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# EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc at Bank of America Media, Communications and Entertainment Conference

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## CORPORATE PARTICIPANTS

**Manon Brouillette** *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

## CONFERENCE CALL PARTICIPANTS

**David Barden** *BofA Securities, Research Division - MD*

## PRESENTATION

**David Barden** - *BofA Securities, Research Division - MD*

All right. I think we can kick it off. Good morning. Welcome to day 2 of the 2022 Media Communications Entertainment Conference. Thanks for joining us again here in person in L.A. Really great to see everyone. I'm Dave Barden, Head of telecommunications and common infrastructure research for the U.S. and Canada here at the bank. And we're thrilled to be kicking off day 2 with our keynote fireside chat with the EVP and CEO of Verizon Communications. Manon Brouillette. Thank you so much for coming.

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Thanks. I'm glad to be here. Thanks for the invite.

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**David Barden** - *BofA Securities, Research Division - MD*

Manon, do you have to do any safe harbor before we begin?

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

I do. Can we show that to the screen, please? Yes. You know the drill, guys. I don't have to repeat myself. But I mean everything -- I want to share more with you. So [everything's] confidential. So thanks.

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**David Barden** - *BofA Securities, Research Division - MD*

So that's -- we're done?

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Yes. I think I won't read the whole thing.

## QUESTIONS AND ANSWERS

**David Barden** - *BofA Securities, Research Division - MD*

Okay. I feel safe. I feel safe. So thanks for joining. This is the first time you've joined us at this conference. I think it's the first time really in the last year, you've been in this role. And so maybe it's a good place to start would be to kind of give us a little bit of kind of your background coming into the CEO role of consumer. And kind of in the last 3 quarters that you've been kind of the lead, how you kind of feel the organization you took over and kind of how you're evolving that organization?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes. It's been 7 months now in my role, a little more than that, more than a year in the business. As you all know, I started as Deputy CEO and COO, just for me to learn the business, to look at the culture, the team. So I would tell you that after more than a year now in the organization, I'm not surprised. I mean, meaning that it's what I expected in terms of culture, in terms of, I mean, having the best assets.

And the good thing is when we closed the transaction with TracFone in December, when I started in January, I had all the portfolios with best network, we're launching C-band, that amazing portfolio of multiple brands. So I think that this is not surprising. That's what I was expecting.

The team is great. I have the best in the business. And just the last couple of months looking at the dynamic in the market, the challenge we're facing in terms of the postpaid, just looking at how the team has reacted and pulling all the strings we can, it just gives me more and more confidence. So I feel very blessed to be here.

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**David Barden** - BofA Securities, Research Division - MD

Great. So do you -- now that you've kind of taken over -- you had these 7 months, you kind of did step into a role that Verizon has kind of facing new challenges. And I think we've -- and I'd be interested to kind of hear you describe what you think the challenges that you need to solve are?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes. I think that you need to work with both sides of your brain because on one end of the business, it's an amazing opportunity. You were just talking about broadband earlier. So the door is wide open for us with FWA. Fios is doing amazing. So I think that this area of the business, we need to celebrate, we need to double down, we need to go fast and quick. And at the same time, we need to defend our dominant position in postpaid.

And it's very challenging being the premium brand, as we've seen in March, inflation hitting and it's not getting better. Consumer sentiment is worsening. So we have to adapt. But at the same time, when I look at what we've done in the last couple of months, we are able to adapt, and that's what I'm very pleased with.

Just a quick example, exiting Q1 and starting Q2 when we were looking at, okay, things are not going the way we want, we just turned around, looked at our customer base, what's happening, looking at the landscape. And we realized that we had a price perception issue in that economic backdrop. So what do we do about it?

