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EDITED TRANSCRIPT

VZ - Verizon Communications Inc. at Deutsche Bank Media,
Internet and Telecom Conference

EVENT DATE/TIME: MARCH 10, 2015 / 11:45AM GMT



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PRESENTATION

John Utendahl - *Deutsche Bank - Analyst*

I would like to say welcome to our second day of our Media, Internet and Telecom conference. I am John Utendahl, Vice Chairman of Deutsche Bank Americas and we have a real treat today. We have Fran Shammo, the CFO of Verizon, who has decided to come back and speak as the keynote and we are going to get a chance to chat a little bit today, Fran. So I want you to speak your mind. The sun is out, we are all ready to go.

I have had the chance to be around Verizon for a very long time. Actually back in the days of Fred Salerno and Ivan -- there's a name you haven't heard in a long time -- and if you date back to my days at trading, 35 years ago, before you were even Verizon -- well, we will just move on.

So Fran, how do you see the wireless competition in the rest of 2015 and into the future?

Fran Shammo - *Verizon Communications Inc. - EVP and CFO*

Well, I always like to say that the wireless business has always been a very competitive business and you saw a lot of moves last year. I think somebody had quoted there was over 90 price moves last year compared to maybe 20 the previous year. So last year was a pretty active year from a positioning standpoint in the industry. And I think the press makes this price war out to be a lot more than it is because what people don't realize is really all that has happened is there has been a shift between service revenue to equipment revenue. So it is just a repositioning of how the customer pays for certain things and of course with the installment sale, there is no more subsidy so you are paying full value, \$750 for an Apple phone where you used to be able to get one for \$199 but pay more in service.

So there is a little bit of shift of economics but prices have decreased, there has been some dilution but I think what we are seeing now is coming out of the fourth quarter there really hasn't been much change from the holiday season. So I think that things have calmed a bit. I am not going to say they are going to stay there for the rest of 2015. We will have to see and wait to see what the competition does.

But, look, I think at the end of the day this is still just a very young industry in my view. There's a lot of opportunity in this industry. If you just look at tablets, tablets are still a very small piece of the pie for the industry and I think there's a lot of growth there and I have said that for Verizon Wireless, tablets will be a very strong growth engine for us for the next two to three years and again, you saw tablets be a big component of our net adds last year.

The other thing though too is that maybe something different that we are doing that others are not doing is we are investing in what we would consider bringing more value to the customer. So if you think about Internet of Things, we've disclosed that we are now generating over -- almost \$600 million worth of revenue from Internet of Things.

This year and the next two months you'll be seeing us launch Verizon Vehicle, which is coming out of our Hughes Telematics entity and really what that will do is there's about 200 million vehicles out on the street today that have no capability of an embedded technology within the car and this over-the-counter aftermarket product will enable those cars to perform just like an OnStar car or Mercedes-Benz car with all of the safety features, communication features and this is something that's been being developed by Telematics over the last three years. So that will launch this year so we have a very large pie of opportunity there to divest -- to divert ourselves away from some of the legacy just consumer type smartphone products.



In addition, we are also launching, as we've said, an over-the-top mobile first product come this summer. So again just a different type of product, a different value proposition for the consumer. So we are trying to expand our opportunities in the marketplace because the net phone add is going to be a very competitive type environment. It's almost fully penetrated at this point.

For us, John, we have still about [18 million basic phones and 13 million 3G phones] (corrected by company after the call) in our base so we have an opportunity to upgrade them. But that opportunity is dwindling fairly fast and that will probably be gone by the end of this year.

So as I've said before, the net smartphone category is going to be a very condensed category going forward. So we have to look at these other avenues of growth and I think that's how we're going to differentiate ourselves in the future.

John Utendahl - Deutsche Bank - Analyst

We are going to bounce back and forth. You have had a chance to shed some non-core assets recently and have more exposure to wireless. So how do you think the rest of your asset portfolio looks and when you talk about long-term growth?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well the two divestitures that we just recently announced was we monetized our towers. We sold them to American Tower and received a \$5 billion upfront payment which we will be collecting within probably within the next 30 days to seal that deal. And we were the last in the industry to do this. We said if we got the right terms with the right price we would sell the towers and we did so we sold the towers.

