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EDITED TRANSCRIPT

VZ - Verizon Communications Inc at Wells Fargo Technology, Media & Telecom Conference

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PRESENTATION

Jennifer Fritzsche - *Wells Fargo - Analyst*

Welcome, everyone. We are going to start day two of the Wells Fargo 2016 Telecom & Media Technology Conference, TMT. We are really excited today. We have a great group of companies to present in each of those silos and we are most excited to start the day with John Stratton from Verizon. John is the Executive Vice President and President of Operations. He oversees all wireless and wireline business. So, welcome, John.

We are always joking the timeliness of this conference falls in our lap. This year is no exception. In fact, it might be the most memorable one. So maybe if we get that question out of the way, politics aside, we had some surprising developments on Tuesday night. How does Verizon think about the world now? Am I right in saying that a Republican administration, let alone a trifecta, has typically been a very pro business model, which, on paper, should be good for the telecom-regulated industry?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes, it's been an interesting couple of days and an incredible 18 months or so as this campaign has unfolded. From a Verizon standpoint, our Chairman, Lowell McAdam, had some comments that he posted online yesterday at the conclusion of the race. We are still sorting out where we go from here as a country, of course. The real focus, we believe, what's most important next is the divisiveness that we've seen over the course of the last 12 months, in particular in the course of this campaign, has been so amplified and so magnified through the discourse that we think what's most important right now is that the country come back together in a degree of unity to address some of the serious issues that were revealed, I think, by the electorate during the course of this election. And certainly the results from Tuesday suggest that that is absolutely needed.

So there is a lot to be done. We have issues in terms of the critical infrastructure in our country. We have continued issues with the quality of the education system here in the US; what moves can we make collectively as a country to take serious measures to address those serious problems.

So, look, I think in terms of the balance of the legislature and the executive office, what that enables our industries to do differently than perhaps where we've been will become more clear, I think, with the passage of time. But as much as anything else, just a chance now for us to take a fresh sheet of paper and maybe some meaningful approaches to those more serious long-term issues is really what's called for.

Jennifer Fritzsche - *Wells Fargo - Analyst*

All right, great. Let's jump right into Verizon. Let's start with wireless. In the third quarter, there was some pressure -- you noted competitive pressure. Maybe that's the best question. What are you seeing right now; what's Verizon's narrative; how does Verizon differentiate themselves in what some might say irrational promotions going on around you?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes, I don't know that I would call the promotional activity irrational per se, but what we have is a very competitive market and if I look back to the third quarter and we think about some of the moves that were made in the market, the shift in a meaningful way back to unlimited for wireless data is certainly meaningful. We now have several of the competitors here driving that pretty aggressively, but there were other issues and events that happened in the third quarter as well.

So, obviously, the launch of the iPhone 7 is very noteworthy and it's a great device and on its own merits, that's a meaningful launch to the market, but what's also important to remember is, in the third quarter, was the two-year anniversary of the original iPhone 6, which was such a big hit for Apple that cyclically you get to a place where you have many, many tens of millions of customers who are ostensibly up for renewal. So you have a bit of a land grab opportunity. So it got pretty intense there in the month of September, the combination of unlimited and free iPhone and the like kind of stimulated some activity.

Where we look at this as we consider third quarter, but more importantly the current quarter and 2017, our approach has been fairly consistent and we take this very seriously. As we said as we came into 2016, our most important objective was to protect and defend the high-quality base of subscribers that we have today and managing the churn levels, maintaining that base, growing the accounts that we have -- so we think about things like connections per account -- really critical for us. We will make disciplined, prudent decisions about how, when, where and at what level we engage competitively.

As we look at the fourth quarter here, again, we've made adjustments to our promotional pricing. We've launched a couple of interesting devices, most notably the Google Pixel device, which is part of a broader partnership that we've enabled with Google that we think has great potential.

My expectation for the quarter is that, as you typically see seasonal increases from third quarter to fourth quarter, we will see the same here. I do expect positive phone net adds and continued strength in terms of our overall churn performance.

Jennifer Fritzsche - *Wells Fargo - Analyst*

And you are not offering an unlimited plan, yet you've done many -- you noted -- different pricing mechanisms. How have those been received? Has your customer base come to those, the new plans?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes. We've done different adjustments from a promotional perspective, but more substantially in July of this year, just a few months ago, we launched our what we call very creatively Verizon 2.0 pricing, and this pricing scheme that we developed over the course of many months was really a consequence of a deep dialogue with our customer base. What were the areas that were most on their minds? What were their unmet wants and needs? Where were the places that they were most interested in seeing us make certain adjustments?