So we quickly came out with the Welcome Plan Unlimited. And clearly, all the trends are turning around. The volume of transaction in stores, the store traffic, the quality of that traffic, I mean, new account acquisition, multiline account acquisition. The step ratio is still healthy, meaning that even though we launched a price that shows we are affordable, we're not activating those subscriber on that only. We are really able to step them up the stack because we are the premium brand and we bring a lot of value.

So I think that on one part, it's doubling down an opportunity that are there. But on the other side, the largest portfolio, I think we're doing the right thing, and I feel confident about the future.

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**David Barden** - BofA Securities, Research Division - MD

So I want to dig into that, obviously. But just before we do, just to kind of -- you said that the consumer sentiment is maybe getting a little worse. Are you seeing anything kind of at a material level inside the business that like bad debt, DSOs, anything?

**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

We're -- no, that's a good question. We're so lucky, and I think it shows the quality of the base. We're not facing the same challenge as our competitors are facing. We don't have problem with bad debt. All those metrics are under control. So nothing to worry about on that front.

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**David Barden** - BofA Securities, Research Division - MD

And so we'll talk about some of the -- I think, the successes or the opportunity. Successes, there's TracFone, there's fixed wireless access, there's Fios. But -- so the postpaid challenge, I think, has emerged in part because the switcher pool has shrunk.

And the switcher pool has shrunk, I think in part, there's diminished federal subsidies for a lot of different things, but also that AT&T began, and now T-Mobile, with the Sprint subscriber integration, they've kind of really locked down their subscriber base's churn and the industry's at an all-time low. We'll talk about churn in the second for you guys, but normalized, you guys have never had a churn problem. So we've got a switcher pool problem.

And I know that this Welcome Unlimited Plan is a part of trying to wrench some new switchers out of the marketplace. Could you kind of give us your -- how do I create switchers game plan a little bit? Maybe this Welcome Unlimited is step 1, and we're not going to know until we know. But maybe there is a game plan that you could share.

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

There is. And I think that the first is to change our mindset I think that the industry in the U.S. has been relying a lot on the switcher pool because that was the way to do business. That was the easy way to do business now. You nailed it. Everyone worked on their churn. We were the best at it. We're still amazing.

Of course, in this quarter, you may expect a kind of a bubble because of action we've taken for price up. But overall, it's just momentarily. So everyone tried to go on that control of their churn, so it impacts the switcher pool. But here is why I tell my team and what I tell myself every morning, we can no longer rely on the Switcher pool to win, and there's other ways.

And you're totally right, when you look at the spot for the Welcome Unlimited, we clearly say it's never been a better time to switch. And as we launched yesterday, the Apple One unlimited as well, which is the higher SKU of the premium segment, it's the same thing. For us, it's bringing stuff to the market where we're the only one presenting that, and it's never been a better time to switch.

We have the best asset. We have the best network. So people want to be with us. Now it's just to convince them, and we don't have to wait for that. The other big tool is also fixed wireless access because the joint account strategy makes you save a lot of money and you get more value when you combine your products with us.

So on one end, we are using that to secure the base to make sure that we don't feed the switcher pool because when you add your FWA on top of your postpaid, you pay \$25 a month. So it's a pretty good deal. And at the same time, we're still able to attract new customers that have no service with us through FWA, and now we can use that hook to make them switch their postpaid. So it's really the combination of all of that.

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**David Barden** - BofA Securities, Research Division - MD

So the -- kind of where the switcher pool lives seems to be -- those people who have paid off their device and might be looking for a better network experience or a better rate plan, the BYOD market. Then there's maybe the prepaid to postpaid migration. And then there's just the natural kind of, I'm done with this phone, now I'm shopping, and the postpaid churn.

And so if I kind of think about it, AT&T seems to have like the place where you get a free phone. And T-Mobile is the place where you get the cheapest rate plan. And Verizon is the place where you get the best network, but...

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

And all that goes with it.

