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PRESENTATION

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Okay. Great. Good morning. I'm Peter Supino with Sanford Bernstein. And it's my pleasure to welcome you to the first presentation of the 2021 Strategic Decisions Conference.

We are privileged today to host Ronan Dunne, who is Executive Vice President and CEO of Verizon's Consumer division, which dominates its business. Ronan joined Verizon in 2016 as Executive Vice President and Group President of Verizon Wireless. The company has since resegmented to Consumer and Business segments.

Before Ronan joined Verizon, he was Chief Executive Officer and CFO of Telefonica's U.K. business, where he had good results. And it's been a -- Ronan has been a thought leader in the wireless industry in the U.S. for years now. And we are grateful to you, Ronan, for joining us today.

And with that said, I think I need to offer you the chance to make a safe harbor comment.

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Yes, indeed. I just would draw people's attention to safe harbor disclosure as it relates to forward-looking statements. Thank you, Peter.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

And my safe harbor comment is that I -- while my interior decoration tastes are limited, they're better than what you see in my background. My family moved yesterday, so my house is full of cardboard boxes. And this will be my new office by next year when we do this again. So let's get going.

QUESTIONS AND ANSWERS

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Yesterday, Verizon announced a major 5G upgrade promotion. Would you discuss the key market observations, the key objectives in the way this promotion ties into your plan for the second half of the year and at the highest level?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Yes. Sure, Peter. Thank you for that. And of course, the timing was designed to make sure that we have the opportunity to talk about it this morning. Very important, the Bernstein conference. But look, I would draw people's attention to the Investor Day we did after the C-band auction and the Analyst Day we did back in November, where we really flagged to people the approach that we were going to take across our multiple vectors of growth.

And underpinning all of those was the adoption and engagement of our base with 5G. And so we talked about an accelerated adoption curve. And we talked about the strategy that we've executed now for about 10 quarters, which is really this concept of mix and match, which allows us to bring our customer base across from metered to unlimited and then to build the value within the base within our structured unlimited plans.

So we've been really waiting for 3 things. First thing was we wanted to see traffic on the network returning close to pre-pandemic levels. And we've talked a couple of times about this idea of watching the handoffs on the network as being a very good proxy for economic and social activity.

Secondly, we talked about the fact that we wanted to get all our channels back open and our retail. And when we reported Q1, we addressed the fact that we were essentially back open now. And we've seen continued growth in footfall and traffic there, such that I actually announced a week ago that we're recruiting 1,000 extra staff for our retail stores.

And the third thing, which I think is important from an investor point of view, is that all of the key handsets now are C-band compatible. So the opportunity for us to seed our base with C-band-compatible devices before the launch of C-band at the end of the year is both attractive from a customer experience point of view because more and more customers are out and about now, and they're getting an ultra-wideband experience. More of them are having a taste of what is today millimeter wave but will be expanded to C-band, but also from an investment point of view is the early migration to 5G actually optimizes our network CapEx over the medium term because we'll be able to exploit the incremental C-band capacity just as soon as it arrives. So for all of those reasons, we had focused on a laydown for 2021 that really builds to the crescendo at the end of the year when we'll be able to switch on C-band.

And what we found was that, literally, the last 6 weeks, we've seen really strong momentum both within our business itself, but more economic activity and people out and about. So perfect timing.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

So on the subject of strong momentum, the company has had a soft patch relative to its own historical trends in terms of net adds in the last 6 months. And I wonder if you'd comment on the extent to which that was the result of surprises that you experienced competitively or whether you felt that was a more macroeconomically-driven pause.

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So I'd break it into 2 parts, and I'll just remind people that sequential service revenue growth at Verizon has been the strongest for the last couple of quarters in the market. So we continue to drive dollars through the till, which isn't necessarily a consistent pattern.

The second thing I would say is that, post rationalization of Q4 and Q1, people have considered that maybe we were short of where they would have expected us to be. The reality is that in the switcher pool itself, which is the premium part of the market that's addressable, we've performed well and taken consistently our share.