The other divestiture of the three properties in FIOS and consumer, which consists of Florida, California and Texas, I think we looked at it and said they are kind of islands amongst themselves; they really don't fit anywhere else in the footprint. They are not contiguous to any other wireline property we have. They are still very concentrated in copper. Yes some of it is FIOS-enabled but they are very highly penetrated FIOS markets because they were some of the first markets that we did.

It just made sense. Frontier showed some interest in the properties. We said right price right deal we will sell the properties. We came to the right terms that we felt was a good deal for our shareholder. And that deal will close sometime at the end of -- probably first quarter of next year.

So as we move into the future, I think now we sit and say we have a great set of properties on the FIOS footprint contiguous up and down the Northeast corridor. We have a good enterprise business and we have a great wireless business. So I think right now we are happy with the asset portfolio we have.

As Lowell and I continue to say, we always look at the portfolio to see if there's something to monetize that's not as strategic to us and we showed that but at this point we are satisfied with what we have.

John Utendahl - Deutsche Bank - Analyst

Well, there's a lot of speculation hovering around the recent FCC auctions or AWS-3. A lot of people were surprised. What was your thought process during that whole --?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

I think that first off going into the auction, I guess one of the things that the FCC was trying to accomplish was it seems like they want to pick losers and winners in these things and they set the auction up to enable one company to go in on a very lucrative basis and participate in the auction which drove prices up.

One of the things that they said at the beginning though is that they didn't want the carriers if you will to hoard spectrum and sit on the spectrum and yet what the end result was they have a company who is sitting on spectrum, has not invested \$1 in that spectrum and hasn't generated one job by that spectrum. So again, when you start to put too much thumbprint on some of these regulatory issues you end up with unintended consequences on this stuff.

But as we entered the auction, we knew that the option was going to be bid up just based on the fact how it was set up but quite honestly, the prices became a little shocking to us as well. And as we sat there and the way Tony Melone, our CTO, described it is there is a balance. Historically spectrum was down here and the price to build capacity was up here. So it made sense to buy spectrum because it was a cheaper way to do capacity.

This auction flipped that balance. And at the prices of some of these markets we just said you know what, we can build capacity for a third of what that spectrum is going to cost. So we made some choices and we didn't get all the markets but we made choices and said it's going to be cheaper for us to build these markets out.

So that's where we ended up and we are very satisfied with that equation and until that scale rebalances there's really no reason for us to go into the secondary market and buy spectrum at this price. It just doesn't make sense.

John Utendahl - Deutsche Bank - Analyst

Now how have you been adding your capacity to --?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well most of the capacity that we are doing and especially in the markets that we did not win like a Chicago, we are doing a lot of small cell technology, we are doing a lot of diversified antenna systems and a lot of in building coverage. If you look at Chicago today, if you are walking down the street, you will see these small cells right on top of the lampposts.

So a lot of this technology is there, it's not expensive to deploy. Now there is an OpEx offset to that because you have to run fiber to every small cell that you put in so there is a little bit of back haul. But still financially it makes sense to build that densification rather than buying spectrum at the price that it was sold at.

John Utendahl - Deutsche Bank - Analyst

Possibly buy more sites?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well from a macro perspective, macro cells will go down over time. Most of the investment will be in the small cell and in building coverage.

John Utendahl - Deutsche Bank - Analyst

Well here's a favorite topic, Washington's regulatory front. I want you to speak your mind on this one, okay?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

So --.



John Utendahl - Deutsche Bank - Analyst

Title II, first tell me about Title II and how it affects your business.

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well, again, it's just another example of where over-regulation can cause some unintentional consequences. And again, this is another example of where we are trying to protect something where we want to pass regulation that says we don't expect the ISPs to prioritize, we don't expect the ISPs to block anything. And at least to my knowledge, not one ISP has ever done any of that in this industry. So it's been a very free-flowing open Internet, without regulation, we have had a lot of investment, we've had a lot of innovation. We have had companies like Facebook and Google and Apple all of a sudden come to the forefront with all this technology that's been built and for some reason now we feel like we need to put in a 1933 regulatory legislation to fix what was never broken.

