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# EDITED TRANSCRIPT

VZ - Verizon Communications Inc at Citi Global TMT West Conference

EVENT DATE/TIME: JANUARY 08, 2019 / 4:00PM GMT



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## CORPORATE PARTICIPANTS

**Ronan J. Dunne** *Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless*

## CONFERENCE CALL PARTICIPANTS

**Michael Rollins** *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

**Stephen H. Graham** *Citigroup Inc, Research Division - MD, Head of Latin America Equity Research and Strategist for Brazil*

## PRESENTATION

**Stephen H. Graham** - *Citigroup Inc, Research Division - MD, Head of Latin America Equity Research and Strategist for Brazil*

[Global] TMT West Conference. I'm Stephen Graham. I'm the Deputy Director for Research in the U.S. with oversight over various sectors, including TMT. I want to thank you all for being here. Thank our clients, some of you who come from quite far. Thank, in particular, the participating companies and the outside experts who will be sharing their ideas with us. There are, I believe, over 65 companies and outside experts who are here.

Citi continues to invest in the TMT, our research business, in our equity desk, in our investment banking. It's an important focus for the firm. There are about a dozen of our senior research and equities people here with us in charge of various segments. I'm going to briefly run down the list. So then, Jason Bazinet is one of your hosts. He runs our cable, media and satellite research group; Chris Danely runs the semiconductor group; Atif Malik runs the semiconductor equipment group and works closely with Chris; Mike Rollins and Adam Ilkowitz are in charge of equity research on telecoms in the U.S. and in Canada, respectively. Tobias Levkovich is here. He's our equity strategist; Jim Suva, IT, hardware and network equipment; Asiya Merchant, who works with Jim, also on IT hardware; Walter Pritchard on software; David Phipps, high yield TMT; Kevin Toomey, he was your host last night at the cocktail reception and the football game that ended up a bit lopsided; and Cristina Rosenberg, IG and high-yield specialist. I'm sorry, Kevin Toomey is -- and I think, I'm not sure if I said that right. David Phipps, high yield TMT. Kevin Toomey is our TMT sales specialist in equities.

The broad sessions will be in this room and neighboring rooms. They're going to be more interactive than in past years. You'll see clickers on the table in front of you. The audience will be polled periodically to get your opinion on whatever topics come up. The corporate access teams at the front desk, most of you have already been by that desk, and they can help you with any issues: scheduling, questions, problems, et cetera. They can also point you to where your one-on-one meetings are right across the hallway in the maze of cubicles in the other ballroom.

Our first 2 sessions will be with Verizon and -- in this room and Logitech, and I believe it's Ballroom 7, 2 rooms down. We have with us in this room, Ronan Dunne, Executive Vice President of Verizon and the President of Verizon Wireless; and for Logitech, we have the CEO of Logitech, Bracken Darrell. Let's see. Mike Rollins, who heads our telecom research team, will host Mr. Dunne up here and I'll turn it over to him now. Mike, there you are. Come on up. Have a great conference, and please do press our analysts with your questions, push back, help us keep pushing forward. Our mutual understanding of this space, it keeps on changing. Again, have a great conference. Thank you.

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**Michael Rollins** - *Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst*

Thanks, Stephen. Well, good morning. Just by way of reference, we do have disclosures at the registration desk. And for those joining us now via the webcast, I'm Mike Rollins, and I cover the telecom and communications infrastructure categories for Citi Research. For our first keynote of the conference, it's a pleasure to welcome Ronan Dunne, President of Verizon Wireless. Ronan, thank you so much for joining us today.

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**Ronan J. Dunne** - *Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless*

Thank you, Mike. My pleasure to be here.

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## QUESTIONS AND ANSWERS

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Well, maybe just to get us started. New year, what are your key strategic and operating priorities as you enter into 2019?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So it's a great question. Just, again, a reminder of the safe harbor statement in the event that I make a forward-looking statement that may contain risks, so just you're all on notice. I think really the focus for us in 2019 builds around 3 things: at a corporate level, it's operational focus, discipline around that balance sheet; at the wireless level, it's continue the momentum that we've built in 2018 with a focus around the customer and to really lay the ground for an amazing 5G opportunity. So finding that balance between driving the amazing experience that we're offering on 4G today, getting people more engaged with the category and using that, really, as the template to engage customers in the prospect of 5G, what we started to build out the capability.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