What we did see in Q4 and probably more in Q1 was that those parts of the market outside the switcher pool, some of it may be add a line, free line stuff, some of it is pre to post migration, where I've always acknowledged that I'm underrepresented in the pre- to post-migration part of the market because I have a relatively small prepaid business in comparison to my main competitors. So what I would say to you is the core business that drives the service revenue, the switcher pool and the new add lines in the premium category continues to be strong. And in May, we saw a switcher pool that was bigger than 2019 levels, and our relative performance in the switcher pool was actually stronger. So very strong performance and momentum.

From a strategy point of view, we've talked about the fact that, subject to regulatory approval, we'll have the opportunity to play in the value segment and prepay more effectively with the TracFone acquisition. But our view there is that there's an opportunity to serve that market in market, rather than perhaps what others are doing, which is encouraging people from that value segment to get the best value to migrate out into the postpaid market. So we see that as an expanded growth opportunity later.

So the balance of strong performance in the premium part of the market and expanded opportunity in the value part of the market means that, I think, we're well positioned, as I said in March, to see performance particularly as the economy opens up at and above the 2019 levels.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Those comments give us several options for the next thing to ask you. And I'm going to pick your emphasis on revenue per customer on the very strong financial results that Verizon has had in the consumer business. I think your emphasis on revenue per customer leads the industry. And I observed that Verizon talks about it more and emphasizes it more than net adds in some cases, despite the industry convention to focus on net additions.

I don't know if you agree with the way I phrased that. But the point is, could you help us understand why this strategy is best for Verizon and your comfort level with its sustainability because we have many investors ask us how similar or different is the wireless business to something like consumer staples where companies frequently focus on price and mix and have very limited assumptions for volume growth and what are typically highly saturated, highly concentrated industries. And so is that really the right recipe for consumer wireless business going forward?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Peter, it's a great question. And I would make a couple of points on that. The first thing to say is it's not an either/or. We are very focused on participating in any growth that's in the market. Where perhaps I draw a slight differentiation between others is that I see growth as having elements of both base growth and revenue growth. And therefore, if I'm allocating dollars to invest in the market, I'm looking for the highest yield per dollar. And so one of the things I've talked about is that our value-based management is, I think, best in class in the industry. And that's that opportunity to migrate customers from metered into unlimited and grow the value.

But that's very much an "and". We also participate -- I mean, respectfully, it was notable that somebody said that port ratios aren't important anymore, somebody who's made a career out of quoting port ratios. That might be because I'm port positive against that particular carrier. So make no bones about it, I'm out there competing in the market for the customers that pay every single month. And I'm getting at least if not more than my fair share of those. So it's very much an "and".

And then the last thing I would say to you is -- to the "staples" part is, I do believe that particularly, as we approach the 5G era, that this opportunity of a subscription-based business where we have the opportunity to expand the subscription base and share of wallet, building on a core communications, which built around best network, but then expanding out the addressable opportunity with those customers based on trust, based on high-quality customer service and experience, I think, is an opportunity which affords us the ability to deliver superior growth.

So don't see these things as 2 alternative strategies. See it is as a strategy where, I believe, I can amplify the growth opportunity by attracting the best-quality customers and then serving them well and expanding out the range of choice I offer. The experience with content has been really, really positive for us. We expanded that further with our gaming offerings just in the last week or so. Customers see real value in that.

And the other thing I would say is, to our announcement yesterday, our ability to offer a great deal for a customer, where they're then going to commit to stepping up and taking more of our services from us, I see that as a good model for us to continue with that idea of growing the value of the relationship as well as growing the number of relationships we have out there.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

All right. So the switcher pool and content bundling are 2 topics I want to come back to. One last big picture or strategic question. Investors often ask us how in a mature and consolidated industry, like wireless in 2021, that any one competitor might differentiate itself for an extended period of time. And my question to you is, as a manager, is that even an important question? And if it is, how would you respond to it?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So the first thing I would look at is the churn characteristics in the marketplace because customers are voting with their feet every single day. And what the evidence is, is that customers are ascribing value, relative to other carriers in the market because the barriers to switching are essentially 0, yet customers vote with their feet every single day. So I do think that reliability is -- continues to be hugely important.