So we really created those plans and as importantly the digital application that goes along with those plans specifically and directly to address their most important areas of desire. And so what we saw was, when we launched the plan, an enormous pickup amongst our base. It was by far from an existing customer migration and adoption sort of by orders of magnitude the fastest-ever migration we've seen to plans.

We have had literally tens of millions of our subscriber lines shift onto these plans in just the first couple of months in the market and what we are seeing is the value of what we call safety mode, carryover data -- we augmented the data allowances in the plans themselves -- and most importantly the use of the application itself. The mobile-first digital app has been even beyond our expectation, really substantial engagement and interaction every month.

We have roughly 30 million active users of our Web and digital properties amongst our base every single month, which is a surge that we've seen coming off of that launch. So we are pretty happy with it. Obviously, we are always going to be looking to see where additional refinement is required, but just foundationally we are pretty happy with where we are.

Jennifer Fritzsche - *Wells Fargo - Analyst*

And if you look at your postpaid churn, that very much reflects it, because I feel like some of Verizon has gotten criticized yet the postpaid churn is either at an all-time low or close to it. As you look at the fourth quarter, how do you see the new gross adds? You mentioned positive phone adds. It's a backhanded quarter; we know that, but can you talk about gross add trends in the fourth quarter?

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John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes. As you said, it is heavily weighted to the back end, so you can be killing it in October and it doesn't necessarily guarantee that you are going to bring in the quarter. But what we see -- I'm glad you raised the postpaid churn figure -- we actually did in the third quarter something we hadn't done before, which is, when people look at our post-paid churn, you say, okay, you are over 1%, what's happening there.

We felt it was important to break out the phone churn from the broader postpaid number and the reason for that is, a couple of years ago, we were going aggressively at the tablet market. We had some deeply discounted tablet product that is churning at a pretty high level, so we are going to have to work our way through that over the next couple of quarters. But, for me, the real focus is on, as you said, phone churn, and as we described in the third-quarter release, less than 0.90% for the last six consecutive quarters and it stays nice and low.

We are very comfortable -- I shouldn't say that; you are never comfortable -- but we have a high level of confidence that we will be able to sustain those kinds of levels as we go forward. This is where we focus so much of our energy in terms of making sure that we are communicating with our base; we are eliminating friction where we can as we think about what their expectations are for the brand; very, very important.

So, look, as we look at this quarter here, a couple of points of friction. You've got some backlog issues with some of the devices in the market. My hope is that, during the course of the quarter, between Apple, Google and other places where there is some supply constraint, they get washed through. It's not unusual at this point in a launch, but, yes, we are still feeling pretty good about fourth quarter.

Jennifer Fritzsche - *Wells Fargo - Analyst*

Revenue growth and subscriber growth is nice, but really it's the rubber meets the road at margins and can you talk a little bit about how you see margins going? Is there additional cost opportunity for Verizon to get out? I know that's all under your watch, so can you talk about a little bit there?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes. As we look back over the course of time and historically, there have been points where we've been challenged by, well, you can't possibly continue to grow your margins in the business in this or that circumstance in the moment, whether it was in 2005 or with different points in time. But the fact of the matter is, as we look at both the top line and the cost lines, we still see significant opportunity to maintain and grow the bottom line of the business, and if I think about it on the cost side, there are many drivers on that.

We like to look at how we can leverage technology, for example, to continue to create for us the low-cost provider profile that we've enjoyed. And as I look at the network technologies that we are deploying, virtualization, so self-optimizing networks, which is deeply deployed through the networks now, the virtualization work that we've been doing, other points that we've made to improve the efficiency and the effectiveness of our approach to the network side gives me an improving cost per bit that is something I can keep tapping into as we go forward.

And then on the SG&A side, a lot of work there to improve the efficiency of our service delivery, the efficiency of our distribution. So things like driving digital adoption -- I mentioned before the importance of the app -- and a lot of this has to do with improved technology and the tools that we provide, but interestingly some of this also is a reflection of the changing nature of our consumer base and the expectations, particularly of the next-generation millennial consumer in terms of their engagement with us. What are their expectations? What are their needs for managed care as opposed to self-care? What is their orientation to calling a call center versus -- or visiting a store -- versus going online and addressing it themselves?