So maybe also just in terms of some significant announcements Verizon's made. Last year, the company talked about the realignment from product to customer vertical. Can you give us a little sense of what's going on with that and also how that changes, if at all, the go-to-market strategy for Verizon?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes, sure. So it's a great question. And really, the insight for us was particularly, I think, in the context of the fundamental shift that 5G was going to create, was that we wanted to build a future with the best of today, and in some respects, a product or technology orientation was kind of inconsistent with the way our industry is evolving. Our customers are looking for solutions in the business world. Our consumers are looking for experiences. They're largely technology-agnostic. They're largely bearer-agnostic. So this opportunity for us to take world-class assets in product, in wireline and in wireless and organize them in a way that our go-to-market was oriented around customer and was responding to customer demand, and the way I described it in the wireless businesses show up how and where our customers would expect. And I think that opportunity is right for today but will become increasingly critical in a 5G world, where, as you know already, we've launched a 5G residential broadband service. So this idea of wireless and wireline is kind of VHS and Betamax.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And so taking a step back, maybe just to the core 4G business right now, can you talk about the competitive landscape in wireless and what you're seeing out there?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes, sure. So I think we saw an evolution of the competitive model in 2018. And just to remind people, we started -- I'm a little over 2 years in the business, and we started at the beginning of '17 with, really, a challenge around the fact that we had a narrative around the best network, but we haven't really critically explained to customers how they could access that. So we launched Unlimited at the beginning of '17. And the key thing there is that Unlimited is not simply one-size-fits-all. So what you saw us do throughout 2018 was build out the category in the context of an unlimited world. So increasingly giving our customers more choice, whether that be mix-and-match, whether it be opportunities to bring additional services. Interestingly, 20% of all of our new customers are taking the Apple Music offering, but within the mix-and-match, an increasing number of our customers are taking lines at different plan levels. But more customers who join us are taking Unlimited today than they did in the past and more of our existing customers are migrating. So what is that saying? What it's saying is that we've moved from a one-size-fits-all in the broadest sense to how do you use the size and the scale of a business like Verizon and yet deliver it as a personalized, exquisite experience to an individual

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customer. I think we've made great strides in that during '18. How has that affected the way we'd show up competitively? Well, more people, both customers and prospects, are realizing that Verizon delivers plans that meet my need. They're also seeing the value in our offerings. But also, what we're seeing is that in a more kind of mature market in that where most people who want a smartphone have a smartphone, now they're actually saying, "What is it that I want? How do I want to use this service? What are the elements that are important to me?" And the truth is, my children use their phones differently to the way I do. And so what we're doing is we're increasingly personalizing. Essentially, we're using a network that supports 130 million to deliver an individual 1-to-1 service to each of those rather than a 1-to-130 million service. And that has resulted, I think, in a change in the way of competition. So we're seeing repricing in certain segments. You're seeing us focus on things like military, over-55s. You've seen us more recently with first responders. So it's a different shape of market, and I think that means that we're able to target our assets and our resources in a way that better meet customers' needs and allowing us to have a competitive edge.

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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Are there some thoughts about the fourth quarter that you want to share with us as (inaudible) to your progress?

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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes. So thank you for that. I think we built some nice momentum in the first couple of quarters and really have a model that says how we're growing our business. And we really focused in Q4 on just making sure that our messages were clear and simple to customers, and I'm delighted to say congratulations to my team. We had an outstanding fourth quarter. And now we're -- clearly, we're in the close period. Matt will tell the numbers at the end of January. But what I can do is share with you this morning just something on the physicals. So for market point of view, in Q4, we added 1.2 million postpaid net adds, and within that, some 650,000 phone net adds. And all at a churn level of just up 2 basis points seasonally at 0.82. So I think from a shape point of view, I think, Mike, I can suggest that's probably slightly higher than maybe you had in your numbers? I don't know about others in the room, but I think that's a strong, strong performance and also interesting in the context of we haven't seen any real change. We've said it before, not seeing much in our business of pre- to post migration; and in the context of the fact that the fourth quarter was the first time you have the 2 MSOs stood up and competing full on. It's fair to say that we lost less than our fair share to the MSOs. We have a great relationship with them. We are the carrier partner of choice for them. But also in our branded business, we lost less than our fair share to the MSOs. So in the round, from a trading performance, very pleased with how the team did in the fourth quarter.

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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

So there's 2 questions that I think of -- and thanks for sharing those details. The first one is at a sectoral level, the second of the Verizon level...

