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VZ - Verizon Communications Inc at Guggenheim Media Day

EVENT DATE/TIME: JUNE 08, 2017 / 4:15PM GMT



JUNE 08, 2017 / 4:15PM, VZ - Verizon Communications Inc at Guggenheim Media Day

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Alan Schwartz *Guggenheim Partners - Executive Chairman*

PRESENTATION

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

Guys. Mic. Guys, we'll get started. Thank you. What an obedient group. That's great. Appreciate that. While you enjoy your meal, my friend Marni Walden is here and happy to be able to have a conversation and get into some things that I know are of great interest to everyone here. I think, first, there maybe some sort of disclaimer or something that we may want to draw everybody's attention to. Does everybody have it? Or do we have to say anything about it?

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

I think there is a safe harbor posting over there in the corner of the room.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

Okay. Everybody read it.

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

Exciting portion of the program today.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

And one new business opportunity. Should we share that kind of statement with Sean Spicer, he could use them at his press conferences. Anything I say may not be right, right? So that's the basic premise...

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

You promised me, we're not going to have a political conversation.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

It's not political, just -- so Marni, thank you so much for doing this.



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QUESTIONS AND ANSWERS

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

And we're going to drill down on the areas that you're responsible for some of the newer areas and opportunities. But I think it's important to set the context to talk about Verizon's overall strategy, if you could just put it in context going forward so that when we look at things like IoT, media, et cetera, we see how it fits into where Verizon is going in total to create value for shareholders?

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

Yes, sure. [Alan], thanks for having me. Thanks for all of you joining us today. So as many of you know the foundation of Verizon's success has been built on having really great networks, and connectivity is always where we start. But we do think about the business in sort of 3 layers. So first is connectivity and those are both our wireless networks as well as FiOS and the enterprise networks that we have. We then think about platforms. And then the -- on the top of that stack is solutions or services, and that's where I spend most of my time thinking about what are the solutions or services, particularly in a digital economy, does Verizon have the right to play and ultimately compete and win in.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

So the quality of the network is very important to maintaining the existing customer base and its revenues. And as people have more and more needs to use devices in a lot of different ways, the quality of the network will stay important. But investing in that network in today's technology world opens up all of these new opportunities, right? The platforms and the solutions that wouldn't have worked until other technologies came along, right?

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

Yes, if you think about the networks and for everyone who has experienced the evolution of the networks. When you went from 2G to 3G, this is when you got rid of your flip phone and you went to your first smartphone, and the world completely opened up on the information you had access to, you could see some video, although you often saw a spinning wheel, but you could see some video. But you had so much information in your hand. And then, you think about 3G to 4G, and what that did particularly for media and for video, really a complete explosion, and so quality networks clearly matter. We now are thinking about 4G to 5G, and we're testing in 11 cities around the U.S., learning a lot about that. But the opportunities for 5G to light up new services is even more amazing as we think about that capability. It might show up a little bit differently in 5G at least for the first use cases. So we don't necessarily think about that starting on the handset. It will start in places, we think, like fixed wireless, autonomous vehicles, assisted vehicles, smart communities. But that network, going back to your question, those premium networks enable all of this technology and services that have been built on top of it, and our role is to make sure that we're participating not only in that premium network that we build and invest in, but also in the platforms and services that are on top of it.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

Right. So, I mean, what you're saying is really powerful. So you're saying as the network transforms, it opens up all new opportunities, especially, as the ecosystem around it is more -- a lot more smart devices, a lot more data availability. So the capabilities of the network keeps growing. One, that's great for existing customers. But each time you do it, now you have to think about, what are the new revenue streams that we can find to leverage our current customers' usage, but also who are the new customers that we can provide services to? And so, those are really the areas that you're responsible for. So it's a great transition to that. So let's start with the new customers, because I think, let's talk, let's say IoT, which you're responsible for. M2M, IoT had been talked about forever, but it wasn't really looked at in the context of what these new capabilities are. So it's really in its very early stages and it's a potentially very large market, so can you talk about your strategy of how you're approaching IoT?



