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PRESENTATION

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Hi. I'm Philip Cusick. I follow the comm services and infrastructure space here at JPMorgan. I want to welcome Hans Vestberg, Chairman and CEO of Verizon since 2018. Hans, thanks for joining us. How are you?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Thank you. Great.

QUESTIONS AND ANSWERS

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Thank you for kicking off the second day of our conference. The U.S. seems to be more open every week. Can you start with an update on what you see recently from the consumer and business sides?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Yes. Thank you, Phil. Yes, absolutely. It has gone pretty quickly recently. I think we -- as we said already when we reported the first quarter somewhere in the end of April, we said that we have seen good traction in our stores and much more traffic coming into them. That has continued up to now, much more sort of interest from consumers. And also seeing that our offerings have a good traction both on Fios and, of course, on mobility as well. And we continue with our offerings like now we -- yesterday or the day before yesterday, we come out with our gaming offering, which is part of our migration story for our customers. So clearly, we see definitely that the market is coming back there.

And another point of data is that we'll usually talk about handovers in the networks, which were down in some urban areas, maybe 60%, 70% during this time last year. They are almost back to pre-COVID, meaning that people are moving around much more. There are, of course, pockets that we don't see that are equally good. But in general, almost back, and we're seeing a steep curve up on how people are coming back to urban areas and moving in between the cells.

So clearly, I think we all see it, what's happening around us, and we see it also in our distribution change.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Okay. You've been CEO for nearly 3 years and spun off a huge number of noncore projects at Verizon, including AOL and Yahoo!, which was a big effort a few years ago. And there's another media spin-off by one of your peers recently. How do you think about the relationship between content and distribution over time? That scale and content mean that distributors need to get bigger?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

If you look at our strategy that we outlined 3 years ago, we said we want to be a Network as a Service. We wanted to see that we have the best network, the best distribution and the best brand, and that's what we have built. And that's why we can partner with content instead of owning it. And that was a very deliberate decision already 3 years ago when I declared that we're not going to buy linear content, because we have all the sort of DNA for running the best network, having the best distribution and as well having a great brand.

And as you can see, we have continued on that migration path. It started with Apple Music exclusively, then we went to Disney, then we went to discovery+. And now we're into gaming. Yesterday, as I said, we launched Apple and Google's cloud gaming, so part of our value proposition. So I think that's how we find it for us being a very valuable way of doing it. And for us, it's accretive because ultimately, we found a formula. Ronan and the team has done a great job, where they actually can both attract customers with this content because of our distribution, but also retain them, and that's how we get our payments also because many of the D2Cs coming out in the market today, they need guys like us in order to get to the market. I mean we are the biggest D2C in this market when it comes to paid.

So I think that's how we found it. And that's part of one of the 5 pillars we have in the 5 vectors of growth to have this mix and match and this value upgrade. And there's probably more to come. I mean the guys in the consumer business are finding many. I would say any subscription business in the U.S. want to partner with us right now. We are looking for the right type of brands, which is really giving value to our customers. And ultimately, it's a win-win because it's accretive to us and it's accretive for the ones that we're working with because we're adding a lot of subscribers for them.

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

Let's follow up there. You and I have talked in the past about the difference between a saturated market and non-saturated, so moving toward a farming of the base rather than hunting for more customers. Is the -- the gaming effort is one more thing you have going there. Talk about the value creation you can drive here versus chasing after customers. How do you think about that?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

No, it's a balance. I mean I think that, first of all, new customers are always important, but they need to be accretive to the bottom line. I mean -- and we have always been disciplined how we bring in customers. And if you look at our numbers, I mean, the last 3 years, I mean, we have continuously been growing our service revenue on wireless because we know how to migrate the base, and we give more value to our customers rather than just bringing unprofitable customers, which seems to be of interest. But in a saturated market, you need to think of how you treat your customers and how you move them up the value chain. That doesn't mean that we are not looking into how to bring in customers neither and finding new ways, and I think we have room to be more aggressive in certain areas.

And I would say Ronan and the team, I have all confidence that they know how to make profitable growth, both by bringing in customers, but also to manage the base we have. And that's very important in a mature market. I mean I've been working in 180 countries. I've seen carriers coming to mature market. And I think the leading indicator ultimately should be your service growth. That's really what's important. And if you look at our numbers, our service growth is continuing to go up and our guidance for this year and the guidance for the next 4 years. But it's not one thing, it's several. We have 5 vectors of growth, which is just differentiate our strategy to anybody else that we have outlined now over the last 3 years. And one of those pillars is, of course, new customers and for 5G and et cetera. But there are so many other things we're also adding in to grow our business.