So again when you start to overlay all this heavy regulation, investment is going to go down, jobs are going to be lost and there's going to be no innovation. So I'm not sure what we are trying to accomplish by all this heavy regulation coming out of Washington.

So look, we don't know exactly what the 300+ pages of the regulatory bodies say yet. We will get that in the next week or so and then we will have to draw our own assessments but I would have to assume that there's going to be a lot of litigation around this and unfortunately the taxpayer is going to pay a lot of money to defend what regulation was passed.

John Utendahl - Deutsche Bank - Analyst

Taxes. I'm sure that's a big topic especially as it relates to overseas operations. What are your views on that?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

I think that we are long overdue for a tax reform act here in the United States. It's hard to compete in a worldwide economy when you are the highest tax rate in the world. We've just been kicking this can down the road. It's time that we really get to a tax reform. The Rate Coalition has been put together which consists of manufacturing companies and service companies and we've been in Washington trying to help move this ball. But it's a very difficult ball to move with tax reform.

So I think it's going to take some time but in the meantime I think that they have to continue to do some things to stimulate investment and also we have to get over this hurdle of all this trapped cash out of the US to bring it back in a form that can then create jobs and create investment and create innovation because it's just sitting overseas idle right now and that doesn't do anybody any good.

So I think we need to cross the hurdle and get to a reasonable legislative fix to this and I think also the legislative fix can fix some of the other things through the regulatory bodies as well. So really looking to Congress to bring some sense to the process here and fix some things.

John Utendahl - Deutsche Bank - Analyst

Seems to be a lot that needed to be fixed in Washington these days.

Fran Shammo - Verizon Communications Inc. - EVP and CFO

We need some progress.



John Utendahl - Deutsche Bank - Analyst

Data roaming, how do you --?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Look, we have had data roaming since the beginning of time in wireless and under commercial arrangements we enter into roaming agreements with our partners and we've done that for years. But to again have a regulatory body dictate what that price is -- now although they say there is forbearance on this, I don't think we should kid ourselves. Because regulators like to regulate and eventually they will get to price regulation and that could be detrimental to the industry.

So let the industry work on a commercial terms basis which is good for the buyer, good for the seller and people who invested in their network should be able to sell that network capacity at the price that they believe gets a rate of return for them. It shouldn't be forced onto something that's outside of that.

John Utendahl - Deutsche Bank - Analyst

I see the sun coming out so we are going to touch back on something you mentioned earlier. As far as the incentive auction and the use of the designated entity, what do you really feel about that?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well, designated entities have been there since auctions started but again as you implement rules trying to pick losers and winners you have what I would call consequences that are probably not intended. And so you just have to be careful how you set the rules. But the designated entities have been there and they serve a purpose for minority firms and others to be able to purchase spectrum which we are perfectly fine with. But when you start to expand those rules into major corporations who can use designated entities for the purpose of none other than to stockpile spectrum, that's when it becomes a problem.

John Utendahl - Deutsche Bank - Analyst

Let's talk about the financial structure of your Company. It has changed a little bit obviously with the purchase of Vodafone's minority interest. These changes to your operating structure, has it and perhaps is there some changes we can expect maybe with a large M&A trade that perhaps we could do? I guess I wasn't supposed to say that.

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Let's start out with the M&A side. Obviously we did our big M&A in February of last year by acquiring the 45% of the Vodafone interest. So as I said, our priorities from that day forward were to invest in our networks which we have. We are going to invest \$17.5 billion to \$18 billion this year back into our networks and platforms. We said we needed to buy spectrum which we did for \$10.4 billion. We said that the dividend was important to our equity shareholders. We gave one of the largest increases of our dividend this past year in September. And also then to repay our debt and to delever the balance sheet.

As you can see by the use of the proceeds that we have from the Towers and the Frontier deal we did a \$5 billion accelerated stock repurchase program but the rest of those proceeds will go to delevering the balance sheet. And we are right on course to again deliver and get back to an A-rating by 2018, 2019.

As far as the organizational structures go, as Lowell looked at the structure, we said we needed to become a more efficient company. So with the divestitures of the three properties south, he has taken the operating units and consolidated them under John Stratton. He has taken the strategy and product development which is some of the Verizon Vehicle that I mentioned, IOT, Video Over-the-Top and has consolidated that under Marni Walden to be more of the strategist in developing the new products to go forward.