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

Yes. So IoT is the new cloud kind of buzzword. So you hear those 3 letters a lot. And Verizon has been in the IoT space from a connectivity standpoint for a very long time. Some of the original OnStar connections in vehicles, Verizon did that work. But as you said, that was just the connectivity piece of it. So again, I'll take you back to connectivity platforms and services. If you look at the IoT space, about 5% of the revenue will come from connectivity. It's necessary. You need that, but that's not where the revenue is generated. You look at platforms, maybe represents about 15%, but the majority of the monetization will come from the services space. So 85% of the global value is in the services space. So that's where we have really said, we are going to make some specific bets that we believe Verizon has the right to compete and win in. So I'll talk about the business that we do today. We call it telematics. But I was telling a group earlier, telematics is not even a good name for it because it's so much broader than just telematics. And we'll soon have a new way to describe that, but I'll save the brand unveiling for a later meeting. But the 3 key things that we do in this business is: one, we do work with the OEMs. So this is the work that we do with Mercedes or Toyota or Ford or General Motors, where we provide various degrees of connectivity platforms and services. With Mercedes, we do all 3. That's the global business that we do for them. We build their mbrace products, so that's built by the Verizon team. So that's one business unit within the telematics group. The second unit is really what we call aftermarket or usage-based insurance, started with customers like State Farm, which you plug a dongle into the car. It monitors driver behavior, diagnostics, those kinds of things and then ties back to insurance programs. But we took that same application and turned it into a direct-to-consumer offer, which is our hum product, which is really targeted for parents of teen drivers. It's not just for that, but that's where we're really seeing the customer come through. Because what that product does is -- and I'm glad I didn't have this when I was a teenaged driver, but it not only starts with safety and security, but it then does things like geographic boundaries. So a parent can set if the child is -- the parent or the child -- the teenager has gone outside that boundary. It can give speed alerts. And also just collecting a tremendous amount of data, which is another part of the business with data analytics. But the third part of that business is what we call fleet management. And we think about fleet, certainly, as trucks and cars, but we also think about fleets as drones, as airplanes, as trains, as planes, as golf carts even. And so with that, we have made 2 acquisitions in the last year to really double down in this space. And we are now actually the #1 provider of fleet services in the globe with the 2 acquisitions that we did. But what that business is, it's really a software business that manages everything that's happening in that vehicle ecosystem. It manages the vehicle, it manages the work and it manages the worker. And if you really wanted to think about it in a much broader way, it's really end-to-end supply chain management because we do things like asset tracking as well. So not only are we're doing route optimization, safety and security, but ultimately, tracking the assets that, that vehicle or -- and vehicle, in a very broad definition, is moving. And so we think that's a really exciting space, and it works across multiple verticals. And then it also ties back to the strength of Verizon. If you think about Verizon, we have relationships, global relationships with almost every Fortune company. A lot of people don't know that we're -- they don't think of us as global because of our wireless business, but our enterprise business operates in 150 countries. So we have very strong relationships with customers so we can leverage the Verizon scale to do that. And then in the U.S., we have over 50% market share in small business. And so the small business solutions we can tie back to Verizon distribution as well. So IoT in that sense, we've really focused on this space. The other space that we -- in IoT that we're really starting to get some traction on and there was announcement about Sacramento and a partnership that we did with at the City of Sacramento is smart communities. And not only is it about safety, security, route optimization, video surveillance, parking, it's also a very large media and advertising opportunity. We made an acquisition of a company called LQD WiFi, which is really the street furniture that you'll see in cities. And with that, we deliver content and advertising solutions in cities, along with way-finding and those kinds of things. So big giant space, super, super -- early in its days, but we see a ton of potential, but you have to get to that 85% top of the pyramid, and that's very much where we're focused in and making our bets.

Alan Schwartz - Guggenheim Partners - Executive Chairman

You discovered so many great things, right?

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

I talked more than you, which is completely unusual. So...