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

In the near term, the cable companies are sort of your agents to go out and get new customers on the network. Is that how you think about it? And so you need to chase them less? And does that create risk long term for the business overall?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think that's one other pillar of growth for us, which is unique to us. I mean new subscribers on the MSOs is also coming in to us, is accretive to us and its accretive to the cable companies. So you need to think that we're building a network, the Verizon Intelligent Edge Network, to cater for any type of customers we have. Consumers, Ronan is running that with the Verizon brand, then we have MSOs that are running with their brand, still using the same network that Kyle are building, the state-of-the-art network.

And then we have also TracFone that is also -- we are serving millions of customers on. So that's what we are defining our network on, and that's why we get better return on investment on our capital investment and also how we see that we get accretive because ultimately, I'm looking for both having top line growth, but continuously having a bottom line growth that is following it. And that's the guidance we have for this year. And if you look a couple of years back, that's how always Verizon has delivered. We execute on a strategy that's going to deliver profitable growth.

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

How do you think about convergence between fixed and mobile? You have the 5G Home effort that you're rolling out nationwide. Is convergence sort of inevitable as the market matures? And does that create risk in the mobile business?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think it's not a risk. For us, we see it as a huge opportunity. I mean of course, we have broadband in our Fios footprint, which is doing extremely well at the moment because broadband is a necessity in our society today. Now in -- outside that footprint, we can now actually get broadband business, which is basically for us, just net new revenues. So I see it as a great opportunity rather than a risk. I see it's an opportunity also that to have so many customers on my wireless that knows my brand and know how well we're performing. That also will be extremely interesting in our fixed wireless access. We have now been working for 2.5 years with our portfolio on fixed wireless access, all the way from the network, from the devices, from how to self-install, to the billing, to the pricing, to the offerings on top of it. And I said, this year we're going to go for 15 million households, combination of 4G, 5G millimeter wave and C-band. So we're opening up, open for sale right now, and that I see as a great opportunity rather than any risk at all.

For us, it's accretive, anything we're adding because ultimately, we'll build a network once. And we have several ways to monetize it. And remember also when we talk about fixed wireless access, I also see a great opportunity for our small and medium businesses to get rapid lap on broadband by use in fixed wireless access instead of waiting for Internet connections to fiber, something that takes far longer time and much more complicated.

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

One of the debates that I have with investors is that as networks converge between fixed and mobile, is it easier for cable, which has a very low sort of per gigabyte yield to move up the stack into mobile versus Verizon, which has a very high per gigabyte yield to use that capacity to drive fixed, which -- where the prices are much lower? Does that create a risk for you? Or is it something -- how do you think about balancing that?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

No. I think that there are a couple of factors that have changed quite dramatically, why this is making economical sense for Verizon shareholders. A couple of them is, first of all, is that we build a network once, and that's why we can monetize different type of accesses. If that is for mobility or fixed wireless access and mobile edge compute, we build it once.

The second is that we also are sitting on a fantastic position in spectrum, which usually is a limitation that we don't have a special millimeter wave where we are way ahead of anybody else and have a very good position. And then adding C-band in the right sort of positioning in the band, that's also giving us -- so those factors are now giving me all the economics to actually be enabling in that. Then I can scale my building as a service, my distribution as a service, I can scale the way or CRM. So basically, all the platforms behind now can be scaled until we get to the customer offering.

And there, of course, we decide what type of access is this, et cetera. And that was the whole idea from the beginning, and that's why you see us believing so much in that we can continue to grow and also expand our bottom line and our cash flow. It's just another model than anybody else has in the market, but we have had traction for that model now for the last 2, 3 years. And we have a couple of years more, of which I'm really looking forward to.

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

Another discussion I get into with people is the -- whether sort of 5G Home is an incremental model or a model that justifies its own capital spending. How do you think about that? Is 5G Home mostly about using capacity that's already latent in the network? Or do you anticipate putting more capital into the network for those at a low bit rate prices?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Initially, it's basically the same network that's built for mobility. So it's basically incremental on the investment we have. So it's an incremental revenue. Of course, when we're going to see opportunities that arise, and we need to add some capacity in certain areas, we will do it because as we will do with Fios. But initially is we build one network and has several different business opportunity. It's a unique opportunity, which we have never seen in our industry before because of the economics I talked before. Nobody has been able to build a fixed wireless access in the mobile network. They have usually built a separate network, which has no economics.