Then he has also consolidated -- Tony Melone announced his retirement. He is consolidating the IT and the network infrastructure under Roger Gurnani, where a lot of companies have consolidated their network and IT infrastructure because now when you think about it, it's all around software developed networks, it's more or less the same.

So consolidation of that and we believe that this will make us a much more efficient company and that we can drive costs out of the business. That's really the model that we want to operate under.

John Utendahl - Deutsche Bank - Analyst

Well, we want to make this a little bit more interactive so we want to ask the audience for some questions now and if not we will come back to some more here but might the audience have some questions? I know it's early but we have Fran Shammo here.

Fran Shammo - Verizon Communications Inc. - EVP and CFO

There's one over here.

John Utendahl - Deutsche Bank - Analyst

Right there.

Fran Shammo - Verizon Communications Inc. - EVP and CFO

I don't know if we have mics. I guess not, go ahead.

John Utendahl - Deutsche Bank - Analyst

Do we have a mic? Up front here.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Listening in the beginning of all the negatives, I wanted to walk out of the room and say why should we be here? You sound like you are lobbying Congress and the Senate to change things.

The second part you just gave some reasons why we should invest in Verizon but maybe you can expand upon that. How are you going to get around the issues and how are we going to be making money as investors?



Fran Shammo - *Verizon Communications Inc. - EVP and CFO*

Well, I think, look, the regulatory environment is the regulatory environment. I mean obviously we have been involved in the regulatory environment since the beginning of time. So we are pretty good at figuring out how the rules are played and play by the rules. I'm not here to be negative; I'm just here to be factual on what's coming out of Washington and the regulatory environment that is being created.

As far as investing in us, you'll have to make your own determination but I think the results matter and we are the best performing wireless network and we are the best performing telecommunications company. So I didn't mean to leave you with a negative impression on the regulatory body but it is what it is and so we'll just have to work our way through that.

Look, we're not going to stop innovating because of that. As I said, we are going to come out with over-the-top mobile video, we're going to come out with Internet of Things, which doesn't have anything to do with the current environment of Title II and we will have to see what Title II brings to us and how we have to abide by that.

But as I said, I think you are going to find a lot of litigation around that and that's going to have a long way to go before it is settled.

John Utendahl - *Deutsche Bank - Analyst*

Other questions?

Unidentified Audience Member

Could you discuss how you look at the threat of cable companies especially now that Comcast is going to be in the vast majority of the major markets to do a Wi-Fi first wireless offering?

And then maybe speak to the strategy of giving them an MVNO. There has been some discussion about maybe the terms of that being perpetual and irrevocable. What does that mean to your business long-term, possibly basically opening the door for another competitor to come in using your network and spectrum?

Fran Shammo - *Verizon Communications Inc. - EVP and CFO*

Yes, so look MVNOs or reseller agreements as we call them have been around since the beginning of time and we actually have some very large resellers who use our network today. So look, we entered into the agreement with Comcast back when we bought the spectrum from them under SpectrumCo and they have a right to execute on that MVNO.

As far as using Wi-Fi as an offload to LTE, I think first of all a couple things here. Number one, 80% of the traffic today is on Wi-Fi so I think you have to put that in perspective.

The other thing as technologically it is not a seamless flow of going between Wi-Fi and LTE. Yes technologically it can be done but it is not a -- I guess the quality of service that most of our wireless customers would like.

The other thing too is that Wi-Fi is an unmanaged network. LTE is a managed network and most of you know if you put a number of users on Wi-Fi, the quality of service is pretty quickly degraded. Now if you add voice to that, it degrades even faster. So again, we don't believe that Wi-Fi is a replacement for LTE. Wi-Fi has always been a complementary type technology to LTE and if you take that a step further with unlicensed LTE that will be deployed and we are looking at that technology now to deploy that, when you have unlicensed LTE with licensed LTE you can actually have a whole managed network between the two.