And so we've been shifting a lot of our investment in IT to enable a really brilliant set of capabilities online and on the mobile apps that have now seen great adoption. And we think about, in the next three, four years, that generation of consumers will have the majority buying power in the US market. So they become for us a principal point of focus and that has amazing implications across the business, but certainly one of them is in our sales and service model.

Jennifer Fritzsche - *Wells Fargo - Analyst*

Got it. Because you have seen a nice decrease in SG&A. There is still more room is what you are saying -- (multiple speakers)?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Indeed. Totally. Yes. We have great confidence that these next couple of years we can continue on.

Jennifer Fritzsche - *Wells Fargo - Analyst*

Got it. So you can't talk about wireless without talking about the network and the network architecture. We've heard from you -- it feels like to me Verizon thinks of things in very big themes and what's happening and can you talk a little bit about that in terms of spending on the urban core; your move to densification? I know there is very limited -- we cannot talk on spectrum auctions, I realize that, but maybe the spectrum assets you now have in front of you that you know and can talk about. How do you feel? Because there seems to be this perception that Verizon doesn't have enough spectrum and they are going to have to do something and yada, yada, yada.

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes. I will need to be very deliberate about where I go and don't go with the answer just because of the rules regarding the auction. But if I talk thematically and generally about how we look at this, in the first 10 years, 15 years, I suppose, as we were building the business, the principal orientation of our network design and execution was around coverage. So if you think about it, it's a very big country. We still cover almost double the number of square miles of many of our competitors. It's a gigantic country and so we knew that we had an opportunity through the way we approached our business to take a critical lead early on in the formation of Verizon.

So decisions we made at the time about in that time the nature of our spectrum holdings, contiguous spectrum providing us with great reach, macro delivery through macro sites, the decision to go to CDMA instead of TDMA enabled a degree of efficiency and effectiveness that carried the business for its first generation and where we've shifted in the last three years now is with a recognition that we are at a different stage of the industry's life.

And so now the emphasis goes, of course, much more to capacity management because we see, as is the case across the country with our competitors and around the world, an insatiable appetite for the fundamental product. Data consumption, up 45% year-over-year. The size of the incremental load that you have to build to serve that in a year is quite substantial.

So now densification becomes important -- and you mentioned the urban core. When we build and design and develop our networks, obviously, in the moment, the most important thing is I want to make sure when a single customer wants to access their data; wants to communicate with another that the product just works; that it is consistently reliable; it is consistently the fastest, most resilient network you can buy and that is in the moment. But our design and our development work doesn't limit itself to this minute, this quarter, or even this year. We look out over several years and one of the things that we've noted is that there is a fundamental shift in the population set in terms of its orientation to cities and we see significant movement of the population back to core cities. That has deep implications to our network and our network design.

So, in 2014, we began a process of approaching our design in the cities with an eye towards deep densification of the networks and we've now been at this for a while. We are substantially, I think, ahead of where most carriers are around the world and what we've seen is an ability now fundamentally and in a practical sense to provide outstanding performance in those networks and we know how to leverage the spectrum position that we have in our various places.

I've heard those same comments -- does Verizon have what they need and everything else. And I think you have to check to say, okay, who is saying what and what is their self interest in that question. What I have is complete clarity and visibility to my arc as I go forward. We feel very, very confident in our ability to meet the demand that our customers will put upon the network as we go forward.

And some of this has to do with the current densification, but as we talk about things like 5G and as Verizon looks to work with other partners around the world to drive that initiative, that's part of the equation and when we talk about what the practical side of that is, vis-a-vis the cities and the demand in the urban core, it will be maybe four years before you see a meaningful integration of those networks in a mobile context, but we have to do the work now because of the nature of it.

Jennifer Fritzsche - *Wells Fargo - Analyst*

And fiber is a large part of that strategy, which fits into 5G. It has not closed, but you've announced the acquisition of XO Communications, which I feel like has been a very under-the-radar appreciated asset because that's going to bring you not only high band spectrum, but a lot of fiber rings in a lot of cities.

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes.