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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So was that a beat, Mike, by the way, from your numbers? Just to check. Just curious.

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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Well, so our forecast for the fourth quarter was 400,000.

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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

400,000. Okay. 650,000. So I think that's a beat.



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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

So let me ask about the industry. First question on the industry, what is driving the strength in postpaid phone adds in 2018? And you obviously just described what you did in the fourth quarter, but from an industry perspective, what is it that's caused this acceleration and how sustainable is that?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes. So at the very top, when I look at something like the 1.2 million postpays, engagement in the category is actually growing. And so what we're seeing is, we're seeing more lines per account. We're seeing more people taking connected devices, whether that be watches, whether that be more tablets and other things. So the overall engagement for the category. And I think the way we've liberated more engagement in the category is a combination of better plans that allow people to mix and match, but also the fact that Unlimited gives people that peace of mind to really dive in, in the category. So I think that's important. So I think there's an overall engagement in the category which is giving growth to the industry, and I think we're taking at least, if not more, than our fair share. But I also think that we're now at a point where I think we're seeing, whether it be in the older demographic or the younger demographic, we're seeing also a stretch in participation. And I think for the industry, overall, there is a pre- to post migration. And the way I might be seeing that is, most of my branded business -- I'm a premium prepaid provider in my branded business. So if I'm seeing pre- to post migration, I'm taking customers from somebody else.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And with Verizon specifically, so you talked about the customization or the mass customization of the promotions, but were there a couple of things in particular that really shone through for Verizon to deliver the results that you just did?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes. I think the increasing momentum of our Unlimited plans, and an important emphasis is plans, because we started with one plan. We said, "Okay, we introduce Unlimited." And that in itself was a big thing because people thought we'd never do it. You probably had Fran on this platform in the past. You probably said, over his dead body. So we made a change. We built the world's best network. I thought it was a really good idea to give people the access they deserve to the best network on the planet. From that then, we build out the category though. So we introduced it in prepaid. We introduced it in business. Then, we introduced the concept of mix-and-match. So what we're doing is we're building out the category in a way that's allowing more customers to get exactly what they need, and ultimately, that's allowing us to win more than our fair share. Our win share in the marketplace is very strong and it's stronger than it's been for some time. That's what's building our momentum. People see more choice on the best network. That's it. And we're reinforcing that. One of the reasons why, as we go later in the year with our Verizon 2.0 and the approach around the customers, that's allowing me to make sure that I'm building experiences and service for the customers. That means that Verizon is as famous for the experiences it delivers as the network it was delivered on. That's a real shift for us, and that's why you see in our branding its moments of consequence. People are really engaging with us and saying, "You know what? I see the value of being with Verizon."

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

So the question that we've been getting is, well, what about the sustainability into 2019? You've got AT&T building out FirstNet. You've got cable companies who talk about trying to take more share in the category. You've got the proposed Sprint/T-Mo merger, so there's questions of what happens with that if it does or doesn't go through. How do you react to the durability of what you're accomplishing?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So let me take that piece by piece. So if I look at one of the drivers internally, just to remind people, the majority of my customers are not on an Unlimited plan. So I still have loads to go for there. Within the plans, I'm seeing growth in activity within the plan. I'm also seeing growth in services

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above the plan, so more people taking family service or other things like that. So that's within our business like-for-like. Then within the context of the competitive, if I take the B2B, B2B is the largest growing part of our business. And we said that up to Q3. We're not quoting any Q4 numbers in segments, but it's the largest, fastest-growing part of our business. We have the wherewithal to compete with FirstNet today. FirstNet doesn't even have the wherewithal to compete with FirstNet today. That builds out many of the things. We have 400,000 square miles of coverage advantage over our nearest competitors. So if you're a first responder and you're looking for coverage wherever needed, I'm already delivering that. We have the capabilities within our network to give them the dedicated private network, to give them the interoperabilities, all of the tools that first responders needs. So specifically to first responders, I feel very confident about our ability to not just meet but continue to meet the reputation that we've built with those. In B2B more generally, we're also able to leverage the breadth and scale of our capability, the strength of our network. Just to remind everybody, it is the best-performing network in the United States, whether you ask the experts or whether you ask individual users. It wins, hands down, on both. There's an ad running at the moment, if you haven't seen it, just to remind you of that. Just in case anyone else tells you anything different. So B2B, absolutely strong. So I think inside the competitive landscape, you talked about the MSOs and the cable guys, I'll just go back, so the point is we are committed to being a best-in-class partner for the MSOs. It's a very important relationship to us. But we're also committed to lose less than our fair share of our branded business to the MSOs. I'm very happy for them to win business from others and for it to be served on the great Verizon network. So I think when you put it in shape, we have the drivers internally, and I think we're well positioned from a competitive response point of view. And whether it be particularly targeted actions, whether it be something like 55, military, other things, we've demonstrated our willingness to show up and support the customers who are loyal to us in those categories.