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Alan Schwartz - *Guggenheim Partners - Executive Chairman*

I love that.

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

You guys not know that about Alan?

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

They're not allowed.

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

I thought everyone knew that.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

They're not allowed to laugh. They're not allowed to laugh. So -- but you covered so many great things. Let's just hit a couple. I think, Verizon is connected all of the major enterprises as well as SMB market. But it's been connected in an era where just the transport communications part was, there was a lot of people that could do it. But now having that connectivity, if you move up the stack on solutions, two aspects of that. One, you're already in the enterprise so you're moving up and working with them together. But two, it's a very capital-intensive business that Verizon has had for years. Can you talk about that capital aspects, it's mostly a software business and what that does to returns?

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

Yes. As we know, the network is a capital-intensive business, but the services, because they're software-based, they aren't. And a lot of people think that fleet is like a hardware solution. It's not. I mean, there is sometimes hardware in the car, but it's -- or in the vehicle, but very much is software. And part of my focus, Ivan Seidenberg said to me when I first started this job, he was like, find businesses that don't have capital intensity and you'll get a couple of stars.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

Gold stars.

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

Yes. So -- and I think that's important. I mean, obviously, our network business, we love that business. It enables these other things, but I have really been laser like on how do you find the solutions but don't have that capital intensity can leverage the assets and the spend of Verizon, but gets us into new revenue models that don't need the kind of cash that you do for infrastructure.

Alan Schwartz - *Guggenheim Partners - Executive Chairman*

And then one other aspect about it, just how these things tie together. So you have the penetration and you have the ability to then move up in the value add through solutions because you're already there. But also, you mentioned municipalities and people like that as well as the supply



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chain, how important it is to secure a network, right? So many things today are out there over the Internet, but there's a lot, obviously, going on, and how secure that is, that's not. So the ability to leverage these things on top of the secured network, can you talk about the value add to that?

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

Yes. Well, I think, clearly, there are things that customers, consumers have different weights on whether security is critical, mission-critical or nice-to-have, I think. In the space of vehicles, I think, it is very clear that a secured network will matter to everyone. And I think, all of us in this room, our friends, our families, our communities, secure managed networks will be critical. Same thing with infrastructure in cities, but I think that, that's absolutely critical. And it's always hard to say 100% secure. So I think, we're mindful of that, but security in these mission-critical kinds of applications, I think, is table stakes.

Alan Schwartz - Guggenheim Partners - Executive Chairman

Okay. That's good. So that covers one area of what you're doing is a going after a whole new customer base for value-added solutions, et cetera, et cetera, in the platform and the solutions. Then the other aspect, as we talked about, is how do we find revenue streams supporting or existing, let's say, our consumer basis especially their usage of our network. How can we find more ways to capture value? So maybe we start with like a lot of video is being consumed now on devices, I think, it's underestimated how much more consumption is going to move to devices. So can you talk about how video and your network comes together for revenue opportunities?