Jennifer Fritzsche - *Wells Fargo - Analyst*

Can you talk about fiber? It seems like there's more than you've done that meets the eye and then with the addition of XO, can you pull from these rings lateral fiber for the 5G push?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes, it's an important question because, when we first announced our intent to acquire XO, it was first seen as a fiber buy and it was before fiber was super sexy. So February of 2016 was a little bit earlier than some of the stuff that's been going on lately and then people came around and said, oh, okay, we see it, it's the spectrum assets that are maybe more interesting to Verizon.

Well, the fact is they are both really interesting and we love the spectrum for what it will enable us to do in the context of 5G, but, similarly to your question, the importance of those metro rings -- top 50 cities, there's good infrastructure in 45 of the top 50. If you think about what we used to call Verizon Business, but the long haul and metro assets that we have on that part of the business, it's a really very nice complement. And the amount of fiber that Verizon has deployed in the US is dramatically higher than any other carrier.

And to your point about it being under the radar, that's an essential asset of the business and as we think about the marriage of wireless densification and the importance of the fiber infrastructure that supports it, it's a big deal. We are doing some things now on a very concentrated way to really lever up those assets meaningfully and you've heard us talk about Boston, Massachusetts and the work we are doing there.

And one of the obvious things that we have an opportunity to do now is to leverage that as a common asset across all of the lines of business. And it's funny, when we talk about this sometimes -- so we go out and we do the design work and say what would the infrastructure need to be if I was supporting with a common fiber plant my wireless needs for densification in the Northeast, the Fios business, the Verizon enterprise access tail -- so if I sell to a global company and they have satellite offices around, I want to make sure I bring them into that customer's network.

If I aggregate all that requirement, all that demand into a common plant, what capital efficiency can I gain, what leverage can I gain? And it's funny, when we talk about this, people look at us like did you just figure that out now. That seems kind of obvious, but the fact of the matter is, until recently, we were in a joint venture with our wireless business and Vodafone was a very good partner in that venture, but the fact is that they had -- the wireless management team had a fiduciary responsibility to the joint venture.

If you are a minority partner in a business like that, you would be concerned about value leakage and all of that stuff. So even with a willing and strong partner, our ability to do those things and leverage these assets -- we've been driving this now and spooling this up in a meaningful way that now shows up in terms of trucks and the guys on the street doing the work, but unlocking that value for us is very, very important and you will see in the next several years us really rotating aggressively in that direction.

Jennifer Fritzsche - *Wells Fargo - Analyst*

Because I was going to ask about Boston. Boston, should all eyes be on Dorchester and what's going on there for a microcosm, almost a petri dish, of what 5G could be elsewhere?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes, I think so. And what's interesting to me about this is, even before you get to 5G, the case around what we call One Fiber is extraordinarily compelling. So just the soul densification of the wireless network -- if you look back, I have 55,000, 56,000 sites today -- if you went back six, seven years ago, I had like 30,000 and if I look forward, I will have 100,000.

So the fact is the largest wired networks in the world are going to be wireless networks. It's just the nature of it. And so when I look at what's required to serve my customer base for 4G LTE and then I combine that with the other fiber dependencies in the other parts of the business, even before I get to 5G, I have a very, very compelling case where I can take those capital dollars and for a minor incremental investment create new market opportunities. And this is the thing that we are really focused on.

It took us a long time. If you think about it, we never built Fios in the city of Boston and there was a reason for that. We looked at it and we said, okay, it's all right, but from the standpoint of the return profile, it was a bit marginal. But when I layer in the capital leverage that we achieve by blending the uses of that common plant, it changes the outlook. And so as I think about where I'm deploying my wireless network, where we will be densifying that wireless network, what else can I do with that common fiber is a big deal.

And I think the way we've talked about this in terms of our capital spend historically -- you've got a wireline spend; you've got a wireless spend. In some cases, the line is less bright because of the nature of what you are doing with the technology.

Jennifer Fritzsche - *Wells Fargo - Analyst*

So, with that, it leads perfectly into a competition question. You have a wired asset in cable now opening their eyes and lighting up your MVNO agreement. You also have your largest competitor offering video. The competitive environment is changing at such a fast and huge macro theme way. How do you, I guess, look at your cable competition and maybe also with AT&T's video offering can you comment on that, or how Verizon would respond if at all?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes. I think it's always dangerous when you are asked to comment on somebody else's strategy. I know that's not your question but you are tempted to go there and I won't because I think each company has that need to ask and answer the fundamental existential questions about their business. But if I provide maybe the Verizon perspective on this.