I think, as we enter the 5G space, the opportunity not just to monetize from an investment point of view, but create experiences around 5G that are actually of value to customers will create a period of differentiation for the industry and an opportunity for customers to see kind of -- reengage with the category. And then it only works when it all works. That needs to be brought together in a way that the experience that the customer gets is something that's important to them.

So I do think it's differentiation. But maybe 10 years ago, it was just the network. Now it's network and experience and it's access and it's your loyalty being rewarded. So I think that's a good template for the industry.

But I also see, going back to the previous question, is from an investment point of view, I see the opportunity for us to be a growth stock at above GDP as being essentially the combination of great foundation of communications services and the expansion of the relationship with the customer. And I think, as we do that, I think that will create additional sources of differentiation for us as a carrier.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Okay. I'm going to drill down into a couple of specific topics. On the subject of the switcher pool, the promotion that we talked about that you introduced yesterday with which we led off this discussion seems upgrade-focused. And I wanted to ask you if that's the right characterization. And if it is, why not a greater focus on driving additional gross adds with your promotion dollars this quarter?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So again, anything that we're doing is intended to drive across this strategy, which is the 5G adoption strategy. And we've talked about having more than 50% of the base by the end of 2023 on 5G. And that's hugely valuable from us from a network efficiency point of view and from an experience expansion point of view. To do that, you have to bring your base with you because just filling in the top of the hopper with new isn't sufficient.

So within the offer that we announced yesterday, there's a great offer for customers who aren't currently on 5G to upgrade into the 5G space, come into our premium tiers, experience some of our incremental value add. But also there's an incremental offer for people who are considering switching, which says upgrade your network experience and come to the best. So we've also, on top of the -- up to $800 on Samsung, up to $700 on iOS, to have that opportunity to be compensated for any switching costs and incremental cost of moving. So it's definitely an "and".

But the base is going to be so critical in this. As we expand out our 5G offering, we're already over 70 cities on millimeter wave, in airports and stadia. More and more of our customers are actually experiencing that ultra-wideband experience every day as people get out and about, start to travel again, et cetera. So that's the trigger for them to say, "Wow. This is amazing. I'm now in the mind to think about upgrading."

And so with they're hearing people talk about the experience they've had, so perfect timing for us to bring the base with us as well as continue to perform in the switcher pool, which, as I say, we're doing better than some people might tell you.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Yes. I want to pause on that. I think there has been a legitimate basis for concern that Verizon churn remains best in class, but that Verizon's gross add results have been worse than the industry that in context of a declining overall switcher pool, that Verizon has faced pressure from specifically

AT&T incrementally and also a steady amount of pressure from Cable and T-Mobile. And is that a fair characterization? And if so, why doesn't this promotion attempt to (inaudible) that specific?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So there was a little bit of a breakup, Peter, just at the end of the question. But to the broad point about the size and shape of the switcher pool is the switcher pool in the first quarter was a little shy of 2019 levels. But the non-switcher activity, which was new to the market lines was greater than anyone anticipated. And to be transparent, some of that, it's still unclear where that came from. And so when you say my performance relative, in the switcher pool, which is identifiable customers who have service and are moving from one carrier to another, I'm absolutely performing where I would expect, me taking my fair share.

The gross additions in Q1 probably had some double counting as businesses started to open again and people maybe took business lines on top. What I need to make sure is that I'm participating in all of the growth that's in the market, which is associated with both base growth and revenue growth. And so the offers that we have in the market today will appeal to people who are considering pre to post migration. They will appeal to people who are on a metered plan today either with me or with one of my competitors. And they will build to those who are already enjoying the benefits of unlimited either with me or with a competitor who haven't yet dived into 5G. So I do think it covers all of those key bases.

Within our plans, we've made connected devices more attractive, et cetera. So that growth is also there in the market. But I would always correlate, it's got to be an "and", it's got to be base growth "and" related service revenue growth because that pays earnings per share, that pays dividends that generates the cash for buybacks, that generates the cash from investment.

Over the medium term, the 2 things have to move. Yes, there might be disparity quarter-to-quarter. What I'm trying to make sure I do is that the yield on every single dollar that I invest in the market is generating long-term value for investors. And I think we're doing a superior job.

