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EDITED TRANSCRIPT

VZ - Verizon Communications Inc Analyst Meeting Webcast Including
Spectrum Overview Discussion

EVENT DATE/TIME: MAY 08, 2017 / 8:30PM GMT



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PRESENTATION

Michael Stefanski - *Verizon Communications Inc. - SVP of IR*

Good afternoon, and welcome to our Analyst Meeting this afternoon. I'm Mike Stefanski. I'm here with our Chairman and CEO, Lowell McAdam, and members of our executive leadership team, including John Stratton, Hans Vestberg. We have Tim Armstrong, Nicki Palmer, Ed Chan, Ronan Dunne, Marni Walden and Matt Ellis and other members of our executive leadership team. So thank you again.

This event is being webcast. We typically do a webcast after the completion of an auction. And we also typically do a sell-side event this time of year. So we combined them for efficiency reasons, and so we welcome those that are listening in on the web. The event will begin with about an



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hour of discussion by our senior leader team that is here tonight, and then we will go to Q&A. We're asking that we hold the questions to Q&A, so we can keep this at a very good pace through the first part of the presentation.

Also, there will be a transcript available of this call as well as the presentation slides also on our website in the next day or so, so we look forward to putting them out.

Before I turn it over to Lowell, I'd like to mention that our commentary tonight will contain forward-looking information and subject to risk and uncertainties, discussion and factors associated with future results is contained in our filings with the SEC and available on our website.

With that, I'm going to turn it over to Lowell.

Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

Good afternoon, everybody, and those of you on the web, welcome. Hopefully, this will work out. We've got a lot to cover tonight. So I want to set the table with a couple of points.

First, first quarter results were not typical for Verizon, and I want you to hear from me. We're usually very good at delivering growth and profitability and the first quarter did not live up to our expectations. The move to unlimited was a significant move for us. We're going to talk about that this evening. John and Ronan and the team will cover that.

We pay a lot of attention to our customers. We get a lot of feedback from our customers. And even though the loyalty numbers that we saw continued to be the best in the industry by a significant margin, the financial model of defending against unlimited offers in the market began to outweigh our expectations of moving into unlimited.

And what we've seen in the first several weeks indicated that was the right move for us. But we needed to make sure that we had a long-term strategy in place. You'll hear John say, unlimited is not the end state. It's just the next step. We also felt that we needed to get the network into the strong position. Nicki will talk about that. But network management techniques, densification of the network, those were all critical for us before we made that move, and we have those in place and are very satisfied with the outcome at this point.

The second table setting item is around mergers and acquisitions. Now, I will tell you there is -- in my view, there's an awful lot more hype in the marketplace than there is in the business community right now. There is a daily rumor about what we will or won't do. There's been various announcements even over the last 24 hours.

The article that caused so much interest, let me say, a couple of weeks ago, was fairly reported, but the order was different. My comment was we prefer to grow organically. And then the question was, "Well, if you got a phone call from somebody, would you talk to him?" Well, I like to consider myself a polite and hospitable person. It doesn't change anything that's gone on in the last 5 years. If somebody calls, you have a nice chat with them. But the bottom line is we don't feel the urgency that seems to be out there in the analyst community, the banking community and the media. So we are not going to talk about hypotheticals on mergers and acquisitions tonight. This is the last you will hear about that.

Likewise, a lot of interest in spectrum purchases. We're going to talk to you tonight about our spectrum portfolio, how we expect to deploy our spectrum portfolio. We will not have any discussion about anybody else's own spectrum this evening. So if you're looking for that, I'm sorry, I'll disappoint you a bit.

On Comcast and Charter, in their announcement today, I've spoken with both Tom Rutledge and Brian Roberts in the last 24 hours. And I specifically told Brian that my comment to you tonight was going to be, I don't see any difference in the relationship between Verizon and Comcast and Charter either before or after their announcement.



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They had the right to work together as an MVNO and frankly, we encourage them to work together because dealing with one customer is a lot better than dealing with multiple customers. And this has been true all the way back to our work around what we called [Joe,] 5 or 6 years ago, which led to the -- or resulted from our agreement to purchase spectrum from them.

So I don't see any difference on the MVNO perspective. You've all quoted us widely about that deal. If you're interested in their M&A aspirations, you have to talk to them. So we aren't going to talk anymore about that.

And then the last item is around the credit agency changes and the filing that we did last week. S&P decided that they wanted to put different ratios in place in order to evaluate the movement between various credit ratings. We have been running our business in what we consider to be the most optimal way. We're going to continue to do that.

To them, moving the goalpost doesn't change that. It may change the timing. Don't ask us what the new timing is. We are not going to talk about that. We're going to continue to run the business as we see fit. We'll take advantage of acquisitions if we deem that in the best interest of our shareholders. And so we're not going to have further conversations tonight about credit agency ratings.

Okay, so let's put that behind us and talk a little bit about where we want to go as a business. And I think it's worth having a little discussion about where we've been. If I look back all the way to 2000 and forward, it's very obvious to me that high-quality networks matter. We use that in our taglines today, Better Matters. We think that's going to continue.

As devices become more ubiquitous and the apps become more integrated into people's lives, we think that people will demand reliability and they will pay for it. We have always said all along that we can command a 20% to 25% premium. When we get outside that range, we see a slowdown. When we get back in, we see a pickup. And we believe that not only will that continue, but it'll accelerate as we move into the next decade as these applications and the devices become more ingrained not only in consumers, but in businesses as well.

The second thing is speed and capability significantly matter in the marketplace. When we were at 1.5 megabits of throughput, I remember clearly a meeting with Steve Jobs where we talked about the promise of LTE perhaps getting up to 15 megabits. His statement that I remember so well is, "You had me at 10. What do we need to do to deliver the iPhone?" And I think that we will see that kind of change in the marketplace as we move forwards.

If I look back at 2000, it took us about 12 minutes to download 30 songs. Today, it takes 6 seconds. If you look back, the usage per month on all the apps was about 5.5 hours per month. We now do over 1.5 hours a day on the phones.

So if I look at 2 years ago, there was one guy talking about 5G and he's sitting right over here, and that's Roger Gurnani. And when Roger first started talking about 5G, everybody, including a few of you in the room said, "You guys are nuts. This is a 2022 phenomenon." And I think we've seen, when we put our effort behind the technology and you see the promise of the technology, the entire industry begins to shift and now everybody's talking about it, some well-informed, some not so well informed frankly, but you'll get a little bit more of that tonight.

I think the debate on 5G and the throughputs is over with. There's a little discussion, is it a gigabit of throughput? Is it 10 gigabits of throughput? We'll figure that out. I think people are just beginning to figure out what the latency offers. And when you go out and talk to developers and you say you will be able to go out on the network, do a task and get back on the network within the time it takes you to blink an eye, a millisecond, people start to begin to really think that's sort of the Steve Jobs' moment when people start thinking about VR and AR and gaming and telematics and some of the health care applications that we may talk a little bit about tonight.

The thing that I think people still have not figured out is the battery life because we're talking about battery life in the 10-year range. And so when you look at connecting remote devices, the game has changed completely. And the example I use that really drives that home is you literally will consider embedding these chips into the paint on a highway or a parking lot so that you can not only see what -- how traffic is flowing, but predict traffic flows and parking management and things like that, let alone controlling the electrical grid in some of the other applications that we've talked about. So tonight, I think Hans and Ed and Nicki are going to go into that, all of the capabilities of 5G in a bit more detail.



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I think the next thing we've learned is that wireless and wireline are beginning to converge. We, including the telcos, looked at the promise that perhaps they'd converge over time. But we see, from a technology perspective, they are converging today.

The term we use is the largest fiber network in the country will probably be a wireless network, and we see the architecture for this changing dramatically as a result of 5G. We use the example when we built FiOS, it was a single-use network, new architectures will be multiuse, and we thought it was a big deal to take 6 fibers down the street. And you'll hear other companies talking about having 2 spare strands per 500 homes.

Well, in Boston, today, we're building 1,700 strand cables. And thanks to the partnership with Corning, we've been able to get up to that sort of a density within a single sheath. John and the team will talk a little bit more about that, but that's the reason why we have driven the \$1 billion commitment contract with Corning, the 12.5 million fiber miles a year for 3 years. That is an awful lot of fiber for the company that has already got the most fiber of any company within the United States.

This last week, if you didn't see it, we announced another deal with Prysmian for about \$300 million. So we see the opportunity to place fiber across the country as a significant asset for us that will leverage both our ability to compete on enterprise, small business, consumer and deliver the wireless products that we see moving forward.

Okay. So I think the last item I'd comment on is, from 2000 to now, is that Verizon has the history of driving these sorts of innovations, whether it was 3G to 4G or 4G to 5G and now, with this new change in fiber architecture, and you can certainly ask Hans these questions, I think that factored into his decision to join us because we have been and will continue to be on the cutting edge. And I think you're going to see others begin to follow us around the world.

So let me just talk a little bit about priorities before we bring up the team here to further the dialogue. So obviously, #1 priority for us is to lead in networks. I think I've already covered that. We do not plan to give that up and Nicki will point -- and well deserve that our lead in RootMetrics has never been larger, and we expect to keep that because it does matter.

Second priority is to retain and to grow that high-quality subscriber base that we have. John and his team is very focused on that. And I'll just reiterate that unlimited is not a one shot or an end state from our perspective. Now, we're not going to go into a whole lot of detail about that today, where you would all keep it secret, I'm sure, but we're not going to alert our competition to our game plan here.

Tonight, we are going to focus on Wireless, but I don't want to -- anybody to think that we don't see an equal amount of opportunity in the Wireline. We've just changed some pricing in the market around FiOS to take advantage of the symmetrical speeds. We like what we see so far. And John and the team will continue to innovate there.