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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

If we migrate over to 5G, which you're advertising on your lapel. So talk to us about what's going on with your 5G strategy, if you can give us an update in terms of the commercial test markets and the experiences that you're seeing from customers.

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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes. So just a reminder for everybody, the way we've been building out 4G for a few years now, it's -- effectively, we have been building 4G in contemplation of 5G. The way we look at network strategy is we look at spectrum, we look at the densification and we look at the features. What that's allowed us to do is build out over the last few years in a way that allows us an easier and faster migration to 5G. The first part of that was we launched the initial commercial launch of our 5G residential. And again, an important reminder to people, we're building a 5G mobility network that allows us an incremental opportunity of covering residential. We've talked about an ambition of 30 million homes addressable market. But we're not building 2 networks, we're only building one mobility network. What we're seeing in the initial commercial launch, and again, the initial commercial launch is on 5G TF and then we will migrate to a full commercial launch on 5G NR during 2019, what we're seeing is 3 interesting things. The first thing is the performance of the product is higher than we anticipated. We advertised a 300-meg product, and most of our customers are actually seeing closer to 1 gig than 300 meg. Now again, to remind people, we're only using today 400 megahertz of the 1,000 megahertz of spectrum that we have in the millimeter wave. So we're only using 40% of the spectrum and we're seeing really, really strong performance. The second thing that we're seeing is we're learning very, very quickly. There are no propagation maps for 5G and propagation tools because there isn't any out there. So literally, as we build it and deploy it, we are building the tools and the mapping to understand how you build a 5G coverage map and propagation map and the tools to help us. So literally every week, our ability to identify the signal, signal strength and location for the nodes is improving. And so that's reducing our false positives. It's also reducing our deployment time. And the third thing that's really interesting is about half of the customers are new to Verizon. So my business model basically says, "I'll build a 5G mobility. And by the way, I have an additional opportunity to increase ARPA to sell them an additional product in the family." What I'm also seeing is this is an acquisition tool from our wireless business as well. If I were a betting man, I wouldn't have expected it to be 50-50. Now it's early days. It's 4 initial markets. But still, I think that's quite interesting. So in 2019, during -- in the not-too-distant future, you'll hear very specific announcements about the arrival of the first 5G smartphone. We've already told you that the first 5G-enabled smart device will be the Motorola Z3, with the ability to put moto mod on it. The first, we've announced already with Samsung, that the first fully 5G handset that will come will be with Samsung and Verizon. So the market really kicks off then. And then it's really about -- it's build and deploy. And the one thing I'm excited about is we have more insight from the fact that we have a real 5G network up and running than anybody else, and that will help us to be smarter in the deployment as we roll out across '19 and '20.



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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Are those half of customers that are new, are they still paying \$20 more a month?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So to be crystal clear, we've launched and it's in a promo period. It's free. But yes, they've signed up for \$70 rather than \$50. Some of those customers, by the end of that 3-month period, may well be wireless customers as well. So they may well qualify, Mike, for the \$50 deal.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And are there are insights, I know it's 4 commercial test markets, but are there insights into where you see the penetration getting to just based on the momentum that you've had in adding some subscribers?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

It began -- I think it's a danger to extrapolate, but I would say we're seeing, consistent with our experience in early Fios, we're seeing the same sort of qualifications coming through the pipe. So all of the indications are very similar to and consistent with what we saw on those early days of Fios.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