When we talk about the MVNO -- and Comcast's intent to go ahead and get into the game here -- at one level, it is a further affirmation of the direction of the whole industry, which is that wireless mobility remains and continues to grow as being the essential point at which content will be consumed. It has become highly personal. It goes from that to this and so that then requires that the guys who are fixed and more addressing home find a way to move out into a mobile environment. So, that, for us, again, sort of a validation of the strength of our industry and where it's going.

As I look at it from the standpoint of the MVNO, I have the privilege of running both our wireline and wireless wholesale businesses. They are phenomenal businesses. The economics there are great because I'm not burdened with all of the cost of generating demand, distribution, customer service, billing, etc. It's great because I take the capacity of my networks; I let it go over in this fashion, earns at a very, very high rate. So it's accretive from an earnings perspective.

Obviously, people would ask the follow-on question -- well, what are they going to do next. And we will see where they go. This is not an easy business and the nature of wireless is different than the fixed side. Having both operations in our business, they are very distinctly different. But, look, competition broadly stated stimulates interest, investment, excitement in any market and I love a competitive market. I love the fact that there's such crazy movement in our business right now because it is absolutely energizing.

If I go back to our strategy though, you've heard Fran and Lowell and now Matt talk about our fundamental idea and the investment case for Verizon as we talk about the three tiers of our strategy. And of course, it starts with the base network and this is the foundation of our whole business. Our wireless and wireline networks, of course, is our reason to be. And so we look at that as being a first source of value creation, but what we've done now is we've begun to build what we call the platform and then the application or services layer and these sound interesting on PowerPoint, but when you begin to then make the moves that bring the strategy to life, it makes it hopefully a little bit more accessible to our investors to understand what is the logic here.

And so if I use one example, which is telematics and the work that Marni Walden and her team are doing in that space, we have the base network, of course, which has value and if you look organically at our IoT business broadly, we described in the third quarter 24% growth in that business, which is now approaching on an annualized basis a $1 billion business and that's before I calculate in Telogis and Fleetmatics and some of the other M&A. But now I take on top of that network business the core connectivity business, the platform layer, which is described in the Telogis, Fleetmatics and previously Hughes' telematics business, and my ability now to reach a discrete market with a set of services in the top end greatly enrich my yield from IoT.

So in the case of IoT, we see that the transport layer typically -- analyst projection, folks like you would say 7% to 10% of the value would be found in the connection network layer. I look at those as sub-$1 ARPU. Fine. I will take it. Great cash flow. Highly profitable. But when I stack the services, my yields from those customers on the fleet side, on the OEM automotive side, dramatically higher, 10X, 15 times, 20 times with great margin potential.

So as we think about our media investments, our telematics investments, things that we are doing in IoT in places like smart cities, what's most important I think is the layer of connectivity between each of those tiers.

Jennifer Fritzsche - *Wells Fargo - Analyst*

I was just going to say, it looks like a very stacked list and that's how every acquisition or move is viewed from every lens, every capital decision. Is that correct?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Absolutely. If we can't describe the stitching of a particular move; if we can't describe how this particular thing -- even the things that are not what I call near adjacencies -- so telematics, I took a softball for the first example because it's so close to the core -- but even if you look out and say the media investments that we are making right now, it still has to have logic; it has to emanate from the fundamental core of our business and trends and shifts that we see in the market that provide an opportunity for value accretion.

And so when we think about that in the media context, we know that that 45% increase in data consumption year-on-year is mainly driven by a shift in consumer behavior from fixed mounted on the wall to mobile video delivery, and what's being consumed is as important to note as where it's being consumed.

So our first view of this was, okay, the media is moving out to the handset and what was it, four years ago, almost five years ago, we began to invest in what we call DMS, our digital media services, which was the ability for us to create essentially a video delivery CDN, an ability for us to re-render content and enable content providers to deliver efficiently their video content across any device, any screen, anywhere, anytime. We are years into that and yet what we saw was an opportunity to create an extension of our core business.

As you work your way up the stack, the AOL ad-serving technology is another platform and it is again associated with what we see as this fundamental shift to mobility for media consumption. The digital ad business is at the furthest reach of this and perhaps you would say content goes out to yet another level, but we are being very thoughtful about not building a business that serves yesterday's markets. And our goal here is to anticipate where the market goes, to not be what we are not, but rather to take those things that are a logical extension of who we are and then gain meaningful value, meaning it will have an impact on Verizon at Verizon scale and we have high confidence.