But as Hans said, when he was talking at a conference a few weeks ago is it's not like I don't have headroom to invest in the market. I have the flexibility to invest in the market. And we will do that. What I am confident, though, is every dollar we invest in the market will deliver the right yield.

And when we talk about things like churn, we continue to enjoy best-in-class churn. Even our performance in May exceeded our own expectations, and that's a market where the switcher pool was greater. So I think making sure that your base is well looked after, high-quality network experience, high-quality service experience and incredible value. Sometimes people describe us as the super-premium carrier. When you look at the value that's embedded in our unlimited plans, in many respects, it's the best value in the marketplace on the best network.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

On the subject of the -- well, I think I want to quickly comment that many of us appreciate the distinction you just made. Your answer is very helpful in reminding ourselves that there are certain structural attributes of your business that affect your balance of gross adds and net adds, while the update on your performance in the switcher pool is very helpful.

Let's go from there to content bundling. You mentioned it earlier in this conversation, and it's been an important driver of plan upgrades and ARPU for a couple of years now. Why should consumers buy these products through Verizon when they're available direct-to-consumer on an ongoing basis? And then talk to us about the role of the 6- to 12-month promotions within those bundles. How should consumers think about what they're really committing to given the limited nature of some of the offerings?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So a key thing here is that we are leaning into trends that already exist in the marketplace. So there is a multiscreen content consumption trend. There is also a cord-cutting and cord-shaving trend. So the insight that we're leveraging on the mobility side is that customers more and more are consuming a range of content on their mobility devices as well as their tablets and other things. So that's first of all, driven by customer insight.

Second thing is we're building a business that has the ambition to be a national residential broadband competitor as we roll out our fixed wireless access. So the ability for us to scale our relationship with content providers, where previously, I was a subscale purchaser of content in the Fios footprint in the Northeast, I now have broader relationships, which give me more leverage with those key relationships with the Disneys, the Discoverys, et cetera, of this world.

So from a strategy point of view, that helps the whole of our business. And Peter, I know we don't talk much about the Fios business, but the quality of business we're writing in Fios and the yield we're getting per customer is the best ever in Fios' history. And only a part of that is pandemic-related. That business is being transformed as customer behavior changes. And we see that with video net adds negative every quarter. Not a bad thing. I was spending $60 to put a $60 content bundle together. So me losing video and then people coming and using mix and match, using the fact that they're also getting wireless content through their wireless relationship is actually helping to fuel the Fios business and is great for fixed wireless access.

To the 6- and 12-month, the key there is you get 30 days free of something and you know people are doing it as a promo for their benefit. If you get 6 months or 12 months, you've a proper objective opportunity to see whether or not this is something that you value. And then we give customers the choice of, say, inclusions within our premium tiers, which says, "As well as getting other benefits, you can also get essentially the best pricing on content that you've determined over the 6 to 12 months is something that you genuinely value."

And all of our customers are essentially getting wholesale or better pricing for these inclusions because we're using our purchasing power to transfer that value. And customers understand that. If somebody buys a handset for the customer, they pay $1 per dollar. If I can spend $0.50 to give a full dollar of value to a customer, that creates real value for them, but also creates much greater yield and choice for me.

So gaming that we just announced the other day is another example. We see this as something that we can move across multiple verticals where our purchasing power and our scale affords us the opportunity to bring better value to our customers on brands and services that they genuinely value. This is not pile them high and sell them cheap. This is bring stuff that customers want and make it accessible and affordable in an intuitive way as they go multiscreen.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

You mentioned industry net additions in the first quarter and how very strong they were. And a common topic in discussing your company is the industry net add growth opportunity over the next many years. So I wonder, as you analyze your own business and leaving aside the extraordinary strength of the first quarter, beyond population growth, what are the sustainable drivers of industry net adds from 2021? And if I could pin you down, over the next 3 years, what would your guess be about postpaid phone net adds for the next 3 years on average?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So without getting too forensic about it, I think you have population growth, but you also have the fact that adoption of the first smartphone is getting, relatively speaking, younger and younger. So you have that expansion from an age profiling. The people who are dying in their 90s may not have had a smartphone, but younger and younger people are joining. So it's a doubling effect. It's not just the natural population growth. It's the addressable market age profile is expanding. So that's one factor, and that is important.