So I would say initially, I would say we're using the same grid, the same mobility grid, and we're going to offer a fixed wireless access, which is a great opportunity for us to add bottom line and top line to our business.

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

Okay. And you've talked about fixed wireless access being available to, I think it's 50 million homes over time.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes.

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

Why that number? Is this just a prelude on the way to nationwide over time?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. Technically, anywhere we would have mobility, we can do fixed wireless access over time. It's just that you need a certain amount of scale when you come into a ZIP code or something like that in order to make all the efforts in distribution, marketing and all of that. So it's more of that. But technically, you can say that wherever we have mobility over time or millimeter wave and C-band, we can have fixed wireless access.

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

So you spent -- you just mentioned you have a huge spectrum war chest now. You spent a lot of money on it. How do you think about the network competitiveness over the next few years? We hear a lot from your competitors about how much money they're spending to catch up, to be the best. When you think about where you're starting from and what you've put into it, what does your network work look like in a few years?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

So we're starting from the position of having the best network with the least amount of spectrum, and now have the most spectrum as well. So we feel really good about how we build the network. I mean money is not the only thing that is going to define here, it's also how you have designed the network from the beginning, how you work with the ecosystem, so you get a consistent experience to the network. And then, of course, that you have the spectrum. And right now, we have all of that, and we have the best engineers where we've been -- win the RootMetrics and J.D. Power for -- I'm not sure if it's 15 years in, 15 times in consecutive times.

So we feel really good where we start, and now we know also that we have the best position in spectrum. So I think that we will extend our lead when it comes to network performance. And of course, everybody wants to catch up and say what they're going to do in 3 years from now. But remember where we are right now and here, we have the best network and now the best position on spectrum. So we feel really good about our network and we let other talk, and we execute as usual.

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

Is your spectrum position essentially complete for now? Or do you need to buy more in the upcoming auctions?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I always answer in generic terms, we will always look into spectrum and see if it makes sense for us, economically and all of that. But clearly, we are in a really good position on the spectrum right now that we feel very comfortable about. But of course, we're going to assess if spectrum comes up. But it's not like that there's something major we're lacking in our spectrum portfolio right now. The guys are working all the way from millimeter wave, CBRS, to C-band, down on the low bands in order to see that we get a fantastic experience for our customers. We are building in stadiums, venues, urban areas. And as I said in the beginning, all the traffic is coming back to where we now have built a tremendous capacity and experience that nobody else has.

So I think we feel good. We are on track on all the deployment that we committed for the year. We have started with the C-band. We're doing so many millimeter wave radio base stations. Basically, we're going to double this year, and we're on track for that. So no, we feel really good about the network. But it's not only that, it's also how you dealt with the ecosystem. As Ronan said at our Investor Day, the majority of all the 5G handsets that we already have sold, the 10 million, they have millimeter wave and C-band Internet because we want to give the experience to our customer that they can follow us through these improvements in the network.

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

You've talked about \$10 billion of extra spending over a 3-year period. How are you confident that, that's enough? And at the end of the 3 years, you're not sort of continuing that excess level of spending. Why does it come down at the end of that period?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I'm confident. I spent my first year only working with CapEx at Verizon, and understanding how we're deploying and also together with Kyle and team redesigned the whole CapEx process and also redesigned the whole network. That's why we're confident. We know our grid. We know the capacities. We know it per ZIP code. We know exactly what we're building right now. So the confidence is high that this is just to get the initial build-out, to get the spectrum in use as soon as possible. Then as I said before, then I think after these 3 years, our CapEx capacity intensity will go down, meaning our BAU, our business as usual CapEx will go down as well because we have then done a tremendous push for millimeter wave. We will continue but not on a same level. We have pushed out fiber that is unheard of in the market, that also will come down. And 4G capacity will be going down as well because over that time, we want to see the migration of the 5G. And then on top of that, we build the capacity on C-band.