The third priority is to move to a larger digital experience for our customers in distribution as well as user interfaces and user experience. Diego is not going to be up talking today -- tonight, just because of timing, but he's very focused on delivering that digital experience across the board for our customers that helps us reduce the cost, and it does help us meet customers where they want to be met.

And then #4 is to expand our presence in digital media and telematics. And let me say just a little bit more about that. We think the trend is clear. We've talked about wanting to have additional bandwidth. But a company that can take that bandwidth and deliver the Internet services, and that is becoming more and more video based, if you can deliver that content across the TV, a PC, any mobile device to a customer, wherever they want to have it delivered, we think that company is in a position to take significant share. You don't need to compete solely on the connectivity layer. You can compete in the overall experience.

Our history has been to put our toe in the water, learn about the business. We did that through AOL. We did that through Hughes Telematics, and we have been confident enough in that experience to expand the portfolio. So as we add Yahoo! to Tim's portfolio, as we add Fleetmatics and Telogis to Marni's portfolio with Andres, and Andres is in the room here somewhere, we are very bullish on those 2 opportunities. So right now, we are focused on how to use the Verizon assets to make those 2 companies stronger and vice versa, and we think that the company that can provide that as the industry becomes more and more over the top and more and more digital oriented, will have the opportunity to win.



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And then finally, our last priority is to deliver growth and profitability. And I think we've got a strong track record over the last 5 years of managing the growth in the stock, the growth in the dividend and investing in the business so that we can compete on a go-forward basis. Matt will get up and talk about how we expect to continue doing that as we enter '18 and beyond.

So with that, I think that's enough from me. Why don't we get started.

Hans Vestberg - Verizon Communications Inc. - EVP and President of Network & Technology

That will be me. Thank you. Thank you. Great to be here. And just to be clear, I'm counting days, not weeks in Verizon. And now I'm standing here in front of you and being super excited to work with Verizon. Fantastic company that has a fantastic trajectory. But not only that, the U.S. market is the most attractive, I would say, from innovation and technology revolution as I can see it then. That was important for me when I decided to join this group, that both are a great company, but also, their technology is happening in this market.

And we all know that, as Lowell alluded to, that we are in the beginning of the technology revolution and the technology revolution, of course, built on mobility, broadband and cloud services, will enable total new services for consumers, businesses and our society. And I usually say that from here on, we will only see acceleration in technology. It will only go faster.

And I think that's, of course, what we need to deal with. And it's very clear, if we look back in the history of Verizon and today, that the network is one of the absolutely most important and critical assets and that we have leveraged all the time and that we just need to continue to do in a world where there's going to be new demands and new requirements on the network. And what we're trying to achieve is, of course, to build a future network that is very much a flexible network, a multiuse network as well as an intelligent network, that you need to have when you see sort of demand like coming from all these in different areas. And we need to be able to deliver it to consumers to enterprises, small and medium businesses, wireline, wireless customers. That's the new world where you need to live in and how you need to deliver it.

And I think also, what we are trying to do is, of course, building that with fiber and then of course, wireline and wireless access at the edges. That's how we try to do that, with a lot of things happening in the network, of course. And I think one of the great opportunities we've gotten, and which Lowell has decided -- he has decided to bond all operations, all technology and all networks in one organization. And of course, that's one reason where we see an opportunity, others where the technology has developed and can work much more horizontally over different types of accesses.

And the work that the team, together with me, we'll do is, of course, to see that we get this multiuse network. We have many activities already ongoing but seeing that we horizontalized a lot of the products in order to get cheaper operations and getting a better cost per bit, at the same time, being able to deliver new types of services to Marni and to John's organizations. That's really we want to do. It's a lot of hard work and we will talk more about where we are. A little bit more focus on Wireless this time. But of course, the whole portfolio here in technology and operation will be in play when we continue to develop the future network.

So I will not speak more now. I will come back at the end. I will hand over to Ed, and he will start talking a little bit on the technology side.

Ed Chan - Verizon Communications Inc. - SVP - Network Infrastructure Planning

Thank you, Hans. Good to see you again. Want to just spend a couple of minutes on where we are from a spectrum perspective. This is a slide that we have used in 2015 post AWS-3 auction, and you can see that moving forward, we're as consistent as we have always been in the past about how we plan on using our spectrum.

So if you look at where we are foundationally, 98% of our traffic is now on LTE. And more than half of the VoLTE traffic is now -- half of the voice traffic is now on VoLTE. What that means is that the refarming portion of all the PCS existing spectrum that we have are perfectly on plan. So that's the #1 thing you need to understand is that our refarming plan is now in a perfect place where we needed to go.



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Now, if you also look a little bit further up, as we have said a couple of years ago, that there is a shift in the way that spectrum is going toward mid-band and also higher-band spectrum foundationally because that's where the best way to add capacity to where the demand is, and you'll see a little bit more even later on in the video on why that's the case and why that's so important to us.

But as we look at it, where we're heading is there's a set of unlicensed spectrum and we've been the driver on the unlicensed spectrum side on LTEU and we've been the leader on that. And also, with the 3.5 spectrum that's coming up as well, you see that we are also driving that aspect and they're all pretty deep spectrum bands that we see coming into use on 4G LTE.

Then on the AWS-3 front, as you know, we were very disciplined in the way in which we were investing where we need it and where we don't and also making the economic trade-off. So today, the discipline is still exactly the same. So where we needed to build versus buy, I would be -- I'm glad to report back that what we see in terms of the cost points, we are seeing actually better than what we have originally projected as the costs to densify has actually been coming down over the years as well. So Nicki is going to show a lot more proof points as she comes up and describe that.

But in addition to that, we also see that the next generation of spectrum is coming into place where millimeter wave is becoming even more important as we go into 5G. So what you're seeing from a spectrum portfolio perspective is that it's got more -- we have more than enough capacity to bring us into 4G through 2020 easily and connecting it up -- us up into 5G.

So I'm going to hand it over to Nicki to go over the actual proof points that some of you were so concerned about and why that's not to be concerned.

Nicola Palmer - Verizon Communications Inc. - SVP and Chief Network Officer for Verizon Wireless

That's a good setup. It's good to see you all again. So Ed talked a bit about spectrum and our layered spectrum holdings. I want to talk to you a little bit about what we do with that spectrum. And yes, it is a critical building block to the wireless networks. But it's how you deploy it, along with other technology advancements, that really makes it all work. And in order to make it work, I think it's first important to talk about why we do this, and this is for the customer experience. So all the spectrum in the world and the technology and small cells and density in the world doesn't matter, if you can't make it hum and actually perform for customers.

So to set that up, I want to just talk for a second about the methods to measure mobile networks because I know you all pay attention to this and there's a lot of noise out there in the marketplace. There's a lot of statistics, there's a lot of claims. And frankly, never a day goes by where somebody or some outfit isn't measuring our network and comparing it to others. And you know what, we welcome that, but here's how we look at it.

We think about measuring mobile networks, first and foremost, with what's called drive testing. You recognize the logos. But there are independent third parties out there that do stationery, mobile, indoor, outdoor testing of our network every single day and P3 is one of those, Nielsen, RootMetrics, et cetera. I'm going to go over some results in a minute.

But what these guys do is they normalize for the network. They take devices and they make sure they're using the same devices. They're making sure they're -- you don't have any rate plan effects, and they're testing in a completely independent fashion. That's why that data is important to us when you compare networks.

Of course, there's customer perception, J.D. Power, Consumer Reports, measuring something different using survey data and, of course, there's internal data. And frankly, that's where we rely most on our performance and how we're doing is we look at internal data. Because in the end of the day, it's our system that knows what devices are trying to attach to our network and what's the performance we are delivering. So we take that data very seriously. And, frankly, over the years, as the industry leader in network performance, we have had to measure against ourselves to continue to raise the bar. So we do pay very much attention to that data.

Lastly, Crowdsense. Crowdsense is a bit sexy at the moment, and I want to tell you a few things about Crowdsense data. No engineer worth her salt would look at comparative data, network to network, and say crowdsense is the way to do that. There's a few fallacies with Crowdsense data. First off, you have to have a connection in order to run a test. If you don't have a connection, it doesn't register as a 0.



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Second of all, as different plans are being introduced into the marketplace, different priority schemes, different speed tiers, different device capabilities, when you're running a crowdsourcing test, you may be testing the price plan that you're on as opposed to what the network could actually deliver for you.

So once again, there's a few other ways that the system can frankly be gamed. Interesting information. We do look at Crowdsourcing data and to be honest, we're doing very well in Crowdsourcing data, but it's not something that we recommend or frankly we use internally to measure comparative information by network.

So here's how we are doing. Take a look at 2 key elements of network performance. As I mentioned, perception data, J.D. Power. Low is good in this one, so the red line at the bottom is this in problems per 100. So this is survey data and the point I want to make here is the gap between us and our competition and the fact that we're into the first half of 2017, so unlimited data has been on our network since February, and we still have a gap between us and our competition. So this leadership in customer perception and survey on network quality and performance has maintained and frankly, has been in place solidly for 18 consecutive time periods.

And in the first part -- the first study this year, we swept all 6 regions. And it's not driven by 1 factor. So it's not driven by a better voice network, a better data network, messaging, et cetera. It's across all categories.

Okay. Let's move on to RootMetrics' data. You've heard a lot about RootMetrics' data. The graph I wanted to show you today is based on first half of 2017. I think it's about 80 -- yes, 80 markets that have been tested so far this year. They test 125 markets, 2x a year, so I can show you leadership, extensive leadership from any period before, but the question often has been all right, you have unlimited, the data is growing so how's the performance? Here's how the performance is racking up so far this year. 86% of those 80 markets we have won outright or tied, and we have 7 consecutive period wins in the national score, and that's overall root awards. So very, very solid performance here. And again, we swept all categories, so it's not leadership in 1 particular area. It is across, and once again, first half unlimited in the marketplace, you're still seeing this leadership.