The second thing is multi-device use. In an expanding economy, you may well see people using a work phone and a personal phone. And so that can be a vector of opportunity as well. And I suspect that some of what we saw in the first quarter, small company formation in the first quarter was at a record level, I think 1.4 million businesses were formed. So I think you'll see that as an expansion. And obviously, I only reported a piece of that in my part of the business. The rest of it would be in Tami's VBG organization.

I think the other things that we will see growth in is that there will probably be an evolution for us in the addressable market for the value segment because we don't really participate in the prepaid space to any meaningful extent at the moment. So when I look at us in particular, we see the opportunity in the value segment to grow that segment, not to pre to post migration, but actually bringing more value and more product offering there.

When we spoke in March, we also said, which is important, is that we thought as drivers of growth that we would see continued double-digit growth in product revenues that sit on top of that connectivity. And as mobile edge computing starts to migrate from B2B into the B2B2C space, I think, in the outer years of those 2 to 3 years, you may well see a growth in other connected devices like those that support AR, VR, other things like that.

So I would say it's low single-digit device growth in the classic smartphone space at the bottom end of the single digits. But I think, actually, in meaningful connections that are driving kind of ARPU and ARPA accretion, I think you may see that in the low, mid-single digits in kind of year 2, year 3 as that starts to expand. And of course, for Verizon on top of that is the opening out of the fixed wireless access market, which affords us the opportunity in that space to drive connections, which will particularly accelerate as we get to not just the first 46 PEAs, but then the balance of the Continental U.S.A. with our C-band offering.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

So before we get to 5G Home, which I'm restraining myself from asking you about, I wanted to ask a premium value category question, which is, as you discussed earlier in the presentation, much of the flow of industry new subscribers and a significant portion of the gross add flow in the industry is driven by premium value by price-sensitive customers. And it's been where the highest rates of net subscriber growth have been for the last several years. Start Unlimited hasn't been a huge topic in your investor communications since you launched it. And I wonder if it gave you a large enough presence in the category or not.

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Well, I think you can derive by reverse engineering the math. If I have essentially 2/3 of my base on unlimited and I have 25% of those on a premium plan within the unlimited, Peter, you can work out the fact that Starts Unlimited and its equivalent predecessors have been important parts of the category. And really, it drives a couple of things - the first phase of adoption for unlimited customers is driven by 1 of 2 things.

It's either usage behaviors that require more data or it's peace of mind and comfort, which says now in this world with a price point that's accessible to me, I have that piece of mind saying I have all the data I would ever need. And so particularly Start Unlimited service, both of those. We also refreshed our metered plans in our 5 gig and 10 gig to afford people the opportunity to say, well, "If I'm not quite ready to go to unlimited yet, is there a step I can take in the metered, which just gives me an opportunity to perhaps expand my usage behavior before jumping to unlimited?"

So we see this as a natural tiering, which is insight driven so that the customer has a natural landing place. I mean we very openly talked about when the first people moved, it was -- they were optimizing. And so we actually saw some ARPU decretion as people optimized from being out of overage, et cetera, et cetera. Then you get to a phase of people who move, who are driving up their usage and who enjoy the peace of mind. But then you get to a point where sometimes, the step was a little bit too high. And so Start Unlimited plus the refresh of the metered plan was to create a natural stepping stones for the base. And that's why we've continued to see this high-quality migration of people up the steps, which is also why I'm delivering service revenue growth sequentially when maybe others aren't.

So that's an important component, and it plays an important role. Will we get to a point where essentially all plans are unlimited? Probably in the medium term, that's where we'll get to as an industry, I suspect. But customers need natural stepping stones there, and that has worked exceptionally well and continues to work for us.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Let's talk a bit about some of the recent changes in competitive behavior in the industry. AT&T in particular, has seemingly awakened after being a source of market share for everybody else for several years in postpaid phone. They are clearly spending money to achieve better subscriber results. And assuming that the net present value of that behavior on an expected cash flow basis is positive or perhaps they wouldn't be doing it, how should Verizon respond to that strategic change, if at all?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So again, I'll focus primarily my comments on our business rather than commenting on others. But I think it's objectively fair to say that a competitor who had 2 businesses that were not necessarily performing decided to dump one of those businesses and therefore decided it needed to focus on the performance of the other part of the business. What I would ask any investor to think about is, is it their multifaceted approach to delivering strong, sustainable value-creating performance over the medium and long term? Or is it just about how much you spend in the market on a quarterly basis on other acquisition or retention?