So there's more opportunity around in our opinion around unlicensed LTE to be an offload of LTE than it is for Wi-Fi to be an offload of LTE. So we will see how this plays out but it's not something that we are overly concerned about. The cable companies will probably execute on some type of an MVNO for Wi-Fi but we don't believe that it's going to be a replacement for LTE.

Unidentified Audience Member

Fran, you mentioned innovation in the business and I think as a customer of Verizon we see it in the way you deliver replacement set-top boxes and reuse the box, the way you drive more of your customer interactions to the Web as people get more comfortable there and that feels like it's been a big cost element.

And then on Verizon Ventures, you have made I think to date about 40 investments. Can you talk a little bit about innovation and how it ties in with efficiency and how far Verizon can go in that area?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well from an innovation perspective, we have two what we call innovation centers, one out in Palo Alto and one in Waltham, Massachusetts and really all they are is where we invite application developers or any company who wants to develop anything over the LTE network to come in and work with our engineers to solidify what their product is. That's where you are getting some of this innovation coming from Internet of Things.

And if you look at the wireless side of the house, that's where we have come out with some very interesting type products, many that probably don't even get that much press because they are niche type products. We developed a camera for news broadcasters where they could deliver the content right over LTE without having to put up the satellites on their trucks. We developed a fire helmet in New York City for fire people to see what the grid layout of the building is when there's a fire in there so they know exactly where they are going.

So there's a lot of technologies that have come out of those innovation centers that just add into the revenue stream of our Company that are not necessarily consumer products. They are more B2B type products.

So from an innovation standpoint again, Verizon Vehicle has been developed over the last three years and we're going to finally launch that. Video over-the-top for mobile, we've been working on that since we started developing Verizon Digital Media Services. And then of course we acquired UpLink and EdgeCast and OnCue and we're putting all those assets together to deliver that mobile over-the-top solution. So that's going to come this summer and again that's been in development stage for the last four years.

So there's a long-term innovation here and you brought up Verizon Ventures which is a arm of Verizon that does investment in start-up companies and we go out and we pick start-up companies that are we believe are developing technologies that could be very futuristic for us.

That's kind of the beginning stage without us doing the development ourselves because we know that there's a lot of intelligence out there especially Silicon Valley where there are small companies developing these types of software applications that we are not going to be able to develop on our own. So we are using that as the platform to understand how that ecosystem will be created, invest in those companies and eventually we either have those companies sold to other parties who will do business with us or we will eventually acquire those companies but these are very, very small type companies.

John Utendahl - Deutsche Bank - Analyst

Other questions? Fran, the big four. Obviously I think of you and the other big one in high quality. How do you -- competition for the other two? How do you see that? A lot of regional plays for them?



Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well, we kind of look at the industry now -- I mean if you go back 18 years ago, there were a ton of small wireless companies that you competed on a regional basis and we kind of view the track now as it's really four players. So you are competing more on a national basis in some respects now.

Some of the competitors have picked certain cities that they are going to play in and play hard in and we will compete with those in those cities. But if you look at the way we are competing, obviously the network of Verizon is our crown jewel. We have consistently stated our brand around the quality of the network and we will continue to do that.

Now I will say that there's a lot of confusion in the consumer base about what does the strongest signal mean, what does the fastest mean, what does this mean, what does that mean? And I think if you've seen some of our new ads recently that we started, it's around the experience. And if you start to think about the amount of things that you want to do on a wireless network, if you don't have the breadth and quality of that network you're not to be able to do those things.

That's really where we need to drive the conversation because the consumer is very confused now about who the best is. But if you look at the third-party Root Metrics who does only third-party test out there, they just came out with the results again and once again we won six out of six as the best network. Some of the others, one competitor specifically who keeps touting that they have the best and they are the most densified network and making claims of Verizon's exhausted spectrum, they actually fell down in the rankings.

So I think there's so much confusion out there from a consumer it is now we are going to start going on the experience of the network.

Unidentified Audience Member

Fran, along those lines, two separate questions, they are independent of one another. Porting ratios, what are we seeing right now with respect to say Sprint versus Verizon and T-Mobile versus Verizon since you obviously were alluding to T-Mobile just now, point one?

