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# EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc. at Moffettnathanson Media & Communications Summit (Virtual)

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**Tami Erwin** *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

## CONFERENCE CALL PARTICIPANTS

**Craig Moffett** *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

## PRESENTATION

**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Thank you for joining us today, those of you in the room and those of you joining via webcast, for the second day of MoffettNathanson's Ninth Annual Media & Communications Summit. And I am really delighted to welcome for the first time Tami Erwin. Tami is the EVP and CEO of Verizon business. And Tami, before we start with our discussion of Verizon and business, you made a pretty big personal announcement earlier this week. So I wonder if you would just -- in case not everyone saw, I wonder if you would just give us all an update on what you announced.

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes. Happy to do so, and thank you for the invitation to be here. Really excited to talk about our business and how we see the business shaping up. But yes, on Monday, after 35 years with Verizon, I announced that I'm leaving the business. I also committed to staying on through the end of the year as we pick a successor. Hans and I have had very good conversations as we've gone into the planning cycle for this to make sure that when we identify a successor and we do the transition, that it's completely seamless. We've got really great momentum in our business right now, so making sure we do that.

I intend to take a really long vacation after the end of the year and then really write Chapter #2. When Chapter #1 is 35 years long, you have less time to write Chapter 2, and I'm pretty excited about it. The world has changed a lot. There's a lot of things that are out there, the problems that need to be solved, geopolitical, social, commercial. So I'm pretty excited.

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## QUESTIONS AND ANSWERS

**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Congratulations, I think, on behalf of all of us, we are excited about for you personally. Tami and I had fun last night comparing notes of 35 years in telecom and all the people that we have crossed paths with in common over the -- back from AirTouch days back in the late 1980s and early '90s. So...

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

But we agreed it did not make us old, right? Just to be clear. That doesn't make us old.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

It does not make us old. There is one other announcement that happened. This was the second most important announcement on the day of your announcement. The first one was yours. The second one was a pricing announcement, where you guys raised prices on your wireless plans. And

obviously, that was not just in the business segment, but that was consumer as well. But I wonder if you could just describe the action that you took and the extent to which -- how does that affect your finances for this year and next?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. So listen, I think every business in the world is trying to figure out how to deal with inflation. How much of that do you absorb through cost savings? How much of that do you pass on? Can you pass on? How much capacity is there in your pricing model? And we took a very thoughtful approach to how do we think about business customers? How do we think about consumer customers? How do we pass on a very small component of that inflation that we've experienced?

In the B2B space, we passed it along in terms of an economic adjustment fee. It ranged from \$0.98 to \$2.20 against a subset of our customers. We think it allows us to recover a component, a piece of the pressure we're feeling but also absorb a piece of that pressure on behalf of our customers. So we feel good about that balance. Consumer did it a little differently because they don't have the same kind of big contracts we do. So they did an administrative fee adjustment. So they took up the administrative fee to the \$3.30, \$3.35 range and took that broadly across their postpaid voice customers, data not included.

And so we think it's the right move for the market. It allows us to absorb a component of that, and it allows us to pass along a component of that to our customers and not overburden them in the process.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

So I guess the obvious question that everybody is wondering about is whether this will stick. There was a perception, I think, that AT&T had raised prices a few weeks before. My reading of that was it wasn't really a price increase at AT&T, it was more of a rebalancing from old plans to new plans. Yours was actually a price increase. And AT&T, to be fair, it did raise prices in broadband. But in wireless, how do you think about the ability of the industry to pass through pricing? I mean does this feel exploratory and then you wait and see what T-Mobile and AT&T do in response and what cable operators do? Or is this kind of down the torpedoes, we're going to do this anyway and whatever they do, they do?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. Listen, we have taken a leadership position and said we recognize the inflationary pressure. We need to address a subcomponent of that. We will do it in a way that we think is most effective against the customer segment that we're serving. I don't see the market having elasticity right now to go out and say I'm going to raise prices \$10 against every customer and reset the pricing model in the marketplace. And I think we were thoughtful about how do we surgically address the growing cost pressure and not make a shift in overall pricing.

Now listen, everybody is making their own pricing moves here. So let's be clear, T-Mobile made a pricing move and an uncarrier announcement a couple of weeks ago and talked about how they were pricing their fix wireless access. In B2B, they capped it. So I would say they actually took up prices in a different way because they reduced the availability of that product.

So I think everybody is wrestling with it. We wanted to take a leadership position, go first, be thoughtful and surgical about how we applied it and bear the majority of that inflationary pressure within the business.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

And if you could just bridge a little bit to the wireline business. Because as I said, AT&T did raise prices for broadband. You did not yet, but is it reasonable to assume that you're looking at pricing across your whole portfolio as well as not just wireless?