So honestly, we don't do this to boast, but there questions out there. And, frankly, offering the plans that we offer really comes down to what experience we want to offer to the customers and this is ways that we measure that experience and ensure that we maintain our leadership as Lowell and as Hans have said, it's extremely important to us.

So I want to just talk a little bit about densification, and I'm going to show you a video that will probably do it better than I can explain it to you. As we said, we have a layered spectrum portfolio. We've used just about 50% of our spectrum today for LTE handling, 98% of the data. So we have good spectrum resources that we will continue to deploy, as Ed indicated, according to our long-standing plan for our network.

But what we are building now is really industry leading. And it's a combination of the network changing, all the way from the top of the tower with antenna technology back into the core of the network with SDN and NFE built on our internal telco-grade cloud that supports both Wireline and Wireless.

So as you can see, 4x4 MIMO, 256-QAM, remote electrical tilt antennas, I mean, all of this technology is being deployed at the top of the towers and in our small cells, and that is giving us lift on the current embedded base network.

But let's take it now back into dense urban environments, one like we're in right now. We are deploying extensive small cells. We believe the industry-leading deployment of small cells in the U.S., and it's not just happening in 1 city or the 4 or 5 biggest cities, it's happening in all of our major metropolitan areas across the United States. And we're doing that by -- in a variety of means. It's not really a one-size-fits-all, it requires close partnership with the municipalities and the cities in which we work, but it's aided by our dense and deep fiber deployments, something that Lowell has talked about, and that fiber deployment is feeding these cells, whether it's a distributed antenna system of one sort or another or a small cell with a capital S as we say, but those small cells are now connected via fiber back into our centralized RAN or CRAN environment.

And that CRAN environment is where we pull the base bands back and that's the brains of the network. So all the new LTE advanced features that are still to come and are being deployed on our network today are better because we have the brains all in one place. And now a network can act as one in a metropolitan area as opposed to a single cell site that has to talk to another cell site a mile or 2 away.

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So we have this highly sophisticated, intelligent network where we're -- it's really in a mode now where it's self-optimizing through software layers that sit on top of the network and tilting itself and changing itself by having these antennas move without deploying a tower crew to actually move them. So this is the type of network that we're not just designing, we are deploying and have deployed. And by the way, all of that network is foundational, not just for today's technologies, but for 5G as well. So when we talk more about 5G, you'll hear about the density and the spectrum, but know that the fiber that we're laying and these CRAN hubs and all of this infrastructure is supporting that as well.

So to best describe that, I think I'm going to roll the video that will tell you now about some of the major cities and the networks that we have deployed there.

(Densification video)

Ed Chan - Verizon Communications Inc. - SVP - Network Infrastructure Planning

Thanks, Adam. I'll clap a little for you, but -- so anyways, again, so it's about spectrum densification but also, very importantly, the technology that goes along with it. I'm going to give you a quick update on where we are from a 5G perspective.

So some of -- probably a lot of you have been here, listening to me talk about 5G at the tail end of last year. This year, we are all about doing, not talking. So I know there's a lot of talking out there. So for us, it's about doing it and making it happen and with fixed wireless being the first use case that we're going to drive at. But we're going to be deploying about a few hundred essentially RF nodes, radio nodes covering 1,000 or so locations. Whether they are small, medium, family homes or multi-dwelling units or in cases in even small, medium businesses as well. So we think 5G, from a fixed wireless standpoint is going to drive those kinds of topology differences so we can actually serve customers differently in those cases.

So we're going to leverage our assets from XO from a spectrum standpoint, also from a fiber standpoint, but we're also going to drive many different kind of mixture of different types of suppliers that we have so that we can get the learning. And one of the things that's important about learning and when it comes to RF engineering is kind of what Nicki talked about earlier. It makes a big difference when your engineering teams knows what they're doing. And when you look at this map and we've spread this out across the U.S. so that different parts of our country will get a learning early on about how to run a millimeter wave network, and it's not just going to be sitting there, waiting and talking about standards and otherwise.

So what you're going to see in this case, I think last year, I talked about this a little bit. The reason I brought this chart up is that the distance does matter. So on the upper right of the chart here is where our Bernardsville CO is. So our Central Office, they actually have a 5G node. If you looked at their previous slide, there's actually 11 cities plus Bernardsville. So in that case, up on the upper right-hand side is where it is and down the lower left is actually a residential but in that case, actually, it's a mix. But in that one, it's actually a shopping center where we actually did our testing on. And you see that even at a 1,500 feet distance, we're getting a good 1.8 gigabits per second speed. And if you connect this to the densification we just talked about, you can see why a millimeter wave will work and in so many places where we have a density. So I'm going to roll a video real quick about the work that we've been doing there and then I'll come back and then finish up on 5G.

(5G video)

Ed Chan - Verizon Communications Inc. - SVP - Network Infrastructure Planning

Okay. All right, so last year, we talked about the ecosystem that was driven from the 5G technology forum that we started and the availability of where this infrastructure chipset providers that are supporting the technology and bringing it to market. So it's all about doing this year from what we have to do in getting fixed wireless access tested and figure out exactly how to scale and how to engineer in millimeter wave networks.

But one of the things that I wanted to make sure again you understand, as I said it last year, we were taking an agile approach where essentially, the minimum viable product for us is a fixed wireless access product. It is not the only product, it is meant to be the starting point of what we're going to do before we go to mobility.



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So this year, one of the other aspects that we're going to drive from a specification standpoint is to bring mobility and test mobility in those markets that we have deployments on. So we are going to take a next step again this year, to make sure that we're ahead of everybody else in this race. And again, from a new use case perspective, Lowell talked about this as well, but we believe that there's a lot more use cases that can come.

And we're going to end it, and I already talked about the asset here, but I'm going to end it in this quick way. So if you think about the way that 5G is going to bring new latency, new ways of cutting the network and massive scales on 5G with the bandwidth that we have, you're going to be able to essentially connect up your device wherever that may be, in augmented reality glasses or otherwise, as if the cloud is in your back pocket. So you no longer need to wear a backpack to recalculate whatever you need to do from an AR/VR perspective, but be able to do that and leveraging that in the -- actually the edge of the network in computing that cloud with that capability in your back pocket instead of doing it some 3,000 miles away.

So we think 5G is not just going to enable but it's going to actually change the future of the digital landscape moving forward. So I hand it back over to Hans to close this up.

Hans Vestberg - Verizon Communications Inc. - EVP and President of Network & Technology

Thank you, Ed. Now you're just finishing this up with the technology imperatives and that is important for us and, of course, the network evolution is important to be the leader in the new technology, as well being on LTE and your [inaudible] too, as well being on 5G. We will continue to drive that leadership in the market.

When it comes to technology leadership, it's important for us to work in the external ecosystem, the 5G Technology Forum as an example, 3GPP, etc., all of that is -- we think is a very important technology imperative for us.

The demand for intelligence, I think that when coming to big data and machine learning, Nicki was into it a little bit, that's going to be a very important technology imperative for us in order to have self-organizing networks, seeing that we take care of the data in order to have the best network all the time.

And lastly, the service excellence and we have mobile first and, of course, serving our customers with the best experience. Historical, of course, throughput and the speed has been the currencies that we offer to the commercial side. I see now in the future, we're definitely going to also have currencies like latency. We're going to have security, flexibility, reliability as currencies that we can then offer our commercial side to do business on, and that's what we are dealing in the next-generation networks.

By that, I hand over to John?

John Stratton - Verizon Communications Inc. - EVP and President of Customer & Product Operations

Thanks, Hans, I appreciate it. Okay, so I wanted to take a few minutes here this afternoon to maybe fill in a bit more color commentary on the Wireless results from the first quarter and build upon what you heard Matt Ellis describe on the earnings call a few weeks ago. Ronan Dunne is also here with me, so as we move into Q&A questions about the wireless networks and the Wireless business broadly, we'll be happy to double team the more difficult questions. Obviously, I'm going to tee over to Ronan.

So just to start and a bit more color here on customer and revenue momentum, this describes here pre- and post-unlimited, so not bound to the quarter, but just generally gives you a sense for the momentum that we continue to see. And starting on the left side of the chart, from a new customer acquisition perspective, we have seen pre and post, a meaningful lift in terms of that data point. And I would show you here, particularly the red and black color tones here. The red represents single-line; the black, multi-line. So growth on both sides of that. Single line for us is an area of focus and I'll talk more about that in a few slides, but just a point to remember as we get into that a little later on.



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Additionally, as the significant majority of our new customers are choosing unlimited, we've also seen average account access rates for newly acquired customers coming in at a meaningfully higher level than what we have seen previous to the launch of unlimited.

And then finally on this chart on the right side, what we do see is both our new and existing customers are adding lines at an accelerating rate and this, in combination with a pretty meaningful improvement in our churn rate, is yielding a nice lift in net adds as well. So this momentum has continued.

But I want to also then tie this to our expectations for service revenue. And Matt described this a bit on the earnings call as well as he talked about service revenue and the cycles there. I thought it might be helpful to break this down a bit and to take a look at the 3 most critical components in service revenue. None of this is news to you. But if we think about account access, line access and overage revenues as being sort of the principal 3 streams beneath the service revenue data point.