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**David Barden** - BofA Securities, Research Division - MD

And all that goes with it. Well -- and but where we are now is that hasn't -- as of the first half, being the best network wasn't enough to kind of get that switcher pool to come over. And so is this Welcome Unlimited enough to kind of become the kind of -- what I think it's doing is bringing a BYOD customer into the store, door swingers, and also creating a bridge between the prepaid market in the Verizon brand.

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes, there's a lot of things in your statement/question. I think that if I would go back to the slide you presented the pie with all the silver bullet you were talking about in broadband, I think it's the same thing differently. But it's the same thing. It's a lot of combination to win in the market.

And I think that, of course, as investors, you're looking at the business and you're like, "Oh my God, things are not going like we want." First of all, it's not going like we want either. That's the important thing here. But the thing is we are acting on it, and that trend is shifting. And from my vantage point, it's not only one silver bullet. Welcome is one thing. The Apple Lover 1 is one thing as well.

And then all in the middle, there's +play coming in the fall. So we need to bring all of those assets, because the consumer, they come to us, yes, for the best network, but for everything that goes on top of it. And I think that we have much more assets than our competitors. You just mentioned it. One is giving phone. The other one is cheap price. I think we can be in the broader spectrum. And when I bring my prepaid portfolio in the mix, well, I have all the tools.

So now, what we're doing, and I keep saying the trends are improving. Unfortunately, I cannot give you any numbers today, but I mean, trust me on that. Despite the churn bubble we are seeing in this quarter for the price are made up and the service charge price up, I think that other than that, that churn will go to its normal trend. And then we see the growth in that trend, the traffic, all those metrics are really -- bring me a lot of confidence. But of course, I cannot rely only on the welcome. This wouldn't be intelligent on our part.

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**David Barden** - BofA Securities, Research Division - MD

So if I have to ask this question, which is of the 2 forces that we're going to see develop in the third quarter, the positive effect of gross adds and upselling from the Welcome initiation versus the churn bubble, which of these 2 forces is going to be stronger in the third quarter?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

You're so funny with that question. You really think I'm going to answer that?

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**David Barden** - BofA Securities, Research Division - MD

It was more of a directional question.

**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

No, I think we're pleased with what we're seeing. I guess that the best will be in Q4 and beyond. And I think that the key for us is really -- there's 2 key words I keep repeating to my team, is better segmentation and surgical go-to-market approach. So we'll keep doing that. We're grinding everywhere we can.

That's the name of the game. I mean, you cannot stay up and look at the market. You really have to grab all those pieces everywhere. And that's what we've been doing. I mean a lot of stuff have been deployed in the last quarter, service level, we hired more staff in stores, we're looking at every segment of customers, we're managing the base. We haven't talked about that, but I think this is a great area where we can be better than anyone. We have the largest base. And if we're good at segmenting that base to the line level, the upside is amazing for us. Not only on the retention insurance standpoint, but on a P&L impact standpoint.

We don't want to spread that promo device fee phone across the board. We don't want to afford that. Could we? Yes, but we don't want to put the money there. We think we have the rest of the asset and the job is to be better in marketing, better in go-to-market. That's what we're doing.

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**David Barden** - BofA Securities, Research Division - MD

So you kind of highlighted, I think, what is your strategy, which is segmentation, surgical implementation. So let's talk about segmentation.

So there's been a lot of focus from some of your competitors on the 55-plus on small and rural markets, on enterprise, on public safety, where those competitors were felt underrepresented in their market share, presumably because you dominate in those spaces. Where does Verizon not dominate that you can go attack at the margin?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes, that's a great question. I think that we don't want to be everything to everyone. So that's the first thing. So there's areas we want to dominate. First, we want to defend our domination where we are. So we're still active on that. It's not because we're going in a direction that we're losing sight of the rest. So I think it's important.

But I think that in that context, the economic backdrop, I think we have to be mindful of our customers. They're feeling the pain in their monthly bill for food, for their rent, for everything, for gasoline, in particular, and we're trying to bring stuff to them that will help them.