**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. Listen, when I look at my wireline business today, and we could have a lot of conversation about wireline today, it is a shifting business for sure. And when we really think about enterprise contracts, Craig, as I price each deal that I'm bidding for, whether it's a new opportunity or a renewal, we make the adjustments we need to as part of the overall bid that we respond to.

It's part of why when we think about how do we go to market in wireline, we like to think about it not as big circuits and big trunks but rather network-as-a-service because it allows us to bring the best value to the customer and also price to where the market is going, while providing value to the customer.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

So we're going to come back to network as a service a number of times today and that vision. But I want to start a little more grounded in the now because there is -- especially after yesterday's market action, there's obviously a huge amount of attention on whether we're headed into a recession, how deep a recession might be. You have one of the best catbird seats in America, serving such a large percentage of American businesses. So I wonder if we could just hear from you with all the crosswinds out there about COVID reopenings and back to office and inflation and rising borrowing costs and supply chain issues and all that sort of thing, what's your temperature check on the consumer -- or the business sector, I mean? And how strong do you think the economy is or isn't?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. There's a lot loaded into that question. So let me kind of unpack a couple of pieces. Yesterday, I think, was a shock for all of us, right? We saw the earnings for Walmart, the earnings for Target. We saw the market react and respond to that. I think first quarter was somewhat of an unusual quarter because I think people began to shift their buying from buying goods to buying services and spending their money differently. If you look at consumer spending in April, it was good.

When I talk to businesses around the world, Craig, and I have spent a lot of time during COVID and outside of COVID as we all face into whether it's the COVID environment, the economic inflationary pressures that the world is seeing, the lack of staffing and talent, when I think about the geopolitical because of what's happening in Ukraine and Russia, what I'm hearing from businesses is they're pretty bullish about the future. They're busy hiring, but they're really driving transformation in their business.

And so from a B2B standpoint, as I talk to customers, I see them being very kind of urgent about moving forward with making sure they've got the right connectivity, they've got the right security, they've got the right platform capability so that their people can be more efficient. I think we're all struggling with how do you hire enough people against the demand in your business? How do we as a technology partner help you take some of the people cost out and reserve your people for the most important work? So I think businesses are pretty bullish right now.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

So in the first quarter, when you announced earnings, you talked about -- this is now including the consumer, particularly in the consumer side of the business. But you talked about activity levels falling at the end of Q1 that they were strong in the early part, but then slowed down. In retrospect, does that feel like that was an early sign of just that shift that you were describing of -- from products to services and people were -- there was less traffic in malls and locations where there are retail stores, that sort of thing? Or was there something more sort of troublesome and worrying about the drop in activity levels that you talked about? Was it in retrospect the beginning of a recession or the signs of recessionary activity?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Listen, there's smarter people than me that will say whether we're in a recession or not. However, I would tell you that I think what we are seeing is that I think the March time period began to raise concerns for consumers broadly about where and how do they spend their money. And as we

all come back out of an environment where we've been locked in our homes and begin to reimagine how we spend -- wages are higher than they've ever been before. Unemployment rates are very, very low. People have money to spend.

I think March was a pause to say, are we going to see continued inflationary pressures? Are we going to -- how do people want to use their spending? And so I think people have paused to redirect. I think people are more consciously aware of what they're paying for the goods and services they buy. And it's the reason that we look at our business and say, let's make sure we have good choice for every customer segment.

When you think about our acquisition of TracFone and the ability to serve a lower segment, a prepaid segment of value-oriented segment, we have more choices than we've ever had with that. When you think about what we have in the high end with Mix & Match, lots of choices there. Is there more to be done in the middle? Maybe. And really making sure every customer based on their economic environment has choice particularly now that we've got the capacity we have on our network. And so I think, yes, I think people hit the pause button in March. I think people have demonstrated good consumer spending in April, and I'm pretty -- I'm not as worried about the market as many are.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Okay. Good. Well, let's -- that's helpful because as I said...

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Brady is going to...

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**Brady Connor** - *Verizon Communications Inc. - SVP of IR*

I need Tami to say the safe harbor and then the compliance guidance...

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Okay. Safe harbor, would you like me to stand to say that...

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**Brady Connor** - *Verizon Communications Inc. - SVP of IR*

Everything that we say today is subject to the conditions of safe harbor and are subject to risks. You can find details in our SEC filings on our website...

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Thank you. The slide didn't show up. So thank you. I appreciate that. It's super important that we're having a conversation here amongst a much -- a bunch of really bright industry experts, and I want to have a good conversation...

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And here, I got all excited. I thought Brady was going to give us new guidance when he stood up. I was hoping...

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

He was going to guide your quarter.

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**Brady Connor** - Verizon Communications Inc. - SVP of IR

The compliance people texted me, so...