This chart is designed to depict the interplay amongst those 3 different elements and how we see them trending on a year-over-year basis. So if I start with the red line here which is line access, obviously, as you recall, back in 2015, when we made the move to device payment or installment plans, this was the line that, of course, was affected as we took the line access down for consumers from \$40 per line per month down to \$20. Clearly, you feel that impact right there and that was indeed the case. And back at that time, what we described was that as we got to achieve 50% penetration and greater of nonsubsidized plans in our base, we'd begin to see the effect of this start to moderate and we would see then sequentially, an improvement on a year-over-year basis in the line access stat. And that's exactly of course, what we've seen. We saw that beginning in the second quarter of 2016 and then each of the ensuing quarters from that point forward, we've seen a gradual improvement in this trend. And we do expect that to continue both through the end of '17 and, of course, into '18. So line access, one element.

The other is overage revenue which is described as sort of olive green color here. And the overage revenue, of course, is where a lot of focus has gone to now with our move to unlimited. But of course, if you look back to last summer, and I think Matt also mentioned this on the earnings call, we had a new service plan that we introduced in August of last year, the new Verizon plan which included both the carryover data as well as something we called safety mode. And that plan when we introduced this, up until that point, was the fastest level of migration that we've seen from a new offering in terms of embedded base adoption. And of course, customers were really motivated by the opportunity to more efficiently manage their spend, right? So as is always the case with new plans that are introduced, first-movers, typically those who have the most to gain financially, we saw that both in August of last year and, of course, we're seeing that again here with unlimited. Now, that doesn't go on forever. Obviously, you work your way through that and we believe that between the first 6 weeks in the first quarter and here in the second quarter, we'll see a significant if not, substantial amount of that movement occur, and then we'll begin to work our way out of that as we move through the rest of the year.

The last point here is this blue line which is account access. And if you recall what was on the last page, the last slide, this is an area where traditionally, historically, this will track with the base. And so as you gain share, as you increase the size of your base, your account access of course, grows. What we see with the movement of customers to these new unlimited plans at a higher average access cost, an opportunity here to create some positive buoyancy here to offset those other 2 lines. So sort of in summary, our expectation here, second quarter, we'll be still working our way through. This will be another quarter of pressure in terms of service revenue on a year-over-year basis, but then that moderates pretty meaningfully as we go through third and fourth quarter of '17 and, of course, into '18.

Maybe just one more on service revenue and just this a little bit tactical, but to describe sources of value here, the top left describes average connections per account. And we've reported on this for quite some time, this is an area we continue to lead the wireless industry here in the U.S. And obviously, it starts with fundamentals, just additional penetration of smartphone devices, ultimately, tablet, computers, sort of MiFi devices, what we call Jetpacks. More recently into other connected devices, things like smart watches and some proprietary products. Our consumer telematics product which we call hum has been a nice introduction into our device lineup and is scaling nicely here. So all of these different hardware opportunities to increase and deepen our relationship with the customer obviously, are pretty meaningful in terms of service revenue generation as well.



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And we see another dimension to this coming now with Marni and Tim's efforts around the Yahoo!-AOL integration and services that we can now provide uniquely to consumers that are going to be of very high-value which also provide the opportunity for additional value creation. So focusing on deepening those relationships, the consumer, obviously pretty critical.

The other on the bottom left here, we don't talk about as much but if we look at Verizon historically which has sort of certain level of market share broadly, obviously, we have historically over-indexed in certain very important consumer and business segments. In business, we dramatically over-index our general market share and in certain consumer markets, principally family, of course, we do very, very well. But there are other markets where historically we've been less focused, less deliberate in terms of driving additional penetration and yet, these are some segments which show a great propensity to grow here in the next several years. So the last couple of quarters, we've begun to shift and move additional investment and resources into driving additional penetration in those markets and this is an area again where we see opportunity for service revenue accretion.

Okay, so obviously, service revenue, top line revenues, very, very critically at this juncture for our business. It doesn't, in any way, take us off the continued mission to improve the efficiency with which we deliver the business, driving unnecessary costs out. Now, this is not new, we started talking about this many, many years ago. You know in 2012, we created inside the business, a discipline around Lean Six Sigma with a focus on how we better engineer costs to deliver services to our customers, and that continues. There's no lack of opportunity here and we see in these 4 principal areas of cost, opportunity for further streamlining.

So look, from a care and distribution perspective, a couple of factors in play. One is just simply streamlining the offer, simplifying the product, making less necessary for customers to have to engage in a managed way after the sale. But also, the increasing importance of digital for delivery, both in commerce at the front end in terms of the point-of-sale and then also at the point of service. And we've seen an enormous lift in the digital interaction, the digital engagement of our customers and specifically in the mobile context. The mobile apps that we've developed for our customers is now used by over 40% of our customers every single month and we see an opportunity for that to increase as we go forward. We talked about network virtualization, automation, streamlining, again, opportunities to reduce the cost per bit there that Hans and his team are certainly focused on. And then lastly, just process discipline, ways we can shake cost out of the business as we go.

Okay, maybe just 2 more slides here, but I wanted to provide a broader context for our investments in fiber. You've heard Lowell and Matt talk about meaningful investments here, most recently, the deal with Corning and then the deal we announced this morning as well. But I wanted to provide a little bit of the investment logic here behind the overall deal and there's really 2 enablers to this initiative.

The first is the convergence of technologies that you heard Hans and his team describe as we get to a shared and common architecture and the technology enablers to allow for use across multiple lines of business. But the other that is less obvious is, of course, the ownership stake that we've acquired of Verizon Wireless. When we were in a joint venture, look, Vodafone was a terrific partner. We're certainly pretty successful in building a business together, but as an owner of a free-standing business, the risk that they may have seen to value leakage through shared combined investment of this sort was a point of constraint in terms of how far we could take this.

So the combination of the full ownership of the asset with the technology advances we have, opens, for us, what is a very new opportunity. And if I can describe for a moment how those value pools are seen inside the company, the build itself will be centered around small cell densification. So over the course of the next several years, you're going to see tens of thousands of small cells added to the Verizon Wireless topology. And concurrent with that build and in those geographies, we also recognize that there's a significant opportunity for us to offset a very significant cost to the business in our enterprise group. And that is with multinational clients who have points of presence across the U.S., this is a many, many billions of dollars line item and cost for my company in our current state. And the opportunity for us to offset that cost through deployment of our owned and operated fiber networks is a meaningful opportunity.

One level above that, as Lowell referenced, is the small and medium business markets. Now, this fiber will be deployed in cities across the U.S. in areas, of course, that have dense populations, that's where the densification of the cellular networks will occur. There's also not coincidentally, a high concentration of small and medium businesses in those markets. And so earlier this year, with this opportunity in mind, we've established a stand-alone business unit that will pursue -- within the Wireline segment, that will pursue this particular market very aggressively.



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And then lastly, on the top of the stack here, the combination of these deep fiber investments, fourth-generation and ultimately, fifth-generation of wireless networks is also an enabler for our Smart City strategy. And we've put a lot of focus and investment into this space as well. So from a combination of smart transportation management, smart energy management, public safety, the ability for us to put hand in glove approach to these cities in order to advance the quality of life in those cities is very complementary to what we plan to do with the core networks.

Okay, my last slide now is just the long-term view, how do we create value around 5G. And as Ed said before, in 2015 and 2016, a lot of the focus there was to prove the technology. What was possible in terms of throughputs, in terms of latency, what was the expectation in terms of outcomes from the tech itself, and that work has to continue. Now the focus is on understanding in different environmental conditions in what way is the functionality of this technology going to be augmented. So that work will continue but it's joined by our efforts to also prove out the operational and financial viability of these investments. And so for us, it's not a question of can the fixed wireless use case work. We know that it can. The question is how big an opportunity will that be? What is the cost per node? What is the yield per node? And ultimately, what is the cost per connected premise? So all of those factors are what are being worked now which will, for us, by the end of this year, define the size of the market opportunity.

Regardless of how we play here though, I think the most important point was one that Ed made earlier, which is you don't learn this from slideware, you don't learn this from spreadsheets, you don't even learn this in a lab, you learn this on the street. And our teams have done this now between third-generation, first 3G network deployed across the U.S., the first LTE network deployed across the United States, and our expectation is absolutely the first 5G network deployed across the United States. And in each and every one of those network generations, we were able to produce for customers the quality, the depth, the speed to market that provided great value but also great increases in terms of market share and value creation for our shareholders. So it is our expectation here that we'll see exactly the same outcome here but, obviously, need to do the work in order to get there.

So I'm going to stop here and turn over to Marni.

Marni Walden - Verizon Communications Inc. - EVP and President of Media & Telematics

Great. Thanks, John. I think we have a quick video. Because the network team had 2 videos, John and I combined to do 1. But we'll show you what John has talked about and then it'll bridge into where we're headed.

So if we could roll that video, please.

(IoT video)

Marni Walden - Verizon Communications Inc. - EVP and President of Media & Telematics

Okay, so where I want to focus is on the new ecosystems, particularly the 2 businesses that we're building. First with Tim with Oath and we'll be happy to take questions on that. And then also, Andres Irlando. So Andres, if you can just wave your hand back there, he is the CEO of our telematics business, so we want to talk about those 2 areas.

So I'm going to start with telematics. And this is really the 3-tier strategy that you've heard us talk about, so starting with connectivity, then platforms and then solutions. And we've been in the connectivity and platforms space for quite some time, but we're very much focused on the top part of this chart because this is where you see the majority of the value being created. Doesn't mean we don't want to do the connectivity or the platforms. We do those as well. But getting to that top layer is really important.

And so I'm going to focus in on Andres' business. There's really 3 business lines inside of this unit. So the first is the work that we've done with the OEMs. So this is the relationship we have with Mercedes, GM, Ford, others. And we do varying degrees of work for them. Sometimes, we just do the connectivity piece, but we also do connectivity platforms and solutions for some of them as well. And this is also a global solution. So it's just not here in the U.S. We do business in China, in Europe, Japan. So very much thinking about this and growing it globally.