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

Yes. Maybe, if I could start with -- and many of you probably know the story, but when I first took this role, we were just broadly looking at all of the assets that Verizon had and trying to understand what things could we put together to add meaningful revenue to Verizon. And the one thing that we spent a lot of time thinking about was the mobile data analytics information that we have, when you have 110 million customers. And let me just say, all of the things that we do here, people, I always get the privacy questions and how we think about that. It's critical to our brand. So everything that we do with data and the rich set of data that Verizon has, we always think of transparency to our customers is mission-critical not because it's what we have to do, but it would impact our brand if we didn't do it the right way, and we want to build trust with our customers. So that being said, the mobile data, and you can even think about data beyond mobile because we have data with FiOS, obviously, in the telematics business, we have a very rich set of data. We started to think about how could we best use that to build a business. And that's really what led me to the AOL path. At that time, we weren't thinking, I was not thinking, that we were going to build a global media company at that time. But we were thinking about is how do you take this rich asset. We called it the oil in ground and find a rig that can pull it up. And what we needed was ad tech capabilities, and that's what led us to acquiring AOL. As we got into that business and just started to look at the digital economy, we realized there's no reason that Verizon can't participate in that space. But to be relevant, we needed to scale even more broadly, and that's what led us to Yahoo!. And I was talking to the group earlier, it's a couple of 100 million eyeballs or 300 million eyeballs on your platform is that used to sound great when you were thinking about U.S. wireless. But it isn't meaningful in the kind of market opportunities that we're now thinking about. So Yahoo! brings us to a place, and we're hopeful that we close that here very soon. That gives us 1.3 billion eyeballs that allows us a seat at the table with all the players that you might think about. And so it's connected, it started with the Verizon data, but then it become a much larger vision. Look, this is the digital economy that connectivity has been enabling, and there is no reason that Verizon can't participate in that. So this obviously gives us ad revenues. So we still have great relationships with our existing customers, but the customer of Oath, which will be the combined AOL/Yahoo! organization is the advertiser. And so we've been able to take what was an asset at Verizon and then turn it into bigger thinking about how we think about ourselves as a global media company.

Alan Schwartz - Guggenheim Partners - Executive Chairman

Right, which brings more revenue to support customers who can use without having to charge them more for it as you upgrade the quality, et cetera, so that's part but branded advertising is still not found its way onto the digital world, right? I mean, it's very it tries to go on, but then it gets very reluctant. The most recent brand safety and -- but there's also a lot of other things about context and things like that. So what is the positioning



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-- so people know Facebook and Google are powerful and trying to get more powerful in bringing brands to this experience. But what's the strategy? What's going to differentiate Oath to be able to be one of the significant players there?

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

Yes. So maybe you've heard Tim use these words and we talk about it broadly, but build brands that people love. So that's our own brand. We have many brands inside AOL and soon-to-be Yahoo! so Yahoo! Sports, Yahoo! Finance, TechCrunch, Engadget, HuffPost, all of those brands have very large followings and we'll continue to refine and create great experiences there. But also letting partner brands be a part of that. And back to the advertising, ad formats have got to change. I think, we could all say when you open up whatever page you go visit, there's a lot of ad jamming that happens. So display ads, there's a term called clickbait where you go to click on the story, but all of a sudden, an ad pops up because it moved. And so we've all had those experiences. And that's not creating value for a brand. In fact, sometimes I think, it creates the opposite. And then, obviously, you've heard lately there's been content that people would not find appropriate or not aligned with the brand value, and so you've seen advertisers pull out. The one advantage Verizon has on this space just kind of knowing your effectiveness is we're one of the top 3 advertisers. So we learned a lot by even -- with our own team kind of giving feedback to products. So I think new ad formats have to come out and it has to be a way that really romances the brand. And so we're working on that. We'll talk more and then unveil some things that we've been doing as we bring the 2 companies together. But jamming, clickbait-ing, display ads, not effective for brands, and I think that's why you still see a lot of spend going to TV even if it's not as effective. So -- or where the eyeballs are moving to, particularly the younger eyeballs as we know. So a lot to do with ad formats. And I think we've got a pretty good plan on we'll do that and partner with brands on our platforms and be an open partner with them.

Alan Schwartz - Guggenheim Partners - Executive Chairman

And quickly, I think it's fair to say, when you're talking with branded advertisers, that there's a very big openness to having an alternative to the dominant players there. And so it's a real discussion because they want to work with us. Is that not true?

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

Absolutely. If you look at AOL today and Tim would say this if he were up here that there's a number of -- Verizon being one of them. When I used to run our marketing organization at Verizon, AOL was a very effective ad platform. The challenge was they didn't have enough supply. So -- and that goes back to supply and as stated is the audience. They don't have enough scale so even if you wanted to spend more, they didn't have the audience to do that. Yahoo! gives us that opportunity. But I think all brands are looking for -- and I'll speak for Verizon because we're a brand that does a lot of advertising, looking for more -- a better digital opportunity that's more effective than what's happening with display today.