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

Okay. Good. All right. So I promise we'll get into all the sexy stuff about mobile edge compute and private networks and all that stuff in a second. But I want to start with some more prosaic stuff about the business today.

Let's start with the business side where T-Mobile ran a \$10 a line plan last year or last year. And AT&T has been very aggressive with corporate discounts as they have been in the consumer segment. T-Mobile has made it clear they want to take market share in the business segment. With all of that, not just in consumer but in business, what's the strategy for competing with all these discounted lines and the kind of promotionality that we're seeing in the segment today?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. So let me just take a quick step back, if I can, to set the stage for why I think we're positioned to have multiple paths to revenue growth. If you think 3 years ago, Verizon reoriented our business and said instead of having a wireline and a wireless business, we would face the customer as a consumer business and a B2B business, and we would really focus on customer outcomes. And when I think about how we've done that within B2B, we've got a small and medium business, we've got a global enterprise, we've got a public sector and a wholesale. We've been able to be very thoughtful and clear about what customer requirements are and what customer outcomes will be.

And I would tell you, when I think about the market, I have had these competitive threats for as long as I've been in the industry. And most notably, over the last 5 years, T-Mobile has continued to say this is the year I'm going to take share from you. I'm going to give away free pricing in states. I'm going to go to \$10 pricing. AT&T has said, I've launched a big FirstNet network. They've opened it up to anybody and everybody. It's not a network for first responders. It's open to anybody and everybody. And I would tell you, I own 44% market share today in B2B. And every quarter, I grow that. In fact, the last 4 consecutive quarters, we're the only carrier to increase our gross adds every single quarter.

And so I always respect the competitive threat, but I spend way more time focused on what does the customer need; as a small business customer, how is that different than global enterprise, how is that different than federal; and how do I meet the needs of those customers. And here's what I know. When customers operate mission-critical businesses, they want to buy the network that is most secure, provides the best coverage, most reliable and is anchored to continued kind of evolution. And that's why the 5G work we're doing is so important. We're now giving customers the best technology platform of anywhere in the world, and they know they can get it from a company that is reliable.

So for me, it's pricing and value. It's distribution. I think we underestimate the power of really good distribution. It's service delivery. And then it's delivering what you said you would deliver for the customer 7 days a week, 24 hours a day. And I think nobody does that better than Verizon.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

How much is the offer and the sale for you a bundled sale of wireline and wireless together? Because you talk a lot about the importance of security and thinking about data security across the entire communications wallet. But is that only for relative sort of medium and enterprise? Or is that really a selling point in SMB as well?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. So if we think about kind of where we compete today, we deliver a full stack portfolio of offerings to our customers. We start with core connectivity. We'll come back to network as a service, but really what kind of connectivity does the customer require. In that core network connectivity,

we deliver basic security capability. So a small business customer would have access to that as you move up the stack into platforms, applications and solutions, whether it's unified communication services, whether it's IoT capability, whether it's some of the other platform capabilities, we will add additional layers of security.

There is not a CIO in the world that doesn't believe that security is a major problem. It's not if, it's when. And how do you prevent it, how do you detect it and how do you have remediation plans, we deliver all of those capabilities to customers. In fact, our DBIR report, which is our big security report, comes out this week. And we offer those services starting with small businesses but really go up the stack depending on how much a customer wants to spend.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And I would assume that if you think about new competitors, cable, DISH Network and that sort of thing, that, that becomes a really tough challenge for them to be fully competitive. Is that fair?

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Absolutely. I think it's -- every day, we work harder than the day before to make sure we deliver the kind of customer outcomes that customers expect. Customers outcomes and requirements are shifting so quickly. I mean you look at even 3, 4, 5 years ago, SD-WAN and virtualized networks were not something people were talking about.

Now we're one of the largest providers of virtualized networks in the world. You look at Network-as-a-Service where DISH would not ever have the ability over a long time. But in the near-term future, I don't see them being in a position to compete in that space. And when you think about Network-as-a-Service, customers no longer want to buy 65 circuits here and 5 chunks here, they want to buy Network-as-a-Service. What kind of capability do you need at what location with what kind of SLAs and how do I deliver that and how do I manage it for you with security at the core and knowing that you -- that is such a mission-critical element for you that you have to have the reliance of knowing it's going to work.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Give us a sense of that. Because I think for a lot of people, they sort of hear the word security, but they may not be steeped in the network enough to really think about what operationalizing that really means. So talk about sort of whether it's in the NOC and the level of investment it requires to be world class in delivering that.

