses so we do business all around the world now with those companies. We are in the process of integrating them. But you should think about it as really -- it's a software company. There is connectivity to it but what we do is we connect people, we connect vehicles and we connect work.

And as I mentioned earlier, that is a \$40 billion market opportunity. And we now, with the roll up of those three, have a market share leadership position that we think we can drive to take a big portion of that business. And it is in our wheelhouse at Verizon because if you think about the enterprise relationships we have, it is just a natural addition to be talking to consumers about fleet.

And again, just like the OEM business it is a very sticky business. Because once you get into a customers' -- an enterprises' fleet it is not -- unless something drastically goes wrong people aren't changing it. And in many cases there is regulations where fleet has to have that kind of solution. So we are super excited about that part of the business and look forward to talking about the results of that business.

And then in IoT we focus very much on key verticals. And so, we introduced our ThingSpace platform, which is really the ability for applications and device management to happen on top of our network. We have got about 10,000 developers on ThingSpace right now. We just made an announcement that came out this morning with Qualcomm where on one of their chipsets they will be putting the ThingSpace platform integration so that enables more things to be connected.

So we are very much focused on Smart Cities, utility management, agriculture. Maybe I can talk a little bit about how some of these things start to cross across. So in Smart Cities we should have close to 16 deployments done in 2017. They won't all be cities because some of them are venues like NFL stadiums or college campuses, but 16 deployments across. And it is everything from managing security, parking, signage.

But the one thing that we haven't talked a lot about, which is really important, is then connecting citizen engagement. We bought a Company called LQD Wi-Fi, which at some point I think we were going to have a visual on and I think we didn't get it for here this morning. But it is a very large kiosk, if you will, that provides Wi-Fi and way finding for customer so there can be engagement with citizens.

And then through our ad tech capabilities we can put that inside that kiosk to have a monetization model for ad tech. So it is where again leveraging assets all across. So Smart Cities is one key focus for us this year and will continue to be. We also -- in ad tech we have got a number of deployments with vineyards around Northern California.

We have launched a project called Track and Trace, which started out as tracking pallets for pharmaceuticals. One of the big problems that the pharmaceutical industry has is there is a lot of siphoning off the top of some of the pharmaceuticals you might think about. And so, we have a product that can tell whether things have been manipulated, tilted, changed weight.

But we took that same product and applied it to food supplies. So we now have Track and Trace where we are doing a couple of commercial deployments with an oyster farm which can tell whether the temperature has changed on oysters, where the pallet is so that your oysters -- I am sure you can all appreciate this -- arrive fresh at your restaurant versus being in an 80 degree environment for a couple of days and then frozen to make you think they were good. Oysters aren't good for you anyway, but I don't mean to offend the oyster industry, so --.



**Mike Rollins** - Citigroup - Analyst

So speaking of engagement, maybe we will engage the audience for a moment in some survey questions as we continue to get through some of our questions here. So, I figured I'd pull up the first question.

Is vertical integration necessary to compete within the category more effectively? You each have a remote of course in front of you. Choice one, yes with short form content. Choice two is yes with traditional linear content. Three, no. Four, undecided. And the polls are now open.

So while we are waiting for this to accumulate the votes, you mentioned a lot of different solutions. Do they all fit together to one larger strategy or is it more opportunistic where you say the hum product is a great idea so let's try that? Fleetmatics and pallet tracking is a great opportunity or Smart Cities. Or is there more of a larger story that we should be thinking about?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Well, I think the larger -- how it fits together is that there is a common element. So the platform for all of those things is the same. So we are using common platforms and plumbing I guess you would say across all of those things we do. But very much in the solution space it is taking a look at market size. We have used all the typical strategy words of do we have the right to win in this space? Do we have the operational capabilities? What is it going to take to do that?

So solutions I think sometimes won't feel as connected, but it is all about putting it all on top of a common platform and addressing industries that have real issues. And then the thing that I love about it is when you can take a product that we developed for the pharmaceutical industry and have a use case where -- it is not a different solution, it is just using that same thing for a different market opportunity so a different use case.

So I think the bigger strategy is making sure we are monetizing above the network. We want the network -- that is our lead, that has been the foundation of our success. But how do we monetize above the network and what are the solutions that fit customer needs that Verizon has a right to either partner in, own and then ultimately drive shareholder value with.

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**Mike Rollins** - Citigroup - Analyst

So we will take a look at the answers. Just for those via the webcast, 21% said yes with short form content; 29% said yes with traditional linear content; 43% said no; and 7% were undecided. Marni, any thoughts?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Well, first I would ask the question of what category are we talking about? Because is linear content necessary? Integration of linear content is necessary for FiOS. Is it for mobile? No. Short form has been -- it has been more important. That doesn't mean ownership, by the way; that means partnership. In some places we have decided to make some investments for ownership. So I would have said it depends, number five.

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**Mike Rollins** - Citigroup - Analyst

Okay (laughter). We will add that choice next year for you (laughter).

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Okay.

**Mike Rollins** - Citigroup - Analyst

If we can roll to question number two -- and by the way there are mics roaming around; if you have a question please raise your hand and we will try to get to that. So will -- or what will Verizon's growth initiatives, 5G, IoT, digital media advertising, contribute to revenue in three years? Choice one, less than 5% of total revenue. Choice two, between 5% and 10% of total revenue. Choice three, between 10% and 15% of total revenue. Choice four, more than 15% of its revenue.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

This is almost like a critique or a performance review. Come on, guys.