And after that, of course, it's going to be BAU, but clearly, this is how we built the Verizon Intelligent Network that was launched 2018. I always go back because if you follow us, we have said things that is coming through fruition in our strategy now time and time and again. And that's what you're going to see in a couple of years' time. And that's why I'm confident that the \$10 billion is enough and then we're going to BAU, and that BAU have lower capital intensity.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

One of the things that had been management's message until pretty recently was that spending more than \$18 billion or so a year, it just wouldn't be efficient. So the question would always come up, right, do you need to spend more? It would mostly be the systems are set up for about that level. What do you have to do to gear up to go up by another \$3 billion or \$4 billion a year? Is it still an efficient level of spending?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Your memory is good but not super good. Because usually, I say that \$18 billion is what we're geared for. But if we find opportunities that is have a good return on investment, we'll increase it. And that's what we found with C-band. So that's usual, but that's my second part of that answer. And what we need to gear up that we already have these resources out there. And remember, we're using the same grid as we already have deployed on 4G to deploy C-band. We're not building new towers. We're basically going once to the site and upgrade. And then when you go to C-band and any new frequency, you need a new radio. So that's what we need to do. So that's a very different deployment than actually, hey, I'm going to deploy 10,000 new sites or something like that because then you need to do all the gearing from the beginning to the end. So this isn't just an upgrade on existing grid that we have, and that's why we feel good that we can handle it from a resource and that we now have the capital allocated to that as well.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Okay. Verizon is really the only, I think, of the old LEC dividend players that are still paying out the original dividend from 20-plus years ago and grown over time. How do you think about the sustainability of that payout over time? Do you -- does it make sense when your peers are not putting out as much of their cash flow and dividends that you continue to?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

I think that what is different with us is that we were strong believing that we're going to grow both our top line and our bottom line. And that's why we feel good about our capital allocation. And then number one, we put money into the business. And it's clear what we're doing. We're adding over \$50 billion in C-band and then more CapEx. That's our business. So that's the #1 priority.

Number two. Matt and I, we are continuing putting our Board in a position to continue to increase our dividend, 14 consecutive years. And we can do that because we know that we can continue to create better bottom line and top line, which might be very different from others.

And then thirdly, we have our commitment to post C-band coming back -- or pre C-band coming back to those financial metrics to pay down our debt. That's going to take us some 4 or 5 years. But remember also what great work Matt and the finance treasury team have done with the latest bond offering, we brought in some \$25 billion, tenure over 17 years with a great interest rate. So we have also changed the situation on our balance sheet quite dramatically during COVID, both with new bonds as well as reshuffling our debt.

And then finally, when we sort of have done those 3 priorities in that order, we will look into buybacks. That will probably not be in the near term. But over time, we feel that, that is an important instrument as well. But -- so that's how we see it, and we think it's important for our shareholders and that we put our Board in that position that we can continue to increase the dividend.

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

You've talked about accelerating growth from roughly 2% this year to roughly 4% in a couple of years. And you've mentioned many times the 5 pillars of growth. I understand that.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you.

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

Can you maybe more precise on what's going to drive that acceleration? Because I don't think that's reflected in the market or generally accepted by investors today. So what really is going to make that incremental growth come through? And when are we going to see the proof points of that?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. I think you already see certain proof points. Number one, you see the 5G migration. That's why our service revenue is growing all the time because we have this migration going from metered to unlimited to unlimited premium. And then Ronan has given all the numbers, how we are growing that and also our plan where we want to go in 3, 4 years from now. So we're going to have the majority of our customers on unlimited. So that has already happened. Sometimes people ask, when will you monetize 5G? We're already doing it. Remember that because that's why our ARPA and that's where our service revenue is growing.

Fixed wireless access, we have said it all the time. We will start seeing some movement on that later this year. And then in '22, we will start seeing that as a more important piece of our growth. So that's number one.

Number two, the network, sort of network monetization, you talked about yourself in the beginning, the MSOs. We're already monetizing that, working with MSOs and the TracFones of the world that are using our network, that is accretive to us.

Then we have the next-generation business-to-business application, the mobile edge compute, where we are pioneering where basically we're along commercial in the world having 5G mobile edge compute with Amazon. We have private mobile edge compute with Microsoft. That's a 2022 thing when it comes to revenue. But clearly, with all the tractions and announcements you have seen, we basically work with all the large enterprises to understand the private 5G mobile edge compute, what it can do. Not only that, on the public, we are working with Amazon to see that now all the developers start to develop application on 5G as handsets are coming out.

And then finally, we have the customer differentiation, the mix and match, the thing that you brought up in the beginning. We have a unique position in the market with Disney+, discovery+, Apple Music, and the gaming, which is creating a totally different way how we can give value to our customers, which already today is giving revenue.

And finally, new markets, we created a visible brand later this year. End of Q3, probably, we're going to have TracFone coming in. So we're going to be the biggest value player in the market as well.

So all 5 vectors are in play. That's why we are confident that we -- our numbers that we have put out as a guidance is happening, and some of them already generating growth today. And that's why we have growth, both top line and bottom line in our business and had so for quite a while, except second quarter last year, which of course, was the big impact from the COVID that impacted our results.