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

So I'll say what I can say and not what I can't say because there's only so much that I will open up to in terms of kind of what we do for security. But listen, when you think about -- we provide security capability to governments around the world. So Australia happens to be one of our biggest customers. You look at all the 3-letter agencies in the U.S. today, we have 55% share in the public sector space. The way we provide security starts with the network security, so the way we build security capability into our network. So you think about identification and prevention of, so always monitoring to keep out. And then you think about identification of security breaches, the ability to identify them as they're happening. So always monitoring.

So we have 9 security operation centers around the globe. So people are always watching for the bad guys and where are they and how do they find them. And then we've got a whole remediation practice. So once you find that, how do you remediate it and get the customer back on track. So we do a lot in the space that is a practice that is growing every day when we think about the continued shift in the risks in the business.

**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

I think that those kind of -- the nitty gritty of differentiation is I think lost on a lot of people who tend to think at a very high level about, well, here comes a new entrant, and they've got spectrum, so they're going to take a lot of share. And I think it is hard to get businesses to shift in this -- for precisely the reasons and the investments that you described.

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

I think your point is spot on. When people look at what does it take to be a full stack provider, it's a lot of hard work and a ton of experience. You know Kyle Malady well. He and his team built the best networks and they've got better and better every year at how they do that. So I think not only is a lot of hard work, but one of the things that I value about how Verizon operates is we never rest on our laurels. We're always looking forward and saying what has to be true to meet the customer outcome tomorrow and building towards that. And so while these new guys are trying to build a basic network, we're looking forward to what are the advanced capabilities that customers require as a full stack provider.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

The devil's advocate for you, though, would be take cable, for example, cable can come in and compete on the wireline side and increasingly now with your own network on the wireless side, but on the wireline side with relatively generic IP products and Ethernet connectivity, not try to move up the stack initially, but then by virtue of just a typical innovator's dilemma, migration start to compete for more and more complicated commercial services. Isn't that a fair approach to the way -- what you would expect to see from new competitors in the enterprise segment, for example?

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes. Listen, there is -- competition is good for customers. Choice is good for customers. It makes all of us better at what we do. But let's talk broadband for a minute. Let's talk the cable guys for a minute. I have today 44% share of all B2B mobile subscribers, and I'm growing that every quarter. When I look at where I've had a gap in my owner's economics, it is on broadband to really be able to build out virtualized networks. And so if I want to deploy an SD-WAN, I need to go to the cable guys and buy their broadband, and it takes 10 weeks to be deployed.

And in the deployment process, they're going to dig up the parking lot of the Walgreens location and they're going to take -- deliver that 10, 12 weeks later. That's too slow for customer deployment. In my 5G world and offering business Internet on our 5G network, I can drop an antenna on the top of the roof of Walgreens, and I can deploy broadband, commercial-grade broadband that I measure, monitor and control, and it's there in 24 hours. And so I'm delighted that I now have the ability to compete outside of my footprint. I've always had great fiber capabilities up and down in the Eastern Seaboard with what we have, but now we have the ability to compete more directly across the nation as I think about other ways to deliver Network-as-a-Service and build up that stack.

In my Fios footprint today, we have 49% share. So given the asset, and I think I can serve customers better than anyone.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Yes. So you just talked about fixed wireless, and it's been, I think, a really interesting story on the business side of Verizon. Talk about the success you've had in serving business customers with fixed wireless. And I think most of us have been surprised about how much of the fixed wireless success has come from Verizon business?

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes. So if we look at our base today of fixed wireless access customers, we have about 50% of the base. So we split that with consumer. As they open up more and more, open for sale in broadband, they will go faster just based on scale. But when I look at the growth we're having, I really



like the economics and I like the ability to deliver capabilities for customers. So if I look today at where customers are coming from 80% of the broadband FWA, fixed wireless access, that we're writing is a primary use case. So it's not a secondary backup. We've been doing secondary backup on 4G for 10 years. This is a primary use case.

50% of those primary use cases are coming from new use cases that cable can't participate in, a construction site, a mobile unit, whether it's testing here in New York or it's hospitality, lots of mobile applications and use cases. And so we like those because cable can't participate. But the other 50% I'm taking directly from cable. And so I'm able to pull in and deliver FWA or business Internet anywhere in the country and do it in a very simple turn. It's commercial grade today. And so 50% of what I'm taking comes from the cable guys.

Here's the other thing that I really like from an economic standpoint, I talked a little bit about this last night. Because of the security capability I deliver with that broadband, because I'm able to package other services with it like One Talk, like BlueJeans capability, I'm able to command a premium for that product and be able to blend that with their mobility and really continue to deliver really good owners economics. The revenues are 2 to 2.5x what we're seeing from a smartphone revenue. And there's almost no subsidization in that model.