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The second part of the business is really our direct-to-consumer business. And John referenced it. You saw it in the video. This is the Hum product where we have the capability of making cars smarter and connecting those cars. We're using the distribution that Verizon has to be able to really scale, and we're on a very good track to scale that product.

But then the third business line is the one you've seen us make acquisitions around. And this is the fleet space. So how do you think about the fleet space as really owning everything that happens inside of that vehicle? It's owning what the worker does, it's owning the car and it's owning the work. And typically, the way we've gotten into this space is starting with security. So we get in with making drivers safer, taking care of insurance premiums. But then we move into productivity and efficiency kinds of solutions as well. The 2 acquisitions that we've done, Telogis and Fleetmatics, make us the #1 market share leader in this space, which is very fragmented. The addressable market, when you look at it globally, and again, both global solutions, is just under \$100 billion. So it's a big market and one that we're aggressively going after.

We've also been expanding how we think about what the vehicle is. So while today, that's a car or a truck, there's also the opportunities to expand in things like drones. Same sort of horizontal use cases that you can manage but thinking about the vehicle in a different way.

And then you did see in the video an extension of products that comes in with fleet, and that's really asset tracking. So you think about the assets being tracked for pharmaceuticals, for food safety, that's an extension of the product line. So a business that we're investing in, and if you think about that top tier, this is really a software business, so less capital intensity and the ability to scale globally.

Okay, this is really a picture of all of the Verizon assets. And I've shown you this picture, I think, in a couple of different ways. But if you start at the bottom, this is the connectivity assets that you've heard so much about and where we're headed. Then you go to content. And we have partnerships. We own some content. We've done some joint ventures with content. But we no longer think about content as just a cost against our FiOS business. When we go talk to the content providers, we're talking to them now about a very large audience that we can get after in multiple different ways with our platform.

So you recently saw an announcement with the NFL for us to do a broadcast of the London game. And the conversation with the NFL was not just about our FiOS business or our mobile business. It was about being able to reach what will be over 1 billion consumers, if you think about the asset of Yahoo! coming on board, and getting after multiple different audiences. And that's the conversation that they want to have, and it's obviously the one that we can deliver. It also gives us the opportunity to monetize in a much different way because typically, it had only been on the access layer. But now we can move up to not only access but we can monetize on subscription and we can also monetize through advertising.

So this is how we think about creating vertically integrated experiences for the many different consumers we touch, and then bringing Yahoo! on board gives us that massive scale that we didn't have before.

I'm going to have Tim come up and talk deeper about bringing AOL and Yahoo! together, and then we're going to Jared come up, who is our CEO of HuffPost, to talk about the new super channel.

Tim Armstrong - AOL Inc. - CEO

Great. Thanks, Marni. So just for super simply is I'm going to describe what we're doing in AOL and Yahoo! in just a couple of sentences.

First is we're doing 3 things in the business. We're building brands people love. So we're building consumer brands for the digital age. So as consumers move from linear to digital, we want to be one of the places that they come and visit every day. The second thing is we're building platforms that companies love. So we are building services from video services, ad services and publisher services that power tens of thousands of other publishers. And the third thing we're doing is building a company that talent loves.

And when you come inside our organization, we're essentially doing those 3 things over and over and over every day. The combination with Yahoo! is going to create a very, very powerful asset for the future. The 2 businesses combined will basically reach about 1.3 billion consumers. Revenue-wise, we'll be a Fortune 350 company, roughly the same size as Netflix and Salesforce.com, and hopefully, more profitable.



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And the third thing is that from a customer perspective and the competitive landscape, you essentially have 3 major choices to work with different partners: Facebook, Google or Amazon or us. And there's a lot of discussion about the investments that Verizon has made in this business, but I can tell you, coming from AOL into Verizon and now Verizon with Yahoo!, that we are one of the most attractive partners in the space. You can go every place from the NFL all the way through Procter & Gamble, and we are in C-suites of every single organization in the world right now. The connection with Verizon is really built around what I call CDD, which is content, distribution and data, and all 3 of those things is Verizon's one of the best positioned companies in the world to deliver those.

So I just -- on building brands people love, we're going to have a massive set of owned and operated properties that are global that consumers use every day. We're going to have what will eventually be millions of customers. And we'll have -- we're starting off with roughly 14,000 employees. About half of them are engineers, so 7,000 engineers. And from a centers of excellence perspective, we're organizing the company to have Silicon Valley be the head of product and engineering, New York kind of be the head of media and then major offices in London, Tokyo and about 20 other countries around the world overall. So super exciting.

And then I would just say from a strategy perspective, there's 3 kind of main goals we're going after of how we judge a business. The first is creators. We'd like to have 10 million-plus creators on the platform overall. The second is consumers. I told you we'll be about 1.3 billion but we'd like to hit 2 billion by 2020. And the third is revenue. We'd love to get to \$10 billion to \$20 billion in revenue by 2020 also.

So everything I just described in 10 or 15 sentences is the exacting strategy and exactly what we're doing as a business overall. There's a layer component to it, but what you will feel from us publicly in the next 6 to 8 weeks is you will start to see marketing from us out in the world that basically takes what we call super channel strategy. So you'll see news, sports, finance, entertainment, lifestyle and tech overall. And we are going to basically compete. The same way you have the cable distribution system, we will have an analogous Internet distribution system overall. We also partner with every other major provider: Amazon, Apple, Google, Facebook, Snapchat. We have an omnichannel business model that works basically not just with our properties and our partners but in the larger ecosystem also.

So we've had a great Q1. We had big growth and profitability growth as a business overall and some exciting things. We're able to, for 1 month, get the AOL subscriber business to grow, which you guys aren't probably excited about but I am. We've spent a lot of time on that overall. So very simple strategy, very powerful talent base and very focused executions and operations.

And I want to introduce Jared properly. Jared is the CEO of Huffington Post. I worked with him at Google for 10 years. He was at AOL, went to Spotify and was the GC and global head of business at Spotify, came back to AOL and is not just the CEO of Huffington Post but also has been running all of our iBrands, which includes things like TechCrunch and Engadget and Moviefone and all of our big brands. So if anyone in the company's been intimately involved in running the content strategy, it's Jared. And then recently, we also just launched an AR/VR studio called RYOT studios, which has been nominated for 2 Oscars the last 2 years, and Jared's overseeing that as well.

So Jared, come on up.

Jared Grusd - *TheHuffingtonPost.com, Inc.* - CEO

Thanks, Tim. One thing I've learned to do is practice my oratory skills always following Tim and Marni. So I'm going to be brief but specific. I'm really excited to present to you. I'm going to talk about news and the new super channel. And you may be thinking, why news? News is the nucleus of any media organization. If you think about the billion plus consumers who we will be reaching on a daily basis, the thing driving those consumers almost as an essential utility of their media consumption is news. News is the thing that forms daily habits, so it really serves as the anchor tenant of how we think about introducing consumers into the flywheel of the media organization that we're building and all of the distribution that we've heard talk about it.

When you look at AOL specifically and Yahoo! across their metrics, you will see that news actually follows that same pattern. But when you even broaden your purview to 2 different related industries, consumer technology platforms such as Facebook and Snapchat and other media companies, you'll realize that news is actually driving the behavior, both on the consumer tech companies and on the media companies. It's one reason why we are very excited about continuing to invest in news as a category because it really serves as the anchor tenant to the flywheel.



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So what does it mean to invest in news? What does it mean to actually really think about winning in news? There's really 2 components to the playbook. The first is winning as a platform. And this is to provide an ecosystem where we attract large-scale audiences, we bring in world-class exclusive first-party and third-party content and bring monetization around it. It's the playbook of AOL. It's the playbook of Yahoo!. We're fusing those 2 things together in what Tim described as the new super channel and really sort of compete at the platform layer.

But what's also really compelling about news is we're sitting on the terrific opportunity to become the most relevant, leading content provider of news in the world. And here, we've got terrific assets under the Oath portfolio.

HuffPost is the leading digital news provider in the world. We reach approximately 200 million unique visitors on a monthly basis. When you look at publishers on Facebook, across all media types, HuffPost has been ranked in 2016 and again in March of this year 2017 as the #1 publisher on Facebook. What that means is when you look at likes, shares and comments, behaviors on the Facebook feed that approximate engagement, our content is shown to be the most engaged content on those platforms. The reason why that's relevant is because it shows we know how to perform content in highly efficient manners.

And realizing we've had the benefit of the scale and becoming the leading provider of news over the past 10 years, what we've done over the past month is really focus on our brand, our products and our positioning. So we've rebranded the company from the Huffington Post to HuffPost in an effort to widen our audience appeal from our original segments of the population to broader segments of the population.

We've relaunched our product experiences. We've hired a new management team with a new editorial vision and video strategy. And this is not just so we can tap into the 1.3 billion consumers who'll be part of our ecosystem, but, as Tim mentioned, we have partnerships with all of the larger social platforms in the world. So we can reach those audiences as well. And that's why we're excited about news as a super channel and also winning with the world's leading news brand.

Marni Walden - Verizon Communications Inc. - EVP and President of Media & Telematics

Thank you very much. Good. Yes, I don't think I have another slide there. Before I turn it over to Mike, so just a couple of things on what we have to accomplish for the balance of this year. So we talked about our telematics business, where we are, the investments we made. We've got to quickly integrate those platforms so that we can scale rapidly. And again, connectivity platforms, but most importantly, winning in solutions where you see 80% of the value.

And then as we turn to the business that Tim's running for us, really important to bring those 2 companies together. Lots of work going on with culture. But you can see in that flywheel, what's most important is we have really great content experiences that drives the audience. And again, the scale we're moving from is a couple of hundred million to over 1 billion, which makes it really important. That provides the supply for the advertising and then monetizing it through advertising. So very focused on integrating quickly and getting to all of both the top line and bottom line synergies and moving to scale these businesses to be multibillion-dollar units.