Alan Schwartz - Guggenheim Partners - Executive Chairman

Still open field?

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

Look, we've never -- our strategy is to be at the table. We think there's room. This is a big market, \$100-plus billion opportunity. So we think we have a chance to eat our fair share, but there's room for more than one player here.

Alan Schwartz - Guggenheim Partners - Executive Chairman

So sticking with the consumer side of the business, so there's also, as I said, I think, consumption of video is going to move increasingly. It's going have to seamless so the quality of network will matter. But Verizon kind of has a front-row seat at the table of how consumers are accessing video



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and other types of media. So could you just talk about the evolution of the media strategy that you're seeing from where you see these worlds converging?

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

Yes. Maybe I'll talk about this in terms of content. Our relationship with content, 3 years ago, maybe a little bit less, was really about licensing content for our FiOS linear programs. That's the relationship we had. We did a little bit on mobile, but not much. We now have assets that can take content broadly across where customers, consumers are accessing their media. So our content strategy -- and a good example of this is the NFL announcement we made just a little while ago, is to take that content and move it across all of the different -- so FiOS, mobile, different platforms, go90, Oath, and you get after different audiences when you get to those different kinds of platforms. And we can now -- if you're -- we're talking to our partners in content, we can now help them get to audiences they're not getting to. So if -- the example I -- one of our best partners is Adam Silver at the NBA, and he gets this. If he only kept his content on the big screen, he'd missed a huge, huge audience. And I've talked about this, I won't give the numbers, but I used to be, particularly in sports, I thought the big games, the Super Bowl, the NBA Finals, the final game, the Stanley Cup, whatever it might be, I thought the big games you're going to watch on the big screen is actually not the case. The viewership on second screens is significant, and we see that in a number of different proof points based on assets that Verizon has. You have more and more viewers going to -- not even just a tablet, but a smartphone to watch that content. So if you don't -- if you're a content provider, you've got to find ways to get to those. And then we believe at Verizon, we've got the platforms to do that. And then with Oath, we can then distribute globally. The NFL, the game that we announced to broadcast the London game, that game will be seen across all of the Verizon, including Oath platforms. So we're excited about that.

Alan Schwartz - Guggenheim Partners - Executive Chairman

It's powerful -- if Adam was here, he'd tell you, the NBA is rising with millennials relative to other sports. And he would say a lot of it has to do with their content strategy -- with their distribution of their content strategy that they're reaching more millennials and keeping them in the game. So it's a really powerful trend.

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

If the Golden State Warriors win the next game, he might have more of a problem, trying to get people tuning in. But yes, one of the...

Alan Schwartz - Guggenheim Partners - Executive Chairman

Dynasties work.

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

Do they do? Okay. One of the things they're very good at, too, is doing programming outside of the season too which is something that we are working hard with both NFL and NBA on what we call shoulder content. But content that can keep the sport alive even when it's not in season.

Alan Schwartz - Guggenheim Partners - Executive Chairman

Okay. So I want to give the people in the audience a chance because I know they have a lot to ask, but I want to cover 2 quick things and then turn to them. If you can just cover, I think, some we've talked about I think as far as curation because not only this content want to find consumers, but consumers with this tons of content want to find the content they like. So can you talk about that the power and the strategy behind curation? And then quickly, maybe, as part of that, we have to talk about, since everybody said, there's a lot of buzz now about M&A and all that kind of stuff. And obviously, we will not discuss any specifics about M&A.



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

Oh I was going to make the big announcement today.

Alan Schwartz - Guggenheim Partners - Executive Chairman

Okay. Oh that one.

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

All right. We'll have to wait for that.

Alan Schwartz - Guggenheim Partners - Executive Chairman

Just -- is M&A part of the strategy that you're looking at? Or how do we -- how should we think about it?