Look, nothing in this is a guarantee. There are no slam dunks here. It comes down to a sound strategy and an ability then, of course, to execute.

Jennifer Fritzsche - *Wells Fargo - Analyst*

As we wrap up, as you look at your priorities for 2017, by our estimates, you are going to have $19 billion in free cash flow. Of course, you have a dividend there, but you have a lot to work with. I guess, as you look at your priorities, what do you see from your seat looking into the rest of this year, but more importantly 2017?

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Yes. Well, first, the cash flow is a great privilege. You have an opportunity here. It provides the business with the chance to do some things. We've been very consistent over the years about what matters most in terms of how we manage our investments and the first thing that we describe is back to the fundamental network investments.

We are very consistent, if you look out over the course of history, we are not up and down project by project, but rather a fundamentally sound and continuous investment in ensuring that the quality, the reliability of our networks remains paramount to the business. So that's our first priority in terms of investments.

The second, look, we've made commitments to the marketplace about returning to the pre-Vodafone acquisition credit profile and it's our expectation that we will do just that. So you've heard Fran and Matt reaffirm that that remains a critical objective of the business. And then you mentioned the dividend. We have shareholders who appreciate the dividend. We want to always put the Board of Directors in a position where they can act upon our recommendations to increase that. So every year is its own thing, but, for an extended period of time, we've maintained a strong track record there.

And then the last thing in terms of uses of those funds is to provide optionality to the business, the things that we talked about, telematics and some of the media investments and the like and while we don't see any massive need to do major M&A as we go forward, we are really now deeply into integration mode, but having the flexibility to do that with a strong balance sheet has been, of course, important.

As I look at 2017, as I think about closing 2016 and then as we move forward into 2017, to me, it is incredibly energizing to think about all of the opportunity that remains in front of our business. And we have many different ways that we look at this. In our wireline business, we had an interesting year in 2016 coming off of a labor stoppage in the middle of the year; strong recovery in the third quarter. We have a very, very nice arc there as we think forward in terms of continued ability to grow the consumer Fios business.

We see stabilization of our enterprise business and again, in the same manner we described with the cost base of wireless, tremendous opportunity to improve the efficiency by which we deliver those services. And, so, again, a belief that we can continue to grow the bottom line in that business.

As I think about the wireless business broadly, there's so much opportunity now -- we have spent most of the last 15 years focused on the consumer and business markets and yet, as we segment the markets from a consumer-segmentation perspective, there are significant pools of opportunity where we have high brand consideration, but, we, as a company, haven't been as aggressive in pursuing some of those points in the market. We have every opportunity to continue to do that.

The IoT business that we see growing now at 24%, we see that stimulated even further through some of the actions and the acquisitions we've done there. But back to the fundamentals, from a top-line perspective, we are very confident in terms of our wireless business. We really love the position we are in in the industry broadly and then our space in it. It should be a good year for Verizon.

Jennifer Fritzsche - *Wells Fargo - Analyst*

I think you guys are doing more behind the curtain than many realize. Thank you very much. Really appreciate it.

John Stratton - *Verizon Communications Inc. - EVP & President of Operations*

Great, Jennifer. Thank you. Appreciate it.

Jennifer Fritzsche - *Wells Fargo - Analyst*

That was great. Thank you.

Editor

COMPANY DISCLAIMERS

Important Additional Information and Where to Find It

On September 9, 2016, Yahoo! Inc. ("Yahoo") filed with the Securities and Exchange Commission (the "SEC") a preliminary proxy statement regarding the proposed sale of Yahoo's operating business to Verizon Communications Inc. ("Verizon") and related transactions, and the definitive version of which will be sent or provided to Yahoo stockholders. BEFORE MAKING ANY VOTING DECISION, YAHOO'S STOCKHOLDERS ARE STRONGLY ADVISED TO READ YAHOO'S PROXY STATEMENT IN ITS ENTIRETY (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO WHEN THEY BECOME AVAILABLE) AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTIONS OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS. Investors and stockholders can obtain a free copy of Yahoo's proxy statement, any amendments or supplements to the proxy statement, and other documents filed by Yahoo with the SEC in connection with the proposed transactions for no charge at the SEC's website at www.sec.gov, 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, 2015, 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, 2015 and Verizon's proxy statement for its 2016 annual meeting of stockholders filed with the SEC on March 21, 2016. 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.