One of the things that makes the mobility model difficult today is the degree of subsidy that we're providing to the OEMs. In the model of broadband, you don't have that subsidy. And so I like the ability to expand the relationship I have with customers to start with the mobility relationship, expand it to broadband and provide customers real value all on the same network.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

You've targeted 1 million business customers for fixed wireless. Back of the envelope math says that's about 7% of the businesses that will be covered by C-band. Why is that the right number? How do you forecast what the upside is for fixed wireless in the business market?

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes. We forecasted that number before we really got momentum and got moving. I think there's upside to that number. When you think about the deployment and the acceleration of how quickly Kyle is deploying the network -- remember, we launched in February 100 million POPs cover. He's now at 113 million as of yesterday; they'll be at 175 million by the end of the year. The faster he rolls that out, the faster I'll write business on FWA. And I suspect that 1 million is an understated number.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Okay. Good. So -- but I am going to be now a little more pointed because if I think about the whole broadband -- the whole wireless business, including consumer for a second and I come back to -- before we get to the what I call the sexy stuff about MEC and private networks and things coming, I think most of us think of wireless as a P times Q business. And the P for you is negative. ARPU growth is less than 0. And the Q is negative. Total subscriber growth is negative. It's really hard to grow a business when P and Q were both negative. So what's the path for Verizon to either start taking more share or get price high enough that you can actually grow this business again?

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes. So let me just address -- I'll address the consumer, but I also want to address it from a business standpoint. When we were together at the Analyst Day, we talked about multiple paths to growth. And we acknowledge that the scale of our network with the work that we're doing, not only in millimeter wave, but in 5G gives us the ability to deploy new models. So when you think about the new models we've deployed, people tend to think about Verizon and say you're a mobility business and you're seeing less P times Q, so where is your revenue growth going to come from?

When you think about the network we have deployed, we have the ability to grow revenue in many ways. And I think this is an important distinction. I still believe there's tremendous growth in mobility. I think we're evidencing that today in B2B, despite the competitive pressure. Now I don't see the same kind of pressure from the MSOs because they're really not playing in my space. They dabble in small business, but they're not playing in that space. So mobility, I continue to believe that there is growth based on how we're seeing the growth in business.

But when you move then into new sources of revenue growth, which is a P times Q business in FWA, you're evidencing that we're demonstrating new ways to expand the relationship with the customer and grow revenue through mobility. I know you want to come back to MEC as a separate, but that's a third path to growth for me that's really important.

And then I think in Manon's business in the consumer business, the acquisition of Trac has given us permission again to take the same network to reach a different segment of customers, particularly in an environment that is perhaps economically challenged, reach a different segment of customers, grow them up to postpaid or postpaid customers now have the option to go to prepaid. And it's been part of the construct, I think we've consistently used, which is mix and match your requirements. What you may require might be radically different than your kid, how you might serve your parents might be different. So give people choices, allow them to mix and match.

So I don't think you can measure just simply mobility. I think you have to look at how do you think about mobility plus what we're doing in broadband plus what we're doing in prepaid, plus what we're doing with the MSOs because MSO business has been a good business for us. It's been good revenue growth. It's introduced competition, and it's a good margin business for us as well. So I think just simply looking at P times Q for mobility limits the exposure to really what are the multiple paths to growth that are exciting for me when you think about how you take that network and use it for multipurpose. I think we've got a lot of ways to grow revenue.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And to your point, the MSOs have become really large business customers of yours with 8 million-plus subs on your network, is a real source of value. But on the other hand, they have made clear they want to try to transition traffic away from your network for obvious reasons when they can. Is that something that you say that's fine, they should, and that's great, they're still going to be important customers? Or is there a business relationship way that you say you can encourage them to keep the traffic on your network?

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

I think the best thing we do to encourage them to keep the traffic on our network is provide the best network. The reason they're growing customers is customers know they're coming on to the Verizon network. They're not getting a subpar network. So will they offer choice, will they migrate some of their traffic? I think that's TBD. But the best thing we can do and the thing we do every day is build the best network so that if they think about themselves as a premium brand, they want to partner with a premium brand that provides the same kind of network capability and service that they're known for.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

The business wireline side is, in some ways, an even more challenging proposition than the wireless business in the sense. If I think about all the reasons why, especially in the enterprise segment, connectivity as you move away from relatively specialized higher value services like MPLS to more kind of plain vanilla connectivity, you get all these forces of commoditization. You also have more traffic moving to the cloud, which means in practical terms, it's coming in and out of a data center with multiple carriers in and out of that data center that makes switching easier.

SD-WAN is, in some ways, sort of a deflationary part of the network business. I think we all struggle when we look at that business from the outside of trying to decouple what is deflation for the category and simply, you've got to outrun a very deflationary environment, and what is market share shift that says it's -- your market share starts so high that almost inevitably as new competitors enter, it's hard to hold on to market share. Help us sort of tease apart what's going on in that segment because it's a negative mid-single digits business at the moment.