So Mike, I'll turn it to you.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

Marni, thank you, and thanks to all of our leadership team for presenting. We're now going to open up to Q&A in the room. We ask that you wait for a mic to come to you for the benefit of the folks on the webcast. We also ask if you can state your name just for the benefit of those on the webcast.

We'll start here with Simon upfront. Mike Giordano's got it.



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QUESTIONS AND ANSWERS

Simon Flannery - *Morgan Stanley, Research Division - MD*

Simon Flannery. So looking at the 5G build-out, I think you said you wanted to have the first nationwide 5G network, something like that. Obviously, one of your competitors has put another announcement out there. But can you help us with how do you think about building out a nationwide 5G? What spectrum is that going to get built at? You don't have nationwide microwave right now with XO. I think it's a portion of the country. And one of the things that your competitor is doing is building out at low band to give them the examples about the parking garages and on autonomous vehicles. You need that breadth of coverage. So how should we think about this architecture? Starting at 28, 29 in certain markets, but what does it look like in 5 years to really get that ubiquity?

Ed Chan - *Verizon Communications Inc. - SVP - Network Infrastructure Planning*

Thanks, Simon. So I will say a couple of things. The current build-out that you see out there, the largest first initial set of 11 cities, are where we're going to test and do the pre-commercial trial with actual customers. So that's what we're going to do in that case. Moving forward, the plan is to leverage where we have 28 gigahertz but also use all of the spectrum that we have in the far out future because at the end of the day, we do know 5G will be mixed -- a set of different types. Today, the issue is that in the U.S., the low-band spectrum are really not that much available. You're talking about the channel bandwidth that we're talking about in 5G today. So we're going to need to do some work to make more of the available sub-6 gigahertz to become available to make it ubiquitous across, if you will, from a technology coverage layer perspective. So what you see from a time frame standpoint would be 5G and then with the underlying layer of 4G, which support a lot of things, and then over time, the coverage of 5G would also expand and eventually cover that as well. Does that make sense?

Lowell McAdam - *Verizon Communications Inc. - Chairman and CEO*

Simon, I think the only thing I'd add is there's obviously secondary market out there for a millimeter wave. And there's 2 auctions that FCC is going to be administering over the next couple of years. We're obviously working closely with them to accelerate. I think the activity that we've spurred over the last couple of years has gotten the FCC to see there's a lot of investment pent up to be made here. And if they can get the spectrum out here and I'd also say eliminate some of the regulatory hurdles, what Chairmen Pai has been doing is trying to make it easier with shot clocks and making availability of the conduit and the infrastructure, is very important. And I know there's a lot of controversy over net neutrality, but a level playing field spurs investment. And I think over the last several months, everything and the regulatory framework is moving in the right direction and incenting us to make additional investments.

Michael Stefanski - *Verizon Communications Inc. - SVP of IR*

Next question. John?

John Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group, and Telco and Pay TV Analyst*

John Hodulik. Maybe some questions on the current wireless market. You talked about growing subs as one of the priorities. Do you think you can maintain -- given what we're seeing in terms of level of competition, do you think you can maintain the historical pricing premium where you've had Verizon and continue to grow subs given what we're seeing in the market? And then in terms of the presentation, you talked about some other segments that you're starting to target. If you could give us a little bit more detail on what those segments are and maybe how big they are?

Ronan Dunne - *Verizon Communications Inc. - EVP and Group President of Verizon Wireless*

Sure. So the first thing is what you saw when we moved into the unlimited space was not a pricing move. It was a structure of our proposition move. And what we actually did was gave customers increasing clarity around the comparability of our proposition in that space and the premium



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on it. And actually, what we've seen is a very positive response from customers. So in that regard, I see us evolving our proposition set further but within the unlimited space and out with that. That allows us to broaden out our offering in a way that we can attract segments which previously haven't been necessarily ones that we have focused on. I'll give you a couple of examples. John touched on the fact that we've seen strong growth in our single-line business, but that's not just driven by unlimited. 20% of our customers are coming on the -- on single-line, are coming on the 5-gig, \$55 plan. So what we've done is we've broadened out and we're giving customers choice. And when we came in to the unlimited market, we said that that's what we would do. I think that allows us to target segments which we hadn't previously focused on. And we've already seen, when we look at the segment analysis of those customers who've joined us on unlimited, it is significantly different from our installed base. So I think, to summarize, we see the opportunity to broaden out the offering and to go into segments where we are underpenetrated. Those happen to be the higher growth segments for the next few years as well as we see demographics change. And we see -- from the performance that we've had since we introduced unlimited, we see clarity around people's willingness to pay for a premium service.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

Just in case you didn't recognize the Irish brogue, that was Ronan Dunne, our President of Verizon Wireless. Next question. Jonathan?

Jonathan Chaplin - Newstreet

Jonathan Chaplin. So 2 quick ones, if I can. T-Mobile put up a slide actually just before their earnings day where they showed deterioration in your network performance following the launch of unlimited. And I heard Nicki's comments on why Crowdsource data isn't the best data out there. But it's a data drawn from a fairly compelling, large user base that shows a fairly dramatic falloff in performance. And I'd just love your thoughts onto why you're not seeing that internally and why that isn't a concern.

Nicola Palmer - Verizon Communications Inc. - SVP and Chief Network Officer for Verizon Wireless

How long do I have? No, there's nothing that we don't see internally, first off. But listen, performance, since we launched unlimited on our network, is exactly what we thought it would be. It's no different than what we planned and what we've executed. I mentioned some of the problems with the Crowdsource data. Increasingly, you're not going to be able to rely on that because of the different price plans that are being put into the marketplace. In the end, and we've always said this, speed is important. But what we try to provide to customers and do better than anyone else is give them the speed that they need to actually perform the task that they need to perform. And we look at wireless performance as a combination of coverage and reliability and speed. It's not just one. So the other thing I would say is we look at our churn results, we look at our customer loyalty, we look at other measures and customers are pretty satisfied with the results. So I'm not at all concerned with any perceived deterioration. It's my job and all of our jobs to keep the network performing according to our standard, and we're doing that.

Jonathan Chaplin - Newstreet

Why it seems important is because the speed results look like a leading indicator and the churn results are sort of a lagging indicator. And so we're concerned that we're seeing a drop-off in speed now that will result in an increase in churn in a couple of quarters' time.

Nicola Palmer - Verizon Communications Inc. - SVP and Chief Network Officer for Verizon Wireless

I'd say stay tuned. There's no way. You can look at -- that's one way to measure speed that I've discussed a few times now why it's probably not the best. There are other measures of speed on our network. You can look at Nielsen. You can look at Root. You could look at P3. You could look at PCMag. You could look at all of these that have been testing our network consistently, and we're very satisfied with where our speed results are right now. So stay tuned.



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Frank Louthan - *Raymond James - Analyst*

Great. So maybe to Lowell or Matt. So you started out by saying you're a little disappointed in the results. You gave a lot of piece parts here, a lot of things that are happening. When we should be confident that we'll start to see back to earnings growth? And how quickly can we see all these things sort of coming to fruition in the numbers?

Matthew Ellis - *Verizon Communications Inc. - EVP and CFO*

Look, I think I'll repeat what we said on the call. We talked about where we see the year and we haven't changed our view on that. So we're not going to get into talking about '18 at this point in time. But certainly as John described, we see the service revenue trajectory certainly getting better in the second half of the year. And I think John laid out the different components of that, that when you see, especially, as you start to lap when customers came on, started the base moving over in a large way to the device payment plan, and as we get through that and we see the access charge start to increase, we'll see that in the second half of the year and we're still confident that wireless service revenue will be at a better year-over-year rate of change than it was last year. And so as we see that in the second half of the year, that will be the jump-off point as we head into '18. And then you also heard us talk about the other parts of the business, the things that Marni went into and what's going on with Andres' team, the things that Tim's working on, excited to finally have Yahoo! closing in our sights. And so lots of exciting things going on there, which, over time, will also add to both top line and bottom line growth.

Sergey Dluzhevskiy - *Gabelli - Analyst*

. Lowell, could you share your thoughts on the recently completed broadcast incentive auction? And so did anything surprise you? Obviously, you decided not to be active. So just your thoughts on the auction and any implications for the industry competitive environment?

Lowell McAdam - *Verizon Communications Inc. - Chairman and CEO*

Well, I think the technical part of it, Ed or Hans can speak to if they want to. We've always said from day 1, what you need is a little bit based on what you have. And we've always talked about the birthday cake sort of approach, that you need a broad and deep spectrum at the low band. And then as you move up and you need more capacity, you want that -- you'll use the higher bands for that. So the 600, when you've already got 700 across the country, 600 really doesn't add any value to you. It actually causes, frankly, more issues from an overall network efficiency perspective. So I'm not surprised that -- who bought and who didn't just based on what they had in their portfolio already. And I personally don't think it changes the competitive environment that much. Now, I'll take you back to Ed's chart that showed what we have and how we slice the network and we're refarming and what our plans are. And that's why adding things like the millimeter wave of XO made sense for us to deliver the capacity where we need it. So not a lot of surprises out of 600, and I would suspect most of you weren't surprised that we didn't participate in a big way. It has nothing to do with financial capacity. It has to do with how efficiently you run the network. So Ed, do you want to add anything to that?

Ed Chan - *Verizon Communications Inc. - SVP - Network Infrastructure Planning*

Just a couple of additional points. Lowell touched on the fact that adding capacity, the mid-band and the higher band are much greater because what you see out there from a usage perspective, you heard that on the video that Adam talked about, that you want to bring capacity where the usage is. You don't want just blankly add spectrum along those lines. If you go to 600 real quick, from a timing perspective, first of all, by the time the repacking gets done, by the time that you get any kind of U.S.-only band in this case, a single-user device to start putting that into use, our estimates from a scalability use perspective on 600 won't happen until 2019. So if you look at where I've shown you from a spectrum perspective timing, that's already shifted. So what's the point of getting a 600-megahertz spectrum for us in that case when you're seeing the spectrum already shifted in that case from a timing standpoint? So everything that we see from our strategy and where we're seeing it is, I mean, it just doesn't make any sense for us.