And we've been transparent as Verizon, what our strategy is, how we've executed it is. And truthfully, from an investor point of view, I think people would commonly concur is we're doing what we said we would do and doing it consistently. If that means that AT&T looks a bit more like a follower of Verizon today, that's something for them. But we have a very clear strategy, which is we've crystallized, from an investor point of view, a very clear ambition and laid down the path to superior growth, which, ultimately, for a business like ours to have GDP plus growth should be very attractive to GARP type investors and others. We have a strong dividend. We have strong cash flows. We have the ambition when the time is right, later on down the road, to buy back stock, et cetera, strong discipline in our balance sheet.

So I think when you look across the estate, we've made the decision to exit the media business. You've got a very clear, well-articulated multifaceted growth strategy and execution strategy. And the last time I looked, that was yielding 5 percentage points or more of yield on every single dollar of revenue that comes through the till. That's important.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Another source of competition, but also revenue growth, ironically, is the cable MVNO relationship. And while the details of that relationship are mostly private, it seems that the relationship was renewed. And Comcast's new pricing of 4-line unlimited packages might be a consequence of that renewal. I think many people would love to know how Verizon thought about that renewal, what your key priorities were going into it and what you think it means for your business over the next few years.

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So, Peter, as you say, the vast majority of the relationship with the MSOs is subject to confidentiality. So what I'll try and do is just shape the picture at a very high level.

The first thing to say and just to remind people is that if a party is going to enter the market on an MVNO basis or wholesale basis is -- no matter what anyone else will tell you, if they're entering the market, a facilities-based carrier is always economically better off to be the provider of wholesale than not. Always, make no bones about it. And people will say, "Well, it's on your network and whatever else." Simple math, be -- rest assured, it's always economically more attractive to be the wholesale provider, rather than just simply lose customers to that new entrant. And so respectfully, I need to remind people because sometimes they lose sight of that.

Two years ago, we were at conferences like this. You had CEOs of other businesses explaining that they were going after the wholesale market and that they had an appetite. Well, history records that the MSOs decided the best provider in town was us. But what is really important to say, and I can't talk about the specifics is, there's nothing in the expanded and extended relationship with the MSOs that is in any way inferior from an NPV and return point of view to the relationship we had previously. We've augmented capabilities that are available to them and other things, which, again, I can't go into the specifics.

But essentially, any pricing decisions or any other decisions are purely market competition and market context-related. They're not related to any specific things that have either changed or existed inside any of those relationships. So you should assume that we will continue to be the wholesale provider of choice based on quality in the marketplace. And we're very much open for business for anyone who wants to do wholesaling in the market, but we're not pricing at clearance bucket pricing rates to do that. What we're doing is bringing access to the best network.

So we think we have the balance exactly right. As we've shared before is, yes, we lose our fair share to people in the -- the wholesale players, but we don't lose more than our fair share. So economically, we're in a better position than anybody else, and we are very confident that it's growing shareholder value, both on a gross and a net basis every quarter.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Let's go to Home. For starters, the guidance that Verizon provided for Home in March was perceived by investors to be either cautious or disappointing. And I think it clearly was understood as partially a consequence of the C-band deployment schedule. But given some existing expectations for millimeter-wave-based 5G home growth, many investors were left unsure of what to make of the guidance.

And so to get specific, I wonder if you would comment on the years 3 through 5 of the Home plan. Should we think of 1 million to 2 million home subscribers 3 years from now, which was roughly your guidance, as a number which would be the beginning of a story, which would be inflecting? Or should we think of the company's ambitions as somewhat narrower than they were years ago when we talked about high penetration rates of 30 million homes?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

It's a great question, Peter. And in some respects, we're guilty of telling the market too much rather than too little in this regard. Millimeter wave, just to remind people, it was always, always deployed on the basis of an augmentation of capacity in the mobility network, always. And therefore, for the 70-odd partial cities covered that I have at the moment, in many cases, that represents a really tiny proportion of residential. But we make no apologies for that because we're delivering millimeter wave as a fundamental enhancement of experience and capacity in the areas that have the densest demand for traffic.