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

Let me take the curation one first. So look, I think this is critical. I think one of the biggest challenges everybody has is there is so much out there. There's so much good content, great content, but discoverability is a problem. And so one of the things that you will see us do and you'll see it as we bring the 2 companies, Yahoo! and AOL together, is to really work on discoverability and curation and bringing that content to life. So we've got some good plans for that, but I think that's mission critical...

Alan Schwartz - Guggenheim Partners - Executive Chairman

It's important to keep an eye on.

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

For everybody because there's just so much out there. How do you get to it? Look, M&A, what I would tell you is we have the assets that we need to execute on the strategy that we have at Verizon. With that being said, if we see opportunities that would help accelerate that in a meaningful way that returns value to our shareholders, we always look at that. That's important to do. I got a question earlier in the day, what's it going to look like in 5 years? In technology, it's really hard to say what things are going to like and what capabilities are out there. So look, we always look but at 2 things. It's got to accelerate the strategy and it has to return value to our shareholders.

Alan Schwartz - Guggenheim Partners - Executive Chairman

And a strategy is in place. You have the assets for the strategy then if it enhances, fine, otherwise, you just keep going?

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

Yes.



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Alan Schwartz - *Guggenheim Partners - Executive Chairman*

Great. So I got a lot more I could cover and you've got a fabulous job of covering a lot of ground and pulling it together. I have to say that. So I want to turn it over to the audience -- I meant our customers, Mike.

Unidentified Analyst

Go ahead. I'm sorry. Thank you for joining us today, Marni. My question is on the video product. Do you expect to launch an over-the-top virtual MVPD product And if so, when can we expect something like that?

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

Yes. So Lowell talked about this, I think, a couple of weeks ago. So we do expect to do that. I'll leave the timing out. It's not way, way off in the distant future, but we do expect to do that. AOL and Yahoo! coming together is a big portion of that. We also acquired the Vessel team. I'm not sure if you're familiar with them, but they're the team that originally built Hulu. And so they've been doing a lot of the improvement work on go90, which has been really excellent. We released the new app at the end of March and so much better from a technology that, that Rich and that team are just amazing. But we do plan on doing it, but we want to get to the integration work on its way, and then you'll see us come out with a product.

Unidentified Analyst

And then with respect to the content side or something like that, there are a few different models out there right now. I don't know if you can talk specifically or at least philosophically. Is that the type of thing where you feel that you need all the content that your typical pay-TV subscriber feels like they need? I know that you've been big proponents of your Custom TV. You have some picking and choosing. How do you feel about what you need for the product to be successful?

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

Yes. This has been one of the great things about go90 and even though it was targeted at a very much younger audience, we've learned a lot about just having a bunch of content isn't necessarily a winning strategy. I think you can't have too limited, but too much is a problem. I think some of the curation discussions can help with that. But thousands and thousands of titles, I think, is not going to be our strategy. It's going to be the right content. Now what we know, originals are important. That's been helping drive audience. Sports, really important. This content that's surrounding those things has been critical. So I don't want to do just a me-too kind of thing out there, I think, that's not where we're going to win. So you're going to see us, I think about it in a little bit of a different way. I'm not -- I can't go into the details of it now. Maybe as we get closer, we'll talk about it. But it's not -- it's definitely not quantity. It's the right quality. There are some things you have to have, but we're not looking for the kitchen sink on this one.

Unidentified Analyst

In terms of telematics, can you talk about where -- I'm a communications infrastructure analyst with Guggenheim so I'm coming from that point of view.

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

I was shocked that I was a getting a telematics question. I thought you are all media (inaudible)



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Unidentified Analyst

No. Can you talk about where the tower and data center infrastructure is today and where it needs to be in order to support the ultimate vision in terms of on the tower side coverage and capacity? And for example, on the data center side, we've been speaking to service providers in the space, we're talking about considering moving infrastructure closer to the edge to enable this type of vision longer term?

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

Yes. So I think, that same discussion -- and I should have brought my engineer for you. So I'll give you a direct line to him on how we think about all of this. But clearly, the agreement that -- there's an agreed upon view that things are moving closer to the ads. One of the things for us in telematics is, of course, in the U.S., we use the Verizon network because it's the best network in the world. But our business is global, so we use multiple different network providers when we're outside. So I'll leave the tower question for maybe you and I can talk about it offline with an engineer on the phone, we can give you the whole vision of that. But...