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

Yes. You mentioned the Amazon relationship a couple of times. Do you have a special relationship with Amazon? Or is it really a natural starting place for each of you to work together before you start working with others over time?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I feel it's very special because we are the only one having it. So -- but of course, anybody else can start. But remember, we have been on to this for 2.5 years. It requires integration between the radio access and the cloud software. And you need to tune every part of the network all the way from the device for the infrastructure to the cloud infrastructure in order to have a quality of service that we can commit to.

So yes, anybody can start, but they're probably are 2 years behind us when they start. And I think that, that's what our engineers are doing great every day in our company. They think ahead. You might remember that 2017, we talked about mobile edge compute. And I don't think that anybody really understood, and I'm not sure I understood neither, but my engineers understood. And that's where we are right today, and the team is doing a great job. We work in a very close collaboration with Amazon, but probably others can do it as well. But we feel fortunate that we were the ones that started that journey with them and been on to it for more than 2 years right now.

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

Can you contrast that deal with what we know publicly about DISH's deal with Amazon?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes.

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

Can you contrast it for us?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I can, but I will not tell you what is very different.

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

Yes, okay. What problem are you trying to solve with Amazon? And what problem do you think the DISH relationship solves with Amazon instead?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think that there are 2 different thinkings. I mean we are creating applications for customers in low latency, enormous throughput and higher security in a private confined area like a campus or a factory or either that we can develop an application of 5G using the edge capability of 5G. That's our -- there are other companies that are thinking about offloading their software, their radio technology and being run on a cloud infrastructure. That's a different way. We are doing it as well. We are virtualizing our network as well, but we're not doing it on standard cloud infrastructure. So that's not the big difference, it's just that where do you run your radio software?

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

Okay. Okay. You mentioned earlier the private edge relationships that you have, and private networks are a significant opportunity over time as we evolve to 5G. What interest are you seeing from customers? And what's the addressable market of that business look like?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I would say any competent CIO of a large enterprise not thinking about millimeter wave these days is probably not having the right focus. Because finally, I mean, having a private 5G network over time will create security in the network, reliability on the software over time because it's going to be upgradable. And of course, you can use commercial devices. So at that starting point, we see a great interest from private networks where we can dedicate, either we can dedicate our millimeter wave to a confined area or we can do a slice of the network from a 5G slice, which we never -- that is impossible in a 4G era to do slices of the network, and that was a big difference when 5G was designed that you can do slicing. And the big difference was also that millimeter wave was not a 4G spectrum, and now we have so much so we can dedicate it to customers.

So I think that's where we see use cases and interest to have that private network, so you keep your data secure. Not only that, you can have a real-time experience and security that is far better than any other wireless technology ever thought about. And then the uplink is just extremely big if you go to venues like stadiums, et cetera, where you can upload basically equally much as download or at least 10, 20x better than existing wireless technologies.

So yes, that's where I see it right now, and we -- Tami and our team is doing a great job talking to all the enterprises. And remember, we rebuild the whole go-to-market with key account management, scalable platforms, et cetera, in Verizon Business Group as well.

So the whole idea comes back to how we design the network, the platforms and how we can go to market and how we can work with our customers.

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

So you mentioned stadiums. Is that the sort of early adopter vertical? What other verticals are coming in here and really interested?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Stadiums is for sure. And now if you went to the Knicks game earlier this week, there's a lot of people coming back to the stadium. So I think we're going to see more and more people being in urban areas. So stadiums is one. But I would say manufacturing is another big area for 5G mobile edge compute or private 5G networks.

And then big logistics centers is another one. All of them are coming very early on. And then finally, health care. Health care companies seeing the opportunity to have a private network for their IoT and for their services to their customers.

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

Okay. Okay. You mentioned Tami, who now runs the business side of Verizon. What are the opportunities to grow that business? The legacy wireline side has been declining for years. Can that turn around with all these other things coming in? Or can we just see an acceleration of the growth of the combined business side?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

As in any business, there are some interest in intrinsic declines in her business, which will continue. I mean wireline for certain reasons will continue. But there are many other things that can grow. I mean remember, she is a clear leader of wireless for enterprises and small and medium business

and public sector already. And now we're adding to that portfolio, of course, mobile edge compute. And over time, we're also adding far more fiber in that area, not immediate but over time. And that's why we also feel that this is the right investment we're doing right now. Remember, we were never designed to keep Verizon Business Group as one unit. It was different networks, different go-to-market, different incentives. And sometimes, I'm not sure you appreciate how much work it is to get all that to work, even including the IT system and the CX system and all of that. And I think that I would say that Tami is halfway through it.