As we see the economy opening back up again, we're immediately seeing those single-digit percentages of the traffic on millimeter wave growing again. And when you think that only about probably mid-teens percent of people have a 5G device in the first place, the fact that it's already registering that proportion of our total traffic is a significant thing.

The deployment of C-band and because it comes in 2 waves, those create a bit of a hockey stick in the shape of opening out addressable market. And in a very practical sense, Peter, people should think about therefore these things coming together. The first is the millimeter wave is predominantly in nonresidential areas. But as we build out, the C-band will cover all of those residential areas in cities and suburbs.

Second thing is, as we've built out, we've added high-powered CPE, which also helps from a signal point of view. But as you look at the nature of buildings, the C-band is important for going up into taller buildings. The C-band is also important coupled with repeaters in the millimeter wave for being able to blanket cover in areas. So the tools in the technology portfolio are enhancing at the same time as the actual deployment in the network is moving to areas that have more residential within them.

You then go to, well, what's the adoption curve for a residential broadband product? Well, it's driven by things like people moving. And it's driven, therefore, with a different sort of adoption curve and market access curve. And so what we've been looking at is our experience in the Fios footprint and using that as a proxy. And essentially, it's a 5- to 7-year curve for you to build to your target market share because that's the profile that residential broadband has.

And so those are the factors that allow us to build out that model. And essentially, that is why those outer years of the curve are really the inflection point of the growth up, because more and more of those markets have now been opened a year or 2 or 3. And as a result, along those curves of penetration to get to target market share, we're further along those curves.

So for me, our ambition hasn't changed. I was unequivocal when we talked in March post the C-band auction that I'm more confident rather than less of what we acquired in the C-band auction and allowing us to be a much more scaled residential broadband provider.

The other thing I would say to you from a marketing point of view is marketing millimeter wave, where you're in parts of a building or in a street, but not in the street beside it makes the marketing somewhat inefficient. That's not something that we didn't realize before we started. But deliver the C-band into that same area and all of a sudden you can go back to those places and start to blanket market rather than tactical marketing as we're doing today. So all of those pieces mean that you should see us being confident that also the curve is more the shape of it's an accelerating growth curve in the mid-out years, rather than a plateauing at a more modest ambition.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

I'm tempted to ask you a capacity question because investors are rightly fascinated by that issue. But in the interest of time, I want to focus on just your marketing...

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

I'll just give you the 30 seconds, Peter, on that. We announced something the other day where we had been doing combining millimeter wave and C-band very effectively. And so investors should think about that is, if I'm overly successful in my C-band fixed wireless access penetration, the cavalry will come because I've got 1,600 megahertz of millimeter wave nationwide as well. So it's a high-quality problem.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

How do you plan to price home with the distinction of network delivery path in mind? In other words, if C-band was -- if millimeter wave was always presented as a super-premium product at an appropriately market price, is C-band the same? Because by definition, it is not the speed and latency characteristics which Verizon will deliver on C-band should be not as high or not as strong as what will be delivered on millimeter wave. And so will they be priced similarly or differently?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So we've been clear, and we did say this in March, is that our ultra-wideband offering will include our millimeter wave and our C-band. And just to remind people, even for residential broadband today, we quote that as a 300-meg product. Customers are enjoying 1, 1.5 gig downlink speeds, but we promote it as a 300-meg product because we've always anticipated the fact that, as we expand out usage and coverage and as we deploy the C-band, that that's the sort of product that for a fixed wireless access point of view.

Similarly, on the mobility side, C-band will provide a dramatic increase in the coverage of an ultra-wideband experience. But in those areas where performance might be affected by capacity, well, then ultra-wideband continues to be the key. So in stadia, in airports, in dense urban areas, et cetera, et cetera, that augmentation will mean that we can continue to deliver a high-quality, high-speed, low-latency experience for all of our 5G ultra-wideband customers.