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. Listen, it is a complicated answer. So I will try to simplify how we talk about it. We have seen the secular headwinds for wireline coming for a long time. People are not deploying big MPLS circuits the way that they did because customers are using their networks differently. And so we actually led the world to the deployment of SD-WAN. Why? Because it meets the customer outcome.

Now we've got a revenue decline built into our 5-year plan. So as we talk about the outlook for our compounded annual growth rate that we talked about at the Analyst Day, we've got that built in. We know that's happening, and it's really happening for a couple of reasons. Customer requirements are changing. The mix of revenue instead of having kind of big pipes and very margin accretive revenue that are coming in, you're seeing more coming in from things like pro services like CPE. You've got a decline in your wholesale revenue. So it really is the mix of services that we're selling that is also declining. So it's how they're buying, what they're buying.

But we're also seeing kind of an interesting, I think, shift as customers come back post-COVID. If you look about it when we were in a COVID environment, we saw a little bit of a buffer to the wireline decline because customers are buying things like conferencing again, services they could only get from wireline. As customers are coming back into the office, they're saying, "Hey, all of my employees are now doing video conferencing when they're in the office. I need bigger pipes. I need the capability for video to work effectively when my employees are in the office." And so the demand for big 10-gig circuits, things that we didn't see before, we're getting a lot of those kinds of orders.

So it's not a good business, but it's not a dead business either. And that's why for us, as we think about Network-as-a-Service, it's really important, what assets do we have today, how can I deliver network capability where you are as a customer based on your service requirements and really then choose where I use my wireline assets today, my IP backbone today, where you use my wireless network. And it's the reason why as you think back 3 years ago and Kyle started to build the intelligent edge network and we reoriented our business, it was to say, let's get ahead of some of these headwinds.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

So now we're going to talk about the fun stuff.

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

I knew we were going to get fun at some point.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

While I think there is some sense that what people were warned for a very long time, 5G is not primarily about consumer. People are still struggling to get over that, oh, yes, I guess it's not about consumer. But 5G for business is, I think, still a question mark for people. I think people have heard some of the use cases for mobile edge compute for private networks. But there is still, I think, a fair amount of ambiguity about whether they will actually grow the wireless market in a meaningful way. So make the case for why MEC and private networks and low latency, first, really grow the industry so that we can have some hope that this is an industry that can actually grow and then why Verizon can take share in that into.

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. So I'm going to just take 30 seconds to go back down memory lane. I remember 35 years ago, when I started in the wireless business and people said that will never be a thing. People are never going to use cellular communications. So let's not even -- by the way, people got the spectrum for free. Let's remember, right? So that was a pretty nice business model.

Think about today how technology changes the way we all live, work and play. And we believe that we have built the 21st century infrastructure. Mobility, broadband and cloud capability will be what unlocks the potential for businesses and consumer. But 5G, we really do believe is built for industrial-grade B2B applications and use cases. The 5G capability that we've built with a complement of millimeter wave and C-band, the holdings that we have from a spectrum standpoint give us the ability to not just go faster and have data transmitted faster, but tremendous low latency capability, think sub-10 milliseconds lab environment today. But over time, absolutely, we'll get to that point. Sensor densification, so as you begin to think about IoT capability, you think about the ability to consume less power with the way the network operates, all those things come together to say I believe we can and will build a portfolio of B2B solutions that will allow us to really scale growth.

And let me tell you how I think we do that because I think where we get a little bit lost here is that we have gone from what's technically possible to what's commercially available. And the next big turn has to be, is it commercially scalable and at what pace and who wins. And let me tell you why I'm confident we win. So if you think about today, when we were at the Analyst Day, we said we've got slightly under \$2 billion of revenue in our business solutions stack. We expect to take that to \$4 billion over the 5-year period of time. And I think people are like, yes, never.

But I'll tell you that there's a walk to get there. So as you think about what's in there. We've got BlueJeans revenue, smaller piece. We've got Connect revenue, bigger pieces as we think about the Connect portfolio. And then you look at the IoT practice.

And this is one where I've said before, 10, 15 years, this is the year of IoT. In fact, Sampath is in the back of the room here, we're like, this is the year of IoT. But I actually do believe this is the year where the Internet of Things, the industrial Internet of Things really becomes real because now you have the ability to not only deploy those sensors, have global standards but you can do something with all that data because of edge compute capability.

So you think about that environment, IoT is part of that. We've had double-digit subscriber growth, double-digit revenue growth. We stood up a practice lead to really scale this. We had really fallen behind in the auto space in IoT. We own the rest of the IoT business, but we're beginning to scale some really nice wins in auto.