One of the questions with your 5G strategy is, of course, the use of millimeter wave spectrum and the ambitions to also put that in mobile and the perception that millimeter wave doesn't travel as far. Can you just give us a sense of how you view the ability to leverage millimeter wave for mobile coverage or capacity?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes. So probably the best way to describe that is -- a while back, we did a sell-side analyst presentation. We actually showed coverage maps, and we went to denser environments and we showed our actual maps of our coverage today. And what it shows is that we built out our 4G LTE network with a combination of coverage and capacity sites in dense, urban areas. Nobody has 1,000 megahertz of spectrum deployed anywhere so the capacity lift is enormous. That means that we need to have coverage. We don't need incremental capacity sites. So because we built a dense network already, essentially, we can deploy our 5G on there, and in many cases, in the densest urban areas, we'll end up with fewer nodes than we have today. And those nodes will then allow as we will densify a little bit more in the outer rings. So we see it as the 5G millimeter wave is core to a true 5G experience. It's what enables the massive increase in capacity. It's what enables the ultra-low latency elements. And what it also does is it lifts traffic off the 4G LTE network in a way that it actually liberates 4G LTE capacity, and ultimately, liberates more of that spectrum to be redeployed as 5G spectrum. So it's not just the capabilities of millimeter wave itself, it's the interplay that actually makes every other network asset we have more valuable.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And if you think about -- as you have more services on 5G in the future, how do you think about the importance of a bundle with mobile services? And you've got, of course, the Fios experience to leverage thoughts on bundling as well, but what do you see in the future in terms of what the customer wants to buy from who?





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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So good question. So I think the first thing that's probably embedded in that is -- in due course, I'm not responsible for the Fios business today, but from April 1, I will be responsible for all our consumer operations. I don't anticipate building a new business that looks like the old business. I'm not going to build another linear content model. So just to be clear on that. I think what we will see is the evolution of 5G will mean the idea of ubiquitous connectivity and bringing together what were 2 separate products to kind of a single product but with separate CPEs, billings, so that you have 2 elements within an overall connectivity package. So there is a wireline/wireless convergence element within the bundle. And then, I think what will be interesting is with the evolution of DTC, LTT, ASVOD, virtual MVPD, the whole evolution of that environment; plus the development of the new genres of the snacking content, the short format content, which is so natural to the mobility spaces, I think the whole content area will evolve. So rather than I'm going to lift and carry an existing model, I think there will be a new model that will evolve through a combination of what's happening in the content space itself and the way people are accessing connectivity. Lots of people won't have a traditional wireline relationship, in which case, they don't need to buy 600 channels that they don't watch.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And when you think about the 30-million household goal that you mentioned, how should investors think about the timing of how long it takes to get to 30 million homes past for a 5G fixed wireless service?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

I bet you, Comcast and Charter would love to know about it quarter-by-quarter, city-by-city. So look, I'm not going to go into details, surprisingly enough, but what I would say is, this will be an outcome from the way we deploy our 5G mobility network. We have incredible ambition for 5G to get out there, build the best, biggest, and to build it the fastest. We also have the opportunity within, that is, the way we will access homes as we do that is not just building the network, but its elements allowing the speedy experience that we want to offer and the product we want to offer. And I mentioned earlier, we're actually seeing speed performance is much higher, with only 400 megs, than maybe we anticipated. And we still have another 600 megs to deploy. We talk about the fact that the early, early chipsets are really mobility chipsets masquerading as CPE chipsets. So as we get the proper CPE and the chipsets for that, then the coverage capability of those will also improve. So we have a number of ways that -- while we accelerate the pace of our mobility rollout, we have a number of variables, the indoor or outdoor deployments of antennas, other things like that, which start to play into the opportunity of the size of the 30 million and how quickly we get there. And everything we're seeing so far makes me very excited.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Another development for Verizon in the fourth quarter was the announced results for the Voluntary Separation Program. So can you talk about the implications of that program? And does this put you now ahead of the pacing for the 4-year cumulative \$10 billion cost cut goal that the company has?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So again, let me just remind people. We said that a cumulative \$10 billion over 4 years. You can imagine that when Lowell said that originally, he had some ideas and some plans about how we might do it. What we're not going to do is tick off everyone and say, "That was in. That was out." You can assume that this is about executing to that plan. But also, I think you should take the VSP and just think about it in the context of, here is a business of that is in a transformation phase, where 5G will be an accelerant to our industry and to the opportunity we have for our customers. This is part of allowing us to show up how and where our customers would expect. It's allowing us to reposition our business so that our business operating model best meets the customer need. And we have a lot of great colleagues who've taken the opportunity and decided this is the time for them to leave and do other things, many of them who've been with us for a long time, but it also creates tremendous opportunity for our colleagues who are staying, the development opportunities for them, the opportunity to build new skills that support digitization, AI, machine





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learning, other things like that. So you should see this not as cost-driven. You should see this as a critical enabler to an ambitious company who wants to accelerate its plans on behalf of its customers.