Unidentified Analyst

That's great.

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

Yes. You'd like to do that? Okay.

Unidentified Analyst

Absolutely.

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

I know the rest of you would love to hear it too so...

Alan Schwartz - Guggenheim Partners - Executive Chairman

We'll try and keep the rest of the room awake though. Is that all right? And what's interesting aspect of that is you've touched on it, but it's important to see, Verizon, except for limited has basically been a domestic company, right? Most of its assets, you hear most of the business here. But some of these new platforms and services that you get to launch are global on both sides of the equation, IoT and when we talk about Yahoo! a billion too. So you're mentioning it, but it is important to point out that the global is an important part of the strategy.

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

Look, I mean, if our -- so the 2 businesses that I run have to be global to be successful. So even the fleet business, we might not even think about kind of that market size, but that's \$100 billion market opportunity in fleet and that's the global number. A good portion of that will come from outside of the U.S. So we very much in the 2 businesses, as I said, maybe the other thing Ivan said to me is think about things that don't have as much capital intensity is you've got to think bigger than the U.S. too, and he, of course, was always doing that with some of the things that he had thought about. So global, less capital intensity. I want to make sure we -- I always say this, we leverage the Verizon network any time we can because that just makes it stickier and quality and all of that, but outside of the U.S., the services can ride on any network.



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Alan Schwartz - Guggenheim Partners - Executive Chairman

And let me ask you about that for a second because it's not only the best network in the U.S., but the U.S. network is well ahead of most geographies partially because of regulation. So providing -- coming up with these software solutions because the network allows things to happen first then you can move overseas and use other networks like other software providers and they will be using the networks here, right?

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

Yes. Yes, for sure.

Unidentified Analyst

(inaudible) role of music in consumer engagement with various Verizon brands kind of fits neatly into both the wireless services as well as the businesses that you run?

Alan Schwartz - Guggenheim Partners - Executive Chairman

The role of music (inaudible) people in here.

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

There might be an underlying question underneath that too, but I'll leave it at that. Look, I think, when we look at spaces that we want to go after, we try and look at who are all of the players that are winning in that space. So we haven't focused a lot on music. We've got some commercial relationships in a lot of the telematics business we do, we offer infotainment. So we partner with a Sirius or others to bring that together. But I would say, we don't have a specific music strategy today. I think there's an opportunity with Oath as we bring that together -- when we think about really building out entertainment to have music -- storytelling, if you will. So MTV, you think about where MTV was. What is the new MTV look like and how could you reimagine that in a digital world. But simply, just doing the song curations with Spotify or Pandora. We don't -- we haven't spent a lot of time in that space.

Alan Schwartz - Guggenheim Partners - Executive Chairman

So we're running out of time. Yes?

Unidentified Analyst

I think you've touched on some of it, but to grow the ad business with Yahoo! and AOL, and obviously have a lot of users would help you get the data and get the flywheel going, but to really grow the ad revenue over time, you need to grow the eyeballs over time? And I just like to hear a little bit more about how you think about content acquisition or how you get an ecosystem for your content or how you develop those additional eyeballs and get them growing over time without -- have a tough time thinking about like Lowell greenlighting movies or original series or something like that?

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

Lowell greenlighting movies, is that what you said?



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Unidentified Analyst

Yes.