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Michael Stefanski - Verizon Communications Inc. - SVP of IR

Next question. Colby?

Colby Synesael - Cowen and Company, LLC, Research Division - MD and Senior Research Analyst

Colby Synesael from Cowen. Tim, you mentioned during your presentation, I think, that the goal is to get to \$10 billion to \$20 billion in revenue by 2020, if I heard you correctly. Obviously, a pretty big range. Can you just narrow in on that a little bit to give us a sense of where you expect that to go and kind of what are some of the drivers?

Tim Armstrong - AOL Inc. - CEO

Sure. So basically, we're targeting the mobile and video space. Those are the 2 big spaces we're targeting. Those are roughly \$90 million, \$100 million opportunities and growing at 20%, 30% in the industry. So those are big audacious goals for us to get to above \$10 billion. But from the standpoint of the business we're in, the industries we're in, the products we have, the scale we have and the team we have, I think we have to push ourselves to that -- to those levels. The other thing that's happening, I'll just say there's 2 outside dynamics happening. One is that the changes in the TV marketplace that you're seeing are more severe the younger you get in the age demographic. So there is a natural pushing of those dollars that used to run in traditional media towards digital, and I think that's going to happen at an accelerated pace. The second thing I would just say, and this doesn't get talked about much, is that the cost of converting customers in advertising is going to get more expensive. If you think about a consumer who goes to a grocery store with an empty shopping cart and you try to intercept the person with end-aisle displays or things like that versus somebody who's got a preloaded digital shopping cart, the expense of trying to convert somebody into a new product in the digital environment, I think is going to be much more expensive. And my guess is the advertising expense is going to go dramatically up over time. So there are some big tailwinds behind us. I think on our side, on the challenge side of getting there, it's really relying on us having a simplified go to market for the 1.3 billion consumers we'll have with mobile video and ad products. And the second piece is for us to actually have those products perform at a level that is industry leading. And the space we're going after specifically is brand advertising. Facebook is social. Google is search. We're going to be brand advertising. So we have to have products that basically compete at that level. So industry supports it. Tailwinds support it. Customer spending will support it. It's down to us on the execution side overall. And I think with Marni and Lowell and John and all the team here and Ronan, working very directly to give us the best shot at doing that. But Verizon's in at roughly sub \$10 billion for the assets right now. If you look at any of the value, if I were a personal investor, my own money would be in the company the way it's set up right now because if you look at the scale of us at 1.3 billion plus the businesses we're in and you compare that to the other companies of scale, the next closest company that comes up to basically the billion user range is valued at \$190 billion. So for us, the upside here is big, both for Verizon and our customers.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

Next question. Jennifer?

Jennifer Fritzsche - Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst

If I could explore the converged wireless, wireline spending you spoke to, Lowell. If you had to break down not exact numbers but the percentage of your CapEx, and, Nicki, maybe this is for you, how much of it is traditional wireless and then wired? Because it seems like you've done more than meets the eye on fiber even well before the Corning investment. And then I guess an add-on to that. With the Corning investment, Verizon's preference has always been to -- about network control. Are you going to use -- I mean, as you think about some of your small cell providers, tower companies, fiber partners, how do you think of that? Is your preference always to self-perform first? Or will those also be important partners?



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Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

Why don't I take that second part, and then between the 3 of you, you can decide how you'd answer the capital. Well, as I said on the CNBC interview, when I was asked about the fiber company question, if there was a fiber company out there that had 1,700 strand cables running, they'd be part of the portfolio. So there's an opportunity for us to partner and we do partner. We buy a lot of Dark Fiber. We'll continue to do that. But the architecture and the competitive advantage, and I take it back to John slide's about the network and how that opens up the different applications, being in control of that and delivering the quality of service that we think is needed for these sorts of applications, I'd stand by what I say. Organic is always a better approach from our perspective. The only time you come off of that is when you can accelerate your position in the marketplace. And right now, you can see by what we've committed to, between the Corning and the Prysmian deal, where our head is.

Matthew Ellis - Verizon Communications Inc. - EVP and CFO

Yes, in terms of the split of the CapEx, I think I'd talk about it this way. You're right, you've seen over the past few years the split has put moved more towards wireless. But as we talked about the converged networks, it's not really where we're spending the money, is it wireless, wireline. As John talked about and Hans and his team talked about, we're building more of one network going forward. And so you should think about it that way. So is more of our capital spending going forward going to be in fiber and 5G in densifying? Absolutely. But it's exactly the same thing that you've seen over the past where we invested in FiOS for some time period until we got that built, then we started investing in 4G. So the spending has evolved over time as the networks have evolved, too. Absolutely, you're going to see more spend in fiber as we go forward, but it's about building that multiuse network, whether it's for wireless use cases or traditional wireline use cases. So Nicki, I don't know if you have anything else to add.

Nicola Palmer - Verizon Communications Inc. - SVP and Chief Network Officer for Verizon Wireless

No, I think you guys are -- you know the networks as good as we do. That's -- the only other thing I would add, Jennifer, is we led back in 2010, 7 years ago, when we deployed the first nationwide 4G network. And at the time, leading up to that, many people thought, oh, you know, if it's reliant upon getting fiber to your cell sites, you're never going to be able to do that. And fast forward, our network is completely fiber. We're talking about Dark Fiber. We've been the leader in getting Dark Fiber to our cell sites, giving us the type of flexibility in the bandwidth and scalability that we really need to meet the growing demand that we have on our networks, so -- and I've always thought of that part of our portfolio as the more we could do ourselves, is fantastic. And in terms of the small cells that we deploy, the only thing I'll tell you there is that it's not a one-size-fits-all. We have self-perform. We have used others. Sometimes depending on the jurisdiction and who you're working with, that dictates the most cost-efficient and fastest route to serving the demand. Again, I just -- I know I sound like a broken record, but going back to our goal is to have the capacity that is needed there before the demand hits. And that's what we've been good at. And what that requires is that you're ahead of the game and that we've had a few years now where we've been testing these different models. So we can pull from different models to achieve what works with what's presented in a particular municipality. That's what we'll continue to do.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

Okay. Thank you. Next question. Will?

William Power - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Will Power. So maybe just building on that question. I wonder if we could get a little bit more color on how you're thinking about the level of 5G spending in 2018 and '19 and what that might mean to the overall capital budget given the aggressive plans that you have in front of you? And then the second question for John on the wireless cost side. You had good success last several years taking costs out of the platform. Give us a sense for the magnitude of the opportunity moving forwards. I assume a lot of low-hanging fruit's already behind you. Are there still opportunities? And what can that look like?



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Matthew Ellis - Verizon Communications Inc. - EVP and CFO

Yes, I'll answer the 5G CapEx question first. The answer is too soon to say as Ed did a good job talking about earlier. We've got the trials going on underway right now. That's an important part of us understanding exactly the size of the opportunity we're going to go after. So as we work our way through the trials, as we go through the summer into the latter part of the year, we'll have an update on that. And obviously, when we talk about that, we'll talk about the size of -- not just the size of the opportunity but the size of the investment. But it's too soon to say at this point, but we're certainly excited about the opportunity and look forward to having more details later.

John Stratton - Verizon Communications Inc. - EVP and President of Customer & Product Operations

Yes. And now to the cost point, what I would say is this, some of the opportunities that present themselves now are almost generational where as you said, Will, in the beginning, it was a little bit of low-hanging fruit but also just process discipline, making sure that when you took cost out through process reengineering, it stayed out. And the approach we took to that is pretty rigorous, and that's been objectively very successful for us. What we see now though is a couple of other things that are coming that provide another level of that. And we mentioned digitization; an all manner of engagement with the consumer on digital platforms is incredibly efficient. And it actually more importantly meets their needs. It meets them where they want to interact with us. So streamlining the product, simplifying the propositions and then presenting them in a digital-first manner and principally through mobile has been really important. And we're just scratching the surface there. The other piece is all of the work that Nicki and Ed and Hans will describe about virtualization of the wireless networks. And this applies also to the wireline networks. So that is a complete change in the topology of the network, which has significant implications to productivity and ultimately, to the cost per bit that we serve. So those pools, care, distribution and network for us, remain pretty deep.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

Next question. Walt? Why don't we get Walt in the back.

Walter Piecyk - BTIG, LLC, Research Division - Co-Head of Research

Walt Piecyk. I just want to go back to Jennifer's question. When you bought XO, I don't think they had 800 strands in those fibers. So what's different about not wanting to buy or doing inorganically now versus XO? And then similarly, to the extent that Charter and Comcast think they have fiber, they've talked about being 5G-ready, I don't think anyone really knows how many strands they have. Let's say it's 4 or whatever it is. Can they get to this 800 number? Is the conduit big enough? Are the poles strong enough? And how much would it cost for them, or whoever bought them, to add that additional fiber for 5G?

Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

So somebody's buying Charter and Comcast?

Walter Piecyk - BTIG, LLC, Research Division - Co-Head of Research

How about you just answer the question as could they do it? Could they put 800 -- if they came to the same conclusion as you, could they put the 800 strands? And how much would it cost them since you have all these engineers that know fiber so well?

Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

I have no idea what Comcast network or Charter's network looks like so you got to ask them, Walt. And then look, XO had fiber presence in 45 of the top 50 markets, and they had one other very important thing in their portfolio. We downplayed it at the time, but the FCC's now designated 28 gig as a 5G spectrum. So it's not -- it was a portfolio of assets, and we liked them all. Let's put it that way.