The best example is Verizon credit card. I mean, more than ever, it's very -- it's good because they get -- I think it's 4% cashback for gasoline, 3% on their grocery. I don't want to give wrong metrics, so bear with me here. But they get cash out of using their card, and then they can use it to pay their bill with us. I think it's an amazing value. So that's a small example of the type of segmentation I'm talking about.

And then, of course, right now, it's all about the Welcome because it works in this moment in time. Will it next year? 2 years from now? I don't know, but it's there, and we adapt to customer need, and we're going to play the game as we need to because we are here for them.

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**David Barden** - BofA Securities, Research Division - MD

Perfect. And then going to the surgical side. So for the longest time, the industry has been kind of gravitating to a very national-based approach. And I think it had a lot to do with simplicity, training, the cost savings of having uniformity at a national level.

Now when you say surgical implementation. What do you mean by surgical? Are you talking about maybe taking that national overlay and maybe getting a little bit more regional? Or do you mean by different customer segments? Or what do you mean by that?

**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes. I think it's a good question because I want to be mindful here. I think that being national, it's important. The brand has an aura that needs -- people need to understand what's the brand promise. Of course, we're not going from one direction to the other depending of the market. But at the same time, I was looking at the operation when I came in, and a quick example. I think that having regional review is critical because sometimes, there's something you can miss. So is it changing the strategy per market? Certainly not, but it's adapting the way you go to market in some areas. So that's the thing.

And then it's more about looking it from the lens of consumer. I mean, we have so many customers, 40 million accounts, close to 100 million and plus when I add the TracFone lines. Those people are individuals. So we need to make sure we understand those clusters of users and that we present them with what they need. So that's what I mean when I say surgical and segmentation.

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**David Barden** - BofA Securities, Research Division - MD

Okay. So let's talk a little bit then about TracFone, and been not quite a year since we closed the transaction. And you guys are talking about after about a year, you'd have kind of the business integrated. There's some back office stuff you need to align. And then that will allow you to kind of see and understand the user base better and maybe kind of cultivate some of those into the postpaid base. What is the current status of that? What's the game plan?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

It's going on trend. They work so hard. As you know, this year was a big year for TracFone. Of course, joining the Verizon family, it's something in itself. But then they had the shutdown of the AT&T and TMO CDME network. So they're in the midst of that. They're doing the transition right now.

So a lot of work. It started in May. It should end by end of Q3, I guess, or Q4. So they're doing that. At the same time, they're migrating the remaining. They had about 7 million subscribers to migrate to the Verizon network. We are on track -- on trend on there as well.

So it's a lot of leg work this year. But at the same time, I was looking at the trend, and they're facing as well -- you know the economic backdrop, some of the retailer that have less traffic, so they have to deal with that at the same time. But overall, as the trend for postpaid is improving, the churn in prepaid is improving as well. Q3 results so far are really good. September is a big month for the -- when the Iconic comes out.

Usually, there's an impact on the prepaid because people are going for the iPhone. So this is still ahead of us in September. But overall, they're doing an amazing job. And then -- we're setting up all the assets to make sure that we can maximize that pre- to post-migration you were talking about. Going back to the switcher pool, I mean, this with switcher pool, we can control those pre migrating to post. They have to come to us.

So we are developing the capabilities. We are doing the testing right now, and we have great results on that. So we want to be good at that. And we also want to be ready, if any case, the economy is even worsening, can we plan post to pre migration as well, making sure that I can bring a subscriber from my postpaid portfolio to a prepaid portfolio with a lean operating model so my margin per subscriber remain healthy in the context that they need a price point that is more attractive. So that's the way we want to play the portfolio in itself.

And big announcement in the fall. I cannot reveal anything, but so much opportunity. We're talking about broadband earlier. So is there something there for prepaid customers? Probably. How can we maximize the portfolio? Stay tuned. Two major announcement end of September and in October.