And then question two, on the spectrum auction, recognizing that there was a bidder that may have had a different motivation there pushing prices up, why didn't you just walk away, unless you needed the spectrum as badly as people would suggest?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Yes, so first porting ratios, you've never heard Verizon talk about porting ratios. It's just one component and it really -- you have to understand, a porting ratio can be a prepaid customer also porting out. So it's not necessarily postpaid customers only. So there's a lot that goes into that and really what we concentrate on is we really concentrate on the churn metric, the quality of the churn, who we are losing, who we are gaining. So there's a lot to go in porting ratios and we don't talk about porting ratios.

As far as the auction goes, what you did see is we did walk away with certain markets in that auction. Now you also have to understand too is that there's a limited amount of contractors who can build sites. There's only a couple manufacturers who actually manufacture the small cell technology that we use so there's a limited capacity there. So you have to play through where you're going have spectrum, where you can build out the network and you have to balance the two. You can't just go and say, no more spectrum, we're just going to build everything. There's not enough capacity to build everything.

So you had a balance and quite honestly there were markets that we bought that we felt were reasonably priced markets that we could get a return on. A market like New York and Chicago we felt that the prices were way too high. In New York, we happened to have a very good spectrum position to begin with. We have 127 MHz of spectrum in New York. So we had a great portfolio walking in so it wasn't a market that we felt we needed to overpay to get more spectrum in.

So we made the decisions as we went through the auction and I think we made the right financial decisions.

Unidentified Audience Member

Two more quick questions, if I can really quick. You mentioned churn. What are we seeing or what sense do we have as far as going forward churn this year point one and how it's shaping right now? And then with respect to designated entities, what are we seeing -- why didn't we utilize them ourselves recognizing that's how your competitor got such a meaningful discount relative to you?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well, there's a lot of rules around how a designated entity and who can use a designated entity. I think in our history we used a designated entity way way back at one point time when the rules allowed a Verizon Wireless to use a designated entity. So it's just a matter of how the rules are laid out and who can use what. As far as the -- I'm sorry, what was the second one?

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Yes, on churn, look, fourth quarter was an extremely high volume quarter. You're not going to see that volume come through. We are going to go back to a normal volume quarter in the first quarter here and I would just say you are going to see churn elevated from a year ago but not something that's going to be concerning.

Unidentified Audience Member

If I could wander into your stores which I have as a customer and examine the relationship between you and a prominent supplier versus three years ago, which one would be in the stronger position?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well the way we run our retail outlets, we do not compensate our salesforce to sell one product over the other and the reason for that is because at the end of the day what matters is that the customer who is walking out the door is satisfied with the product they picked. So depending on personal preference, depending on the features and whatever the individual wants, that's the phone they will choose. And I would say that there's two manufacturers who compete pretty heavily with one another and then everybody else is probably after that but we do not compensate one over the other.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Fran Shammo - Verizon Communications Inc. - EVP and CFO

So the question was am I better off selling one phone over the other? So here's the issue. The issue is every phone has a different NPV and you can say why is that? Well the reason that is is because the performance of that individual phone, the type of applications on that phone. So some products have higher usage than other products and it actually it's not even between manufacturers, it's between the same manufacturer and the different model phone.



The other thing though too is keep in mind with Verizon Wireless's worry free guarantee, if you leave the store with a phone that you are not satisfied with, you get to bring that phone back and I have to give you another new phone. That's the worst economic position I can be put in because now I'm actually distributing two phones for you and I'm taking a loss on the first phone.

So regardless of this phone may give me a better NPV than this one. If you're not satisfied with that phone and bring it back, then I'm actually in a worse loss position. So for us customer satisfaction is the key and every smartphone has a high NPV on it so it's really not that different between phones.

Unidentified Audience Member

You mentioned how regulations like Title II might limit investment or innovation from the telco carriers. Now that regulation has passed and you are going to see the full 300 page document sometime in the next few weeks, does that change how you think about spending in terms of capital expenditures maybe timing or where those capital expenditures go?

Fran Shammo - *Verizon Communications Inc. - EVP and CFO*

Well, the answer is it could. We don't know yet what the 300 pages say. So at this point in time we have laid out what our 2015 plan is. So until our lawyers get through the 300 pages and we actually understand what it is, it's hard for me to respond to what the repercussion of that will be. I just don't know but it absolutely could lead to a reduction in investment.