She's managing the P&L at the same time with growth and profitability at the same time as we invested quite heavily to see that we will have a great opportunity to serve our customers with new products that we're coming out with. So it's part of the 5 vectors of growth, it's part of our go-to-market and it's part of our scalable solutions. Again, come back to a very clear strategy from the beginning, a differentiated strategy from anybody else in the market as we're using this Network as a Service and the 5 vectors for growth.

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

Okay. You mentioned the One Fiber again. Where are we in the context of the One Fiber build? We've been talking about this capital project for 3 or 4 years. And are we starting to get a real return on it in terms of either operating cost reduction or revenue coming through?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

You have already seen it because you haven't seen any increase in our cost of fiber. So I think what you have seen is that, again, our long-term planning and how these financial discipline we have. So initially, our fiber is focused on our 5G build to add fiber to that. Now we're also pivoting to taking more and more of our 4G sites with our own fiber. We will not ever have 100% of it, but we have a big piece of it. And after that, then we're going to be opportunistic and see which enterprise do we have here with small and medium business can we do as well. But clearly, we want to have the owner's economics for our own networks with our own fiber, especially on the 5G, but also on the 4G. That's going to help us with the financials over time, but it also will create new opportunities.

So you can say that we have some 4 different business cases on the same infrastructure, and we're realizing 2 of them right now, and then we will add into the enterprises, wholesale and small and medium businesses.

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

Okay. Speaking of fiber construction, the Biden infrastructure bill, seems like it's moving a little bit closer to consensus. Can you talk about where you see that coming together now? And what Verizon's opportunity might look like?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I don't know where it's coming together, but I know what I think. I think that, first of all, we have lead from 5 to 7 years in this market when it comes to usage of broadband. And it's, of course, essential and critical for each and everyone in this country and in the rest of the world to be connected. And I think that I divide the problem in 3 problems: accessibility, affordability, usability. I think that when it comes to accessibility, I think that all carriers are building quite extensively. I mean we are the most extensive network in the country, covering basically almost all individuals in this country with our network. And now we're turning that into fixed wireless access or using our fiber to the home. So we are clearly doing that, and I guess my competitors are doing the same.

So accessibility is actually happening. Where I want focus, that's around affordability, because we want solutions that are taken for each and everyone for their use cases. And low-income families might not have those means. So that's why I think the government should work on subsidy much more and seeing that they can afford it instead of building products that are actually not meeting the demands of those families. And now I'm talking about they need to be able to do remote learning, they need to be able to have telehealth. They need to be able to work from home.

And they need to be able to have BlueJeans video conferencing on into different places. I was almost saying something different, but BlueJeans is the best solution.

So yes, that's how I think about it. And what we have seen is, of course, that during the pandemic, the networks in the U.S., they held up very well. I mean we moved our traffic dramatically from urban to suburban, to rural and the network has kept up. We saw other parts of the world where there have been regulation on and governmental network that couldn't cope with these traffic demands. So I think that the government should focus on the affordability, and that's why we wrote a white paper to the administration, how we think they should use this means the best way when you're using this tax money for a bill on infrastructure.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Okay. We started off talking about how you've divested Verizon of a lot of different sort of legacy pieces. And I think you're down mostly to the core of the business. Are there areas where you're not strategically complete, and that you want to evolve this company over time? Or do you think you're in pretty good shape in terms of overall structure?

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

I'm in pretty good shape. I'm in pretty good shape. I mean we have done a tremendous job. I mean the team has done a great job from Verizon 2.0. Remember, we changed the go-to-market. We took out 15,000 people. We changed the brand values. We worked with our brand trust and innovation, we have made a process reengineering. We have rebuilt our network. We have changed and worked with our culture. And that's not saying that we were a bad company before because Verizon has always been great. It's more that the times are changing and where we want to be and be a leader and continue to lead this market. So I think we have the majority of things. There can be some patch in here and there, but in general, we have the 5 vectors of growth. We have all the resources, people, capital to be there in order to grow and see that our shareholders be part of that journey, both from how we manage our P&L and how we can continue to give dividend.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

That's a good place to stop. Hans, thanks for joining us today. And everybody, thanks for joining, and have a great day.

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Thank you.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Stay safe, Hans.

Hans Vestberg - *Verizon Communications Inc. - Chairman & CEO*

See you.

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