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**David Barden** - BofA Securities, Research Division - MD

Two major announcements?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes.

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**David Barden** - BofA Securities, Research Division - MD

All right. So TracFone is coming to Verizon stores, and...

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Oh, you can try to guess. I love if you try to guess. I won't tell you anything.

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**David Barden** - BofA Securities, Research Division - MD

It's a conference, so I got to ask. Okay. So before -- I want to talk about fixed wireless access, obviously. But before I do that, I want to talk a little bit about the iPhone launch. Traditionally, when a carrier is trying to evolve the brand, make a splash, move the needle. These iconic device launches can be that thing. So I guess 2 questions. One is, how do you see the promotions that came out over the last 24 hours, stacking up against each other?

And zooming out a little bit, how do you look at the health of the industry and this kind of return of the handset subsidy as part of the model?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes. First of all, I have to tell you that we had the biggest splash with that Apple One unlimited plan that we've launched yesterday. We're the only provider in the U.S. No other carrier has that. It's exclusive to Verizon. So I think it brings amazing value to customers when we are looking at the numbers, it's about \$500 of value free that you get when you take your plan with us.

So I think that, that's the key driver for us this season with Iconic. So you're going to see us very loud in the market with that. And as for, yes, the subsidy, I mean, it's really something we don't like. And personally, I think that we're not driving the right behavior in the industry if we play that game. But at the same time, I want to be competitive. So clearly, I'm just waiting all the time to look, okay, what's the number there? And this time, we decided that, yes, we'll be competitive on the acquisition front.

But for the base, we're going to play our game more diligently than they are. And I think it's worth the trial. I mean I want to have an LT P&L. We have the best EBITDA margin in the market, and I want to stay there. It's one of my commitments. There's no way I'm going to give the stock and give a free launch.

And I think as well, I don't want to be disrespectful of the customers, not at all, but I think that our job is really to show them that it's worth paying the price. So we have all the assets. So there's no way we cannot win if we're clever about the way we play the game.

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**David Barden** - BofA Securities, Research Division - MD

I mean it is possible. So like in Canada, there are 4 wireless players, and they have installment payment plans that they introduced like 3 years ago, and they don't have subsidies. But here in the U.S., we have 3 players for the first time ever, and we have massive subsidies. Do you see a way that the 3 players can reverse out of this to their collective mutual benefit?



**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Well, I don't want to be a dreamer here. But I mean, at some point, they're going to feel the pain. I'm pretty sure they feel it already. Of course, they are so driven by volumes. And -- but their margin, I guess, they don't care. I mean it's another game for us. We see the business differently, and I think we are seeing in the right way.

So at some point, I think that the industry will -- I mean, will wake up and probably, hopefully, we'll see that dynamic evolve. But for now, we are in that game. And my role is to make sure that I show up for the customers in the right way. So of course, we're working very hard to extract efficiencies, making sure that we can fund where we want to go, when we want to go. You've seen us pulling in and out. That's a good strategy for us. We need to be able to fund that without affecting our margin, and that's the game.

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**David Barden** - BofA Securities, Research Division - MD

Okay. So let's talk about one of the areas we've been very successful in the fixed wireless access area. Business -- we just did that presentation in a business that's kind of come out from nowhere. I think that there's a lot more to it as you kind of alluded. It's not just about adding fixed wireless broadband customers, but there's an opportunity to create relationships, bring new customers, swing the doors.

Can you kind of just talk a little bit about the larger fixed wireless access strategy? What does fixed wireless access mean to Verizon? I think it's more than just a couple of hundred thousand subs per quarter. There's a lot more to it.

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes. You've seen in Investor Day, I mean, our target, and I think we're still on track on that front because there's such an opportunity. And even more, when I was looking at Q2 results, the way the cable performed, it even showed that there is a greater opportunity for us, and we just need to be quick and fast to react and to act on it.