Audi is an example. VW is an example. So it's really impressive wins that we think are important. But then you move into mobile edge compute. And that's where it gets a little, I think, more difficult to unpack for people, and I'd like to try to do that today because I think it's important. When we announced our partnership with AWS 2.5 years ago, we were first in the world to announce a mobile edge compute application in vision. We really thought that we would first see public edge compute, meaning we would open up and put compute capability directly into our network. It would be open to developers and any subscriber would have access.

That really requires a broad ecosystem being developed. The deployment of 5G across the nation -- by the way, Kyle has done a good job at that 113 million POPs covered. It requires sites being deployed. We've got 17 sites deployed now across the U.S. And then it really requires developers to develop at the pace of innovation that's required. We've got about 10 use cases that have been developed today.

The secret unlock as you get lower and lower on latency, anything below sub-20, and you really begin to unlock that. That will happen over time. But what we're seeing is private networks and private edge compute are moving much faster. Why? Because they can control the network and they can control the space. They can create the ecosystem with private edge compute in the environment. And so private networks are the gateway to how we think about private edge compute. Everyone in the world thinks they can participate in building out private networks. Amazon has announced or AWS has announced, yes, we'll build you a private network on CBRS spectrum. Listen, I'll build your private network on CBRS spectrum, too. I've got a Celona product that allows me to do that today.

So for small businesses that want to try it, for small applications, great try it and use it. But I can also build big complex private networks like associated British ports in the U.K., like what we're doing with BlackRock here in the city, what we're doing with Arizona State University in terms of a private network and a private edge compute, what we're doing in factory. So it gives us permission to go faster to create the environment that allows then for edge compute capability right on-premise that allows for data consumption and tremendous number of use cases.

And we're at that point right now -- and this is an S-curve. I really do believe it's an S-curve moment where you go from technically possible, commercially available and then commercially scalable. And we're tracking to the time line that we've committed to in terms of revenue recognition.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So let's dish about your competitors, pun intended.

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes. Yes, dish about our competitors.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Suppose I'm a customer and you're convincing me why I should do business with Verizon versus AT&T.

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes, pretty easy. If you're going to run your mission-critical infrastructure on the network that's going to give you the best coverage, the best performance, the best reliability and the best innovation, you're going to run it on our network.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So AT&T lags in 5G.

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Absolutely. They're behind in 5G. They don't have a clear path of how they move forward with upgrading their network for FirstNet.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Hold on. Did we lose Tami's mic? I just want to make sure that they're able to hear on the webcast. Yes. Yes.

(technical difficulty)

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

I think AT&T probably turned it off.

All right. So when I look at the message that I deliver to customers, why Verizon, it is because of the power and performance of our network, performance, reliability, coverage, capability and innovation.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So AT&T lags in 5G. T-Mobile?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. T-Mobile doesn't have a full stack capability. T-Mobile doesn't have the same kind of coverage, performance and reliability. So when I look at -- let's use an example that I think is a really important one. When the power goes out, almost 100% of our sites have generator backup, not true for T-Mobile. So when you want a network that consistently performs when times are good and in crisis, you want Verizon's network and continue to expand the capabilities and the performance.

I was -- whether you're a Super Bowl or F1, let me use a stadium experience because I think it's a good example of differentiation. I was at the F1 a week ago, and we had 2 gigs of downloads speed -- right there in that F1 stadium.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

It's in Miami...

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

This is in Miami, yes, not in Europe. So yes, in Miami. And T-Mobile, you couldn't get a connection. So when you talk about congestion, when you talk about building for capacity, when you talk about building for redundancy and reliability, nobody builds networks like Verizon.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

DISH Network. DISH had an Analyst Day, and they've said they're going to take 10% of the consumer market, and enterprise will be a major focus. How does DISH compete? And how do you compete against DISH with a lot of spectrum but arguably not much else?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. I compete against DISH the same way I compete against AT&T and T-Mobile. I focus on customer outcomes, deliver the best network. Charlie has been talking about building a network for as long as I've been in this business. And it takes a lot of work to build the network. But it's not just the network, it's about building out a strong distribution. It's about building out applications, solutions and capabilities, and it's delivering service capabilities. I don't spend an ounce of time worried about DISH.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

What about the competitors that are not competitors yet but may be. I think in particular, you mentioned the partnership that you've got with Amazon and that Amazon will build private networks and MEC. I think for a lot of investors, the concern is, okay, it's -- Verizon can be quite competitive against AT&T and T-Mobile and DISH, but where the rubber really meets the road is can you compete against AWS and Azure?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Yes. And listen, I think that's the right question to ask. When you think about what will businesses require. We think building the 21st century infrastructure is mobility. It is broadband and it is cloud. And we have demonstrated a commitment to build partnerships. We're the only carrier in the world that has partnerships with AWS, with Azure and with Google on how we go to market on both private MEC as well as public MEC. We're working through what does that go-to-market model look like, how do you really scale it together.