And so rather than I have 2 networks, a millimeter wave network and a C-band network, that was never ever our intention. And ultra-wideband is the amplifier of a consistent, high-quality, high-speed, low-latency experience. And the engineers will blend those things in a way that there will be a seamless consistency for the customer. That's what's key. So you'll see us as a 5G nationwide, a 5G ultra-wideband and that's it. And ultimately, customers don't buy tech. They buy the experience that's delivered by the technology. And so it will be really simple. We'll have ultra-wideband. We'll have nationwide.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

And so should we reframe it as a speed delivery menu? And should we expect to see a price and service menu from Verizon 5G Home, it is defined by speed tiers with different prices? Or should we expect one price for a maximum speed, a single product?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So again, if I think about 5G Home, ultimately, what I want to deliver is a home portfolio. And therefore, it's likely that speed tiering will be an element of that. But it's not just simply between kind of a notional 5G nationwide and a 5G ultra-wideband. I'm thinking about the fact that I have fiber. I have 4G LTE that will also have incremental capacity available as people move up into the 5G bands. And then I have 5G on a nationwide basis and as we get out to the 46 PEAs to the 406 PEAs more broadly distributed than ever before. So I see it as a portfolio, but almost think of it as technology delivery-agnostic, bearer-agnostic, which is likely to have a tier of services, which may well be higher speed, mid speed, good speed. But it may be that that's a mix of technologies rather than simply a tiering of speeds within a single technology.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

And how attractive is the opportunity on the good-speed tier? I asked the question because about 60% of the United States a year ago was a monopoly at 100 megabits per second. That's a remarkable fact, which has been great for the cable industry and seems to present a very interesting opportunity for a new entrant with an attractive cost profile. And I would call you both of those things. I think your marginal cost to deliver an incremental residential broadband connection, once you have the network up and running, is very low. And if that's true, then there would seem every reason to price your good-enough speeds at whatever price would clear the market would sell high volumes. And so I wonder if you agree or disagree with that strategic comment.

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So while I won't necessarily pre broadcast my entire pricing strategy, I would draw your attention to our policy position here, which we've been articulating in Washington for the last few months, which is Advance America strategy, which believes about adoption, inclusion and affordability. So we very much see an opportunity to expand out not just our TAM, but access for consumers and small businesses in the U.S. to a better and more consistent quality of connectivity, and we see that as an essential component of our offering.

And within that, therefore, we see a natural extension, which will mean that we can bring what is -- I would never describe a product as a good enough, but meets and exceeds my needs product to a wider audience and give people real choice. I mean in the current conversations in Washington about having symmetrical speeds, that's a fundamental misunderstanding of what customers' needs are. And while I have fiber product that offers symmetrical needs, the idea that nationwide, everything has to be symmetrical, it just doesn't meet the objective test of what customers actually use and need. So I'm in the broad sense, agreeing with you that I think you will see, and Verizon will be in the vanguard, an expansion of choice and opportunity here, where product that exceeds customers' need and expectation can be delivered in a cost-effective way, without having to run fiber across the countryside.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Okay. Great. We're approaching the hour. And in respect of time, I want to just ask if you have any closing comments that you'd like to make?

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

So, Peter, first of all, thank you for the opportunity today. I would just say that a few months after our C-band auction, the business, we're seeing strong economic recovery. We're seeing the evidence of consumer confidence. We're seeing activity levels both on the network and in the marketplace back to 2019 and maybe even above.

Within that, we think Verizon is as well positioned as it has ever been. And so we see strong opportunity as we roll out into the second half of the year, but we also see that creating the natural momentum, which will be further augmented by the delivery of C-band when we get to the end of the year.

So we're well positioned, we're excited, and now we're just going to execute brilliantly on behalf of those who've already joined us and those who will join us in the coming months. So we're looking forward to a very good 2021.

Peter Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Wonderful. Well, thank you to you and your team at Verizon for joining us today. Thank you to all Bernstein clients for joining us today, and we wish you a great remaining day at the Strategic Decisions Conference.

Ronan Dunne - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Thank you very much, indeed, Peter.