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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And to do that, do you think Verizon Wireless needs more assets? Whether it's spectrum, fiber, other services or vertical applications, what are the things that Verizon might need to further accelerate this strategy?

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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Sure. I'll give you a two-part answer. The first part is above my pay grade, so if Hans and Matt were here -- inside a very, very structured and disciplined approach to the balance sheet. We will always evaluate the build versus buy. That's just good business sense. So that means, we never say never. But if you ask me, the other half of the question is, as the President of Wireless, do you have the assets you need to execute the ambitious plans and strategy you have? Absolutely, I do.

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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And I want to come back to one thing that you mentioned about Apple. You said it was 20% -- Apple Music is 20% of the sales?

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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So 20% of the new customers who are coming to us are signing up for the Apple Music offer.

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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

So Verizon held back on bundling in some kind of content. You had competitors doing Netflix, Hulu, HBO, a variety of different channel packages. What are you seeing from your early days of bundling? And is this something that we're going to see a lot more of in the future? Or is this a special circumstance in terms of the focus on Apple Music?

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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So look, I think if you use Apple Music as the proxy, the whole range of things that we're doing, we're building out tools for the family. We're building out tools for different categories. What we're really trying to focus on is saying one size doesn't fit all. So what you will see us do is majoring on the best-in-class network, supported by incredible customer service and experience. You will see us continue to evolve where we think there's ways of adding incremental value to the customer. But again, what I wouldn't say is that what we're trying to do is to simply replicate either a competitor model or a traditional video and content model. About 90% of the traffic on my network ultimately is driven by video. So video consumption is an important consideration. But the fact that it's 90% means much of the video, people already have access to. One of the areas I'm really interested in is working with our partners in Verizon Media Group, where they have these 4 [suites], where you've got entertainment. You've got sports. You've got news, and you've got finance. And Yahoo!'s Finance portal is as big as Bloomberg, give or take. It's a massive interest segment. If you're watching the playoffs of the football or college football or the game last night, you know what, you're probably a registered and logged-in Yahoo! subscriber. So one of the things we want to do is, as we look at how content evolves both in the context of our mobility business but also in 5G residential, is how do we take the assets in the business that is Verizon Media Group and the real interest groups in that, and how do we give even more value to Verizon customers from those? So I think that's a really interesting area for us to focus on.



JANUARY 08, 2019 / 4:00PM, VZ - Verizon Communications Inc at Citi Global TMT West Conference

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Have time for survey questions?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Sure.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Alright. So we're going to queue up our first survey question of the day. Everyone has remotes in front of them, hopefully, and look forward to your participation. If you like, we can get a remote, too, if you want to lay in on this.

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Somebody throw me a remote.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

[Can he have a remote?] Great. Okay. So the first question is, does Verizon need more spectrum for its existing mobile business? And this is one that we've asked before. Choose number 1, if it's yes; choose number 2, they have enough spectrum; or 3, no, they can build more macros and small cells. So let's go to the audience and see what they think.

(Voting)

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Okay. And for those via the webcast, I'll read off the percentages as they come through. So 55% says yes, they have -- I'm sorry, 55% says yes, they need more spectrum for its existing mobile business; 21%, no, they have enough; 24%, no, they can build more macro and small cells. If we forget maybe the 1- or 2-year question, but just over time, over a longer period of time, how do you view the need for more mobile spectrum in Verizon Wireless?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So the context is, we have about 53%, 54% of our existing spectrum holding that we use for 4G LTE. So virtually half of it, not yet deployed. We have the ability to be reform significantly at 850 or 1,900 as we take out CDMA and other things. We have an explosion of capacity in the areas where the demand is, created by the largest contiguous holding of millimeter spectrum on the planet. In that context, I'm very confident. But also, 2 and 3 also exist. I have the opportunity to build out more macros to densify, do all of those things. It's not an either/or. And I'm very, very comfortable with where we are. And I think people really underestimate the fact that the millimeter wave not only gives you something, it also increments the value of all of the other holdings that you have.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And does Unlimited, the move to that and the increase in data traffic and...