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Michael Stefanski - Verizon Communications Inc. - SVP of IR

Next question. Phil?

Philip Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Phil Cusick. John, on your road to 5G slide, you showed mobile broadband earlier on the time line than fixed wireless broadband. How should we think about the timing of these? And when do you see fixed 5G start to contribute materially to revenue growth? And when does mobile 5G start to really differentiate the mobile network versus (inaudible)?

John Stratton - Verizon Communications Inc. - EVP and President of Customer & Product Operations

Yes, mobile broadband, I don't recall what was on the graphic there. But mobile broadband is a now thing. One of the things that's been pretty interesting has been with the advent of unlimited, you are seeing, particularly in second Tier 2 and Tier 3 markets, increased utilization of the network in effectively fixed applications. So that is a thing that's already happened. Of course, it was already happening before with displacement, but we see that actually accelerating to a degree. If we look out at time frames, the next up or first use case that Ed described is, of course, the fixed wireless use case. It was a practical consideration there, which is hardware and battery based. You can achieve delivery of the services in a manner that's not portable because it doesn't need to be, of course, to support the fixed use case. When does mobility show up in a meaningful way? We hear a lot of speculation about that. We're kind of thinking at or around the 2020 time frame in a meaningful way, but you've got to now incorporate radio technology and chipset into devices and then proliferate them through the base in order to scale. But we think it's realistically at or around that time that you'll start to see that appear.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

Next question. Amir?

Amir Rozwadowski - Barclays PLC, Research Division - Director and Senior Research Analyst

Amir Rozwadowski. Clearly, you folks have a lot of irons in the fire if we go through sort of the presentation as a whole today, whether it's driving improved access infrastructure, 5G deployment and some of the new business models that you're tapping into. And I appreciate not wanting to go beyond 2017 in terms of outlook, but perhaps a bigger picture here is when do you think that the business will evolve to the point where it's less susceptible to some of the competitive pressures that we're seeing in wireless access today? And of the buckets that you folks are thinking about, is it really truly through the differentiation and deployment of 5G first to market with that? Is it through some of the opportunities of driving service revenues and getting to that \$10 billion to \$20 billion target? I mean, how should we frame that diversification opportunity?

Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

I can let Matt comment, but I don't think you're going to wake up on a Monday morning and say, oh, my God, look at the change. Tim, I would love to have you wake up in the morning and find Oath on your handset. And the first thing you do is check news. That's what Jared's working on, and he's got folks who want to have you check lifestyle and all of those things. And does that matter to people? Yes, I think it will. Ronan would get up and talk about, but we'd put a duct tape over his mouth, what he wants to do with unlimited after this. John uses the term unlimited has to have legs. We're convinced that we will have multiple things that will occur on unlimited that will help -- I'll take it back to John's chart of those lines moving up. That's all based on very specific actions that we have planned, that we went through the strategy for telematics. I'm convinced that telematics can be a significant contributor to the bottom line. But all those layer in over time when you have a complicated business like we do and we're comfortable. Matt's not going to give you any guidance, but we're comfortable that the trends will be what you saw on the chart. So I



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wish I could help you with your spreadsheets. That's why you guys are paid to do what you do and why I'm paid to do what I do. But that's going to be occurring over time. So Matt, you want to add anything to that?

Matthew Ellis - Verizon Communications Inc. - EVP and CFO

No, that's good.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

We have time for one more question. In the back.

Jeffrey Kvaal - Nomura Securities Co. Ltd., Research Division - MD

It's Jeff Kvaal. I have a question for Hans, actually. And, Hans, welcome. It's a bit of a new seat for you. Some of the same sharks out on the side. But can you tell us a little bit about what you're seeing in your early days overseeing a portion of the network? And then tell us a little bit about what you think your expertise will be able to bring to Verizon, whether it's in terms of cost or agility or time to market?

Hans Vestberg - Verizon Communications Inc. - EVP and President of Network & Technology

Yes, it's early. So thank you for the question. No, I think what you see is, of course, an organization that has a very high degree of technical competence and has proven that over the years. So that's what you see immediately. Then as I said before, I think timing-wise, we are in a very good spot. I mean, first of all, Lowell and the executive team have decided to make one organization on the network operations and technology, and we have already discussed that there are multiple use of different type of products now that there wasn't years ago. So I think that the focus of this team is, of course, to continue to deliver that superior performance from the network and the quality, then on top of that, continue to take advantage of the innovation that we're seeing in the presentations here in order to bring down the cost as well as bring in new business opportunities for our business side. That's going to be the focus right now. And a lot of things is on its way, but, of course, we have a chance right now as one organization to accelerate that. And that's my job together with the team that I have and the great people around me. So we're going to accelerate what the [thought is] and seeing that we deliver good value and that the network continues to be the -- sort of the prime asset of the company.

Michael Stefanski - Verizon Communications Inc. - SVP of IR

I guess our last over-time question.

Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

Well, I'd just say, look, I've known Hans for at least 10 years and gotten to know him very well in the last 5 years being the CEO. And the thing that I think Hans brings to the table is the global view. I mean, he knows networks. And, obviously, he knows the technology that other carriers are looking for. Obviously, he protects anything that's confidential here, but that global view is something that I'm going to look to him to drive us. I just intellectually sit there and think how does a company survive on 5 megahertz of bandwidth if you're in India? And they're doing it and they're growing subscribers. And those are the sorts of things I want to be able to benchmark so that we can continue to push the envelope and continue to be the best network we possibly can. So that's the reason I went after Hans the way I did. So Mike, you want the last one?

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

Mike Rollins from Citi. I was wondering if you could discuss what you think the best-selling model is for communication services in terms of what you need to actually offer to your customers? Is it just simply a family plan? Is it a whole home communication service? What do you see that



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customers want? And how are you measuring how this is going to change over time? You've talked many times as a management team about the changing demographics and where the money's going to sit in the future with millennials. I'm just curious how you're positioning the company today and the future to keep up with that.

Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

Yes, let me ask John to say a few things about that not only on the wireless side but how he sees it playing across all of our segments. John?

John Stratton - Verizon Communications Inc. - EVP and President of Customer & Product Operations

Yes, I think -- and this is a team sport. So between the businesses that we have and the core networks, Marni's ventures both on media as well as telematics kind of tell a little bit or hint at the answer to that question. But with IP technology, the disaggregation of the networks and all the hellfire and brimstone and damnation that was to bring to us 20 years ago unlocks unbelievable innovation. And as we look at providing those IP networks in both wired and wireless context, and as we've described here, they become increasingly sort of unified, all of the innovation that then happens at that level and above it is opportunity. And so we are needing to be thoughtful about where we play. And as we think about those places, the absolute broadest proliferation of our networks across as many of these markets as can be done is a primary source of value creation for us. But then above that, as we think about platform services that we're building in Tim's world, platform services we're building in Andres' world to serve IoT, to serve media markets, also important and then the top of the pyramid here for us is around specific vertical services. And so the change in orientation of our company from a pure infrastructure-based broad provider of core networking is changing, and it's shifting in a pretty meaningful way to a point where -- and ultimately, to answer your question, where are the sources of value and at what proportion do they contribute, those vertical applications, those specific solutions that we bring to market either to consumers or through the enterprise group are also pretty meaningful for us. So look, I think the value that's being created right now, the speed with which innovation is happening, the capabilities that our new generation of technologies will unlock actually for us opens doors that were previously not available to us. And we're going to go very aggressively after those spaces and those places where we have a logical right to play and then ultimately a right to win.

Lowell McAdam - Verizon Communications Inc. - Chairman and CEO

Okay. So I appreciate the time this evening. This is a little longer than we've done for these sorts of events every year, but we had a lot of ground to cover.

One thing we didn't talk about is the new organization structure where we have put Marni over the telematics and media side. We see huge opportunity here as Andres consolidates 3 companies, he's taking best athletes and putting them in positions, likewise Tim with AOL and having Marni focus on those because we think, as I say to her, these are the Verizon wireless moments from 2000 when you see businesses that are in their infancy that we can really drive huge value over.

John will be over all of the product, all of the sales, all of the distribution for the business, all of the marketing. We think having his arms around that with leaders like Ronan and Ken Dixon on our CMB side, George Fischer on the VES side and Eric Cevis on the Partner Solutions side, very strong team, ready to get some real traction in those areas. And then finally, as we talked about with Hans coming in, uniting the network, getting the efficiencies of the network, continuing to deliver world-class reliability but hopefully at significant cost reductions over what we've done in the past. We feel like we're pretty well positioned here for the future.

So I'll close the way I started. First quarter was not our finest hour, but I think you will see and hopefully, after the presentations you've seen today, we're set up not only for the future but to deliver in second quarter, the remainder of '17 and beyond.

So we appreciate again your time. Those of you on the web that joined us, I hope that all worked as well, and we'll see you at the end of second quarter. Goodnight.



MAY 08, 2017 / 8:30PM, VZ - Verizon Communications Inc Analyst Meeting Webcast Including Spectrum Overview Discussion

Editor

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Important Additional Information and Where to Find It

On April 10, 2017, Yahoo! Inc. ("Yahoo") filed with the Securities and Exchange Commission (the "SEC") Amendment No. 2 to the preliminary proxy statement regarding the proposed sale of Yahoo's operating business to Verizon Communications Inc. ("Verizon") and related transactions. Yahoo will file with the SEC a definitive version of the proxy statement, which will be sent or provided to Yahoo stockholders when available. The information contained in the preliminary proxy statement is not complete and may be changed. 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, on the Investor Relations page of Yahoo's website investor.yahoo.net or by writing to Investor Relations, Yahoo! Inc., 701 First Avenue, Sunnyvale, CA 94089.

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