Unidentified Audience Member

(inaudible), Deutsche Bank. My question to you is, this might be a bit technical, but a lot of service providers all over the world want to move to a cloud infrastructure, a software defined infrastructure. So my question to you is I'd like to get your view of this network transformation. Do you view this as a set of headaches you don't foresee but that will come and hit you in terms of higher OpEx? Or do you perceive this as like what's written in the textbooks which is this is all good, lower OpEx, lower CapEx? I would like to get your view on this software cloud transformation, what is your independent view of this? Thanks.

Fran Shammo - *Verizon Communications Inc. - EVP and CFO*

Well the LTE network is really a software developed network that runs out of data centers. As far as reduction of CapEx, you still have to build mega data centers to be able to handle all the servers, you need to build several of those data centers in order to have redundancy in your system because if you have a catastrophe in one area, you still need to default everything so you need the capacity built into that.

They are more -- it is much more efficient which is why we are consolidating the network with IT because really it's all about servers, it's all about software, so there are synergies within that. But again, I look at this and I say I don't see massive reduction of CapEx in the wireless business because we are going to a software developed network because there's a lot more small cell technology, a lot more in building coverage. There's more densification that's going to be required. So if that's what we are looking for that's in my view probably not going to happen. I think you'll see a consistent investment in the wireless network at least from Verizon.

Unidentified Audience Member

On the cloud side, do you see Verizon competing head-on with the AWSs, Google's of the world to get private cloud business from the big enterprises? How do you see that playing out of enterprises working with AWS, Google etc. and also working with service providers for private clouds? Thanks.



Fran Shammo - Verizon Communications Inc. - EVP and CFO

The discussion I just had was our own internal software developed network for our own internal use with Verizon Wireless. Now if you go into the enterprise space, obviously we bought Terremark, which is a data center company. We continue to build out data centers for our enterprise customers and government customers.

We don't necessarily compete against Amazon because that's more of a lower end consumer type product. Our niche is around more security-based data centers which is more of your government type work, your more high enterprise security type work. So that's kind of where we compete within the cloud business.

John Utendahl - Deutsche Bank - Analyst

Your Edge program, that's actually evolved pretty nicely. Can we expect more out of that going forward, choices for consumers?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Yes, as far as Edge goes, coming out of the fourth quarter I think we did 24% of the customer selected the installment sale which is our Edge and I said that we are probably going to see an increase in that in the first quarter and I gave guidance around 35%. I would not be surprised if through the year that continues to tick up. Part of that is because the competition right now is just solely dedicated in advertising on the installment sale.

So in order for us to keep pace with the competitive environment and the reason we have to is because when you advertise an installment sale, you are advertising a very low service price. They don't necessarily talk about the installment sale side.

So in order to be able to compete on that price point we are going to have to advertise more heavily in the installment sale arena. So I would anticipate that the take rate will continue to go up.

John Utendahl - Deutsche Bank - Analyst

More questions? So what would you like to say in closing to everyone?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

So what would I like to say in closing? Well, I think in closing what I would say is going back to my first point which is the wireless industry, there's just enormous opportunity for growth for the industry. And if you look at -- if you think about Internet of Things and you think about if you want to talk about connected car, if you talk about mobile over-the-top video into a wireless unit handset or tablet, there is just so much opportunity in this ecosystem that again if you go back in time, it used to be just about a voice minute. Then we entered the data world and now we're entering into a new world which is more or less everything being created out there.

If you go to a consumer electronics show, every piece of electronic equipment that's being developed has some type of an LTE chip embedded in it. So you think about Fitbit and these types of technology, they are all being communicated over the wireless network. So the opportunity is as I think the pie expands, there's enough pie for all four carriers to expand within that pie but again for Verizon it's going to be around the quality of the experience and quality of the network and I think we've got it right and we're coming out with some real nifty things here this summer and we will see how we go.

John Utendahl - Deutsche Bank - Analyst

You have done a great job in addressing where everybody is today thinking it's becoming more personal today with the phone. So God knows my daughters feel that way.

Fran Shammo - Verizon Communications Inc. - EVP and CFO

Well, thanks, everybody.

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