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**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

I'm actually more spectrally efficient today than I was 2 years ago because of the way the Unlimited is actually moving the profile of my usage. So actually, that's been helpful to my network management. So what has happened is the shoulders of the day, the busy hour isn't -- I'm not building capacity for 2 hours for it to be dormant for 22 hours. I'm not building in a way that, actually, I get monetization opportunity for 8, 12, 14, 16 hours of a 24-hour day. When I think about residential broadband, I think about it as a significantly different usage time than I think about in my mobility network. So actually, what I'm doing is, I'm actually yield-managing more effectively within the capacity I'm building. And I don't think that people are recognizing that in some of the math they do out there.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Let's go to the second question. So on 5G, do you believe 5G will be an effective competitor to fixed broadband services? One, yes; 2, no; 3, maybe, undecided. This also is a question that we've asked before.

(Voting)

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

So yes, 48%; no, 32%; maybe, undecided, 20%. When you think about 5G being a fixed competitor to broadband -- competitor to fixed broadband, is it just an urban -- dense urban opportunity? Or do you see, over time, from the initial tests, this actually evolving to suburbia, rural areas? As you look out, how far can this go?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Yes, a good question. So I think our focus is absolutely initially going to be in the urban environment, but think also campus. And for campus, really, it's educational establishment. It's retail establishment. Or think of it as a cluster of homes on the side of a small rural environment. The truth is, all of those lend themselves to 5G deployment. The other thing I would say is, if I just am looking to give people a slightly cheaper alternative to cable, I'm completely unambitious. I have the opportunity to transform the residential environment. Consumer IoT can take off in this world. It can be a fundamental transformation for what the opportunity is for connectivity in the home. Just on cabling, the cable guys is like just -- that's move 1.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And let's go to our final question. So does Verizon have the right investment priorities to drive future growth of revenue and earnings? So 1 is yes, continuing to focus on wireless network leadership and drive cost efficiencies; 2, no, even greater investment in network and spectrum; 3, no, should pursue vertical integration opportunities; 4, no, change the asset mix; or 5, for no other reasons. So just a few choices for people to...

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

There's 1 yes and 4 noes. That's not leading the witnesses, is it?

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Well, we'll see how people will vote in a second.

(Voting)



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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

So yes, 49%; greater investment in network and spectrum, 25%; pursue vertical, 15%; change asset mix, 9%; other reasons, 1%.

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Or another way of putting that is twice as many people believe that we have the right strategy than any other alternative.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And for those that may think you need greater investment or should think about vertical integration opportunities, as you studied and led the Verizon Wireless business and been at Verizon, what's your take on the future opportunities for Verizon?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Look, it's interesting -- and whether it's 1 or 1 and 2, whatever it is, the one thing I would say is within the context of a clear balance sheet and financial discipline, in many respects, I think the opportunity is to take the last question and this question is, if we can demonstrate by our engineering prowess and our ruthless focus on customer and experience that the opportunity is even bigger and better than some of you out there think, actually, it will be the people in this room who'll be coming to us and asking us to accelerate our investment. And the great news is we have the financial strength to respond positively to that. So my ambition is to create the conditions in which you're knocking at my door saying, "Could you not go faster? Could you not go harder? We're excited about the opportunity." And if that's the case, the great news is we have the balance sheet discipline to be able to do it.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

And we have just a couple of minutes for questions in the audience. If there is a question, you want to raise your hand, we have microphones roaming the room. One question that also comes up is, there is this proposed merger between Sprint and T-Mo. Whether it happens or it doesn't happen, is there a scenario that you think is better for Verizon?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Sure. I think the reality of M&A, as always the case is, if it happens, people get distracted; and if it doesn't happen, people get distracted. But one thing about Verizon is nobody is distracted. Clear strategy executed consistently. We don't want to be in a different seat.

**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Great. And then just a last question, are there -- as you look out into the future for the wireless business, what point of time do you think that we're no longer going to distinguish between wireline, cable, wireless? And this is just -- how many years will it take for just those investors, regulators look at the industry as a single broadband market?

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

So look, I would say, if those of you have the opportunity, come to Hans' keynote later today, is 5G is not an upgrade. 5G is a fundamental transformational capability. We are on the cusp of the fourth industrial revolution. We will look back in 10 years' time and realize everything has changed and changed utterly. How it plays out over that first 10 years is anyone's bet. I guarantee you, in 10 years' time, everyone will say we underestimated how big this was.



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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Thank you for joining us today.

**Ronan J. Dunne** - Verizon Communications Inc. - Executive VP & Group President of Verizon Wireless

Pleasure. Thank you for the invitation. Thank you.

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