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**Mike Rollins** - Citigroup - Analyst

(Laughter) okay, and the answer: 43% less than 5%; 41% between 5% and 10%; choice three of between 10% and 15% got 13% of the votes; and 4% of the votes said more than 15% of its total revenue.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

My leader of Verizon Digital Media is sitting out in the -- he and -- two of my leaders from Verizon Digital Media are sitting out there. So they probably are the 4% because they have big revenue aspirations and targets, by the way, (inaudible). Okay. I would again add number five and say meaningful.

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**Mike Rollins** - Citigroup - Analyst

(Laughter) would you like to expand on that?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

No.

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**Mike Rollins** - Citigroup - Analyst

Okay (laughter).

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

This is whether I get invited back next year too, so this is bad.

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**Mike Rollins** - Citigroup - Analyst

We have got a question over here, please.

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## QUESTIONS AND ANSWERS

### Unidentified Audience Member

So given that Yahoo! and sort of external data is saying that there is not an [MAE], and that an MAE has never been proven in court before. When do you think Verizon needs to make a decision if you are going to try to get out of the deal?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

So look, I am not going to comment whether -- right now, as I have said, we just -- there is a lot of stuff we don't know. Obviously with the second breach there is a whole lot of work that has to happen. And so, I am not going to put a time frame on it because I honestly don't have a time frame. And we have never said one way or the other, we just don't know.

So the answer is we think it will take weeks at least. We don't have a desire to have it drag on forever, that is not our intent. But we have to be responsible to the business and to everyone that thinks -- invests in Verizon. And so, we will take as long as we need, but our goal is not to drag it out. But I have to have certain facts to be able to make a good decision.

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**Mike Rollins** - Citigroup - Analyst

One question that seems to be coming up more lately is how many jobs does Verizon have overseas? And under the right circumstances how many might come back to the United States?

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Look, I think 90% of our force is domestic today. So right now that is sort of where we stand. We obviously have bought companies that are headquartered -- the Fleetmatics Company is headquartered in Dublin. But look, I think when 90% of your force is domestic that question probably is not as significant for us as it may be for others.

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**Mike Rollins** - Citigroup - Analyst

Let's go to the third question of the day. Does Verizon need more spectrum for its existing mobile business? Choice one, yes. Choice two, no, Verizon has enough spectrum. Choice three, no, Verizon can add more macro and small cells. And four, unsure. So if you want to enter your thoughts. So 74% believes yes; 4% said no, Verizon has enough spectrum; 19%, no, Verizon can add more macro and small cells; and 2%, unsure.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

This is going to be so shocking. My answer is number five, because we are in the auction I go to jail if I comment.

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**Mike Rollins** - Citigroup - Analyst

(Laughter) well maybe to wrap up, maybe on the subject of wireless one thing that we didn't get into as much today is 5G.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes.

**Mike Rollins** - Citigroup - Analyst

And so, maybe you can just close out with some of your thoughts on what investors should expect from 5G and why it is important to Verizon.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Yes. So we have obviously been talking a lot about that. We will be in 10 markets doing our commercial trials. There is a tremendous amount that we need to learn from those trials about performance, about quality, about cost, device. So all of that, that is what the trials are for.

And I would tell you we are very encouraged by the early signs of what we see. We think fixed wireless is the first commercial market. What is different about 5G -- and I know you have heard from others over the past day or so, it doesn't -- in my mind doesn't play out on the main stage like you saw with 3G and 4G, which was a handset game. 5G may become a handset game at some point, but I think this is really about opening up new markets, which is exciting for us.

And then in terms of economic models it is far too early to tell. We would expect that it would be much more cost efficient to deploy a 5G fixed wireless than it is today. But we have got to prove that out.

Again, what I am excited about though is that we can add a footprint, go -- if everything proves to be true, we can go and offer a fixed wireless product along with the other products and services and other in-home offers and take advantage of the customer -- the loyal customer base that we have got to open up new revenue streams.

So a lot will be played out I think in 2017 with the trials, but the team is actively working and you will continue to hear us talk about it. And I have yet to see where Verizon wasn't the leader in network rollouts. And so, we would expect that to be the same for Verizon.

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**Mike Rollins** - Citigroup - Analyst

Well, thank you for joining us this morning.

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**Marni Walden** - Verizon Communications Inc. - EVP & President of Product Innovation & New Businesses

Mike, thank you for having me. Thanks to everybody. Have a great show. Appreciate it.

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## Editor

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#### Important Additional Information and Where to Find It

On September 9, 2016, Yahoo! Inc. ("Yahoo") filed with the Securities and Exchange Commission (the "SEC") a preliminary proxy statement regarding the proposed sale of Yahoo's operating business to Verizon Communications Inc. ("Verizon") and related transactions, and the definitive version of which will be sent or provided to Yahoo stockholders. BEFORE MAKING ANY VOTING DECISION, YAHOO'S STOCKHOLDERS ARE STRONGLY ADVISED TO READ YAHOO'S PROXY STATEMENT IN ITS ENTIRETY (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO WHEN THEY BECOME AVAILABLE) AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTIONS OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS. Investors and stockholders can obtain a free copy of Yahoo's proxy statement, any amendments or supplements to the proxy statement, and other documents filed by Yahoo with the SEC in connection with the proposed transactions for no charge at the SEC's website at [www.sec.gov](http://www.sec.gov), on the Investor Relations page of Yahoo's website [investor.yahoo.net](http://investor.yahoo.net) or by writing to Investor Relations, Yahoo! Inc., 701 First Avenue, Sunnyvale, CA 94089.

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