When I think about partnership capability, I like the work we're doing around partnerships. Can they carve me out? Yes. Can I carve them out? Some subcomponent. We're better together if we can figure out a way to go at it together.

And I believe that we've got a path to a direct relationship with the customer and an indirect relationship that we're building. So we have access to different ways and different paths to revenue growth.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And how do you -- if you do a partnership, I imagine the number of fingers in the pie for a private network in a large instantiation that may be complicated is going to have a systems integrator, so a Cognizant or an Accenture or somebody or a Sapient. I've got software vendors. I've got equipment vendors. I've got Verizon. How do you divide up that pie? What's your guess about who's going to take most of the economics?

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**Tami Erwin** - *Verizon Communications Inc. - Executive VP & CEO of Verizon Business*

Yes. Listen, I think, Craig, it's the right question to ask. Where is the revenue and the opportunity for growth when you think about participating in the 5G economy, something I think a lot of criticism on how carriers participated in the 4G economy. I think the opportunity to participate in the 5G economy is real based on the capabilities that 5G delivers, the currency it delivers. What we're working through now is how do you really divide that pot and participate.

I think it's different for public MEC. So when I think about public MEC and the scalability of that, that's a rev share model. I've already decided and determined with the -- each one of the hyperscalers how we share that. I take -- we take edge compute, put it directly into our network. It provides a point of differentiation you can't get anywhere else. We've got to continue to lead in that so that they open up and provide choices, do you want local zones or do you want wavelength from Verizon? And providing it and building it into their platform gives us the ability to have a very clean scalable public MEC that is available and accessible to developers in their model. Private is a little more complicated, and that's what we're working through.

I think we always own private networks. Why am I confident we win in private networks because who's going to build a network that is so mission-critical and then just hope that somebody manages it? Building in on CBRS and having somebody walk in, build it and walk away is not a really good idea if you've got a mission-critical application you're running on it. When you have the ability to build that private network as an integration to Network-as-a-Service, managed networks and managed services, it's a different kind of relationship. So businesses that have mission-critical platforms are going to look to Verizon to own that Network-as-a-Service. How we make the connection to cloud on private, those are details we're working back with our partners.

I think the real unlock comes when you have a hybrid. And we'll take a minute and talk about hybrid. And I'll give you one quick example. When you think about education, education is one vertical that has not radically been disrupted. ASU today, if you were a biology 101 student, you were going through a class where you are completely immersed in the content of biology 101 because of a private network we built, because of private edge compute that AWS put on that campus. Think about the ability to disrupt learning on the campus and then think about somebody who is in a remote community that wants to participate, they can do that via public MEC.

So you have a private MEC. Content is created once, it's deployed to public MEC, now you have a use case that's hybrid. This market will scale very, very quickly. We've got to go from technical proof of concept to commercial availability and then commercial scalability, and we're on track to do that.

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**Craig Moffett** - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So Tami, in the short time we have left and we're going to put your all Verizon hat on. And as you think about transitioning from this business at the end of this year, I look back over Verizon for as many years as I've known it and been involved in Verizon as having an incredibly clear value proposition of we have the best network. And because you have the best network, you can charge higher prices than everyone else, and people recognize that and are willing to do it.

There is a growing perception that in 4G, that best network delta got to be smaller and that there was much less differentiation. And then in 5G, there are credible arguments that at least for some applications, T-Mobile may have the best network with spectrum depth and that sort of thing. How does Verizon in this next generation compete if it's not clear to customers that they have the best network anymore? Or is there a way to say, we can still clearly demonstrate we have the best network and therefore support the prices that we charge?

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

So I bleed Verizon red. So thank you for the opportunity to answer those questions. Listen, when I think about the network performance that we have delivered for 35 years, it has always been a network leadership position that we've taken. We have never had a leadership position in spectrum. We now have a leadership position in spectrum.

When you think about our 5G holdings on C-band, we have a spectrum that's contiguous across the country, very, very deep. It's not a Swiss cheese spectrum compilation like T-Mobile has. I have millimeter waves. So when I'm in dense geos like stadiums, I can deliver performance that people can't begin to imagine. If we could deliver best network performance without spectrum, imagine what we can do when we have the kind of spectrum holdings we have today. I believe we are just getting started on the deployment and evolution of 5G. Verizon will continue to be the network provider not just in performance but coverage, reliability and service delivery.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

It's a great way to end it. You will be missed in this business at the end of this year, but I'm sure you're going to look on with pride as you see what your followers do over the next few years. So thank you.

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**Tami Erwin** - Verizon Communications Inc. - Executive VP & CEO of Verizon Business

Absolutely. Thank you so much.

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**Craig Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst

Thank you for being with us today.

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