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

I have a funny story I was telling this earlier. So Lowell was doing an interview with -- I think it was Bloomberg, I can't remember, but somebody, he was doing an interview and they said, "Lowell, why did you buy a hip-hop magazine?" And he said, "I would never buy a hip-hop magazine. What you're talking about?" So and the reporter said, "Well, you just invested or bought Complex Networks." And so Lowell comes storming into my office saying, like, "Why would we buy a hip-hop magazine?" And I said, "Because they have more audience than ESPN on their digital sites more males 18 to 24. And you might not have known, you're not 18 to 24, so that's why you didn't know that, right?" So -- but -- so this is the offensive part of the program, by the way. So that -- I don't even remember what your question was now, but the -- I started storytelling, but that kind of content, we've made some investments there. But here is how we think about eyeballs. And eyeballs are the most important metric in the flywheel because if you don't get the eyeballs, you don't have the ad inventory. But the way you get the eyeballs is through great content experiences. So we're leveraging all of the content relationships both in terms of the ones that we have investments in, the partnerships to really create really great experiences on the platform. And so, for example, we have talked about really creating super channels with sports, finance, tech, entertainment and news. We have great audiences on those today or once we bring Yahoo! together. But we haven't -- either Yahoo! or AOL have created really great experiences. So we need to bring that video asset there and then go deeper with the experiences to get engagement in each one of those channels. And so that's what we plan on doing, leveraging things -- the assets like NFL or NBA, taking some of our other original content and bringing it over. So you'll see us build those out, but it's not just slapping a video up there, it's thinking about a curated content experience inside each one of those channels to drive engagement. Yahoo!'s engagement on sports, news and finance is really incredible when you look at the number of eyeballs. I think we can continue to grow that by improving those experiences. Fantasy is the other thing that I think has huge opportunity for us. So Yahoo! Fantasy Sports is one of the top players, and there's a real opportunity to do some unique things there. So you'll see us do that as well.

Unidentified Analyst

And gaming?

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

And gaming, yes. So I have a 12-year old at home who just sits and watch other people play games on video so it's a great...

Unidentified Analyst

An event.

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

Yes, until he can get a job and...

Alan Schwartz - Guggenheim Partners - Executive Chairman

So we are out of time. Well, he might get a million dollars to play so you'll never know...



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

That's true.

Alan Schwartz - Guggenheim Partners - Executive Chairman

It's hard to image how dumbed down the content has to be the #1 with 18- to 24-year-old males, but we're not going to do that.

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

Come live with Uncle Alan when he can't get a job.

Alan Schwartz - Guggenheim Partners - Executive Chairman

Exactly. So look, it was fabulous. I really, really appreciate you doing this you, and you did a great job. Thank you so much.

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

Thanks, so much. Glad to be here.

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.

Yahoo and its directors and executive officers, as well as Verizon and its directors and executive officers, may be deemed participants in the solicitation of proxies from Yahoo's investors and stockholders in connection with the proposed transactions. Information concerning the ownership of Yahoo securities by Yahoo's directors and executive officers is included in their SEC filings on Forms 3, 4 and 5, and additional information is also available in Yahoo's annual report on Form 10-K for the year ended December 31, 2016, as amended, and Yahoo's proxy statement for its 2016 annual meeting of stockholders filed with the SEC on May 23, 2016. Information about Verizon's directors and executive officers is set forth in Verizon's annual report on Form 10-K for the year ended December 31, 2016 and Verizon's proxy statement for its 2017 annual meeting of stockholders filed with the SEC on March 20, 2017. Information regarding Yahoo's directors, executive officers and other persons who may, under the rules of the SEC, be considered participants in the solicitation of proxies in connection with the proposed transactions, including their respective interests by security holdings or otherwise, also will be set forth in the definitive proxy statement relating to the proposed transactions when it is filed with the SEC. These documents may be obtained free of charge from the sources indicated above.



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Verizon and its directors and executive officers, and Straight Path and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of Straight Path common stock in respect of the proposed merger. Information about the directors and executive officers of Verizon is set forth in the proxy statement for Verizon Communications Inc.'s 2017 Annual Meeting of Stockholders, which was filed with the SEC on March 20, 2017. Information about the directors and executive officers of Straight Path is set forth in the proxy statement for Straight Path Communications, Inc.'s 2017 Annual Meeting of Stockholders, which was filed with the SEC on November 22, 2016. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the proposed merger when it becomes available.

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