So I think that for us, it's the year of the learning. I don't see that we are at our cruising speed in terms of the traction. We're still developing the awareness. It was nice to see -- it was nice to see on your board, the 30% that they believe they have fixed wireless access. There's a lot of confusion. It's normal. We need to educate.

I was in store this week with employees, and they still have to -- it's kind sometimes of surprising for customers who's been used to wait like 14 days for a technician to show up in their room to plug the cable. And now, it's like, oh, you leave the store with that small nice design box, and really, I'm going to plug it?

So it's a year of building awareness, education for customers, getting our employees excited. And every month, we see the trend going like that. So it's really impressive. People that are using the product, they love it. So I think that it's just -- the best is ahead of us.

And you were talking about door swingers. I think that you're right, it's becoming a door swinger in itself. And the good thing is that 30% of our new subscriber to FWA had no service with us. So we can upsell them to postpaid. So it's using all those levers at the same time and making sure that we play with all the tools we have in our toolbox.

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**David Barden** - BofA Securities, Research Division - MD

So last quarter, you did something that got a lot of people's attention. There was -- you had a -- originally, you had a mix of being a wireless -- Verizon wireless customer and paying, I guess, it was \$30 or \$35 for the fixed wireless access product. And then you changed it up, and then you kind of reduced the discount on the wireless and then lowered the optical price of the fixed wireless access, and people thought it was a big price cut. I was wondering if that had an effect?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

I think there was a confusion. Let's start from the beginning. When we started -- when we launched FWA, it was the same thing. We have 2 access. And when you combine with your postpaid, you have either the 300 megabits at \$25, and you have the one that goes to a gig at \$35. So we were talking. We never changed the price since we've launched.

But what we've done, though, is that we wanted to have a better alignment with Fios because Fios is a golden child as well. It goes great with Fios, and we wanted to have an holistic brand positioning in the market, making sure that people will understand that their broadband was either FWA or Fios, depending where you are. So we launched Fios Forward with that \$25. So that's what you saw, I guess.

So maybe it created a little confusion for a while, but then the story tell, it's much easier for our sales rep and anywhere we go when we want to build the awareness that we are a national broadband player because that's what we are now, so.

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**David Barden** - BofA Securities, Research Division - MD

And I know that you've been staffing up the stores to kind of accommodate what you expect are going to be higher traffic volumes. Can you talk a little bit about where we are in that initiative?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

Yes. First of all, I'm so glad that I've taken that decision in stores, but also customer service. I think that when you are the premium brand, it's important to show up to customers. So when they call you, you pick up the phone and you answer. And showing in the store and making sure that the lineups were not too long.

And so the staff, first of all, the employees are so happy, so tremendous, blessed that now they have more time with their customers. So it makes the whole difference of upselling them, higher ARPA. So this will pay off in the long run for sure. We see the result already. So I'm very, very pleased with that.

I would tell you that we're mainly at full staff everywhere. Some areas, we still have challenge. It's a challenging retail industry, as you all know. So it was very challenging exiting COVID to hire more people, but we're almost there, and the trend is good.

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**David Barden** - BofA Securities, Research Division - MD

And I know that at the second quarter, you guys kind of called out the impact that inflation would have on kind of the variable piece of the costs. Is this increase in employees part of that, or is that incremental to that kind of inflationary pressure?

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**Manon Brouillette** - Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group

I think that -- I mean, without revealing anything, I think that I'm very focused on the margin. And I want to -- I would tell you improve that margin in the extent that the market conditions is good for that, but certainly not give up any points. So all those activity, I'm funding within the own P&L.

So we had to make some hard choices about what is the level of staff we have at the headquarter. And those decision has to be made, and we're making them. I think that the idea is to put the money at the right place. We have to have the best product, network is critical, but our frontline employees are part of that network, if I can say that, that's the ice on the cake.

So I think that in that dynamic landscape, I cannot take any customer for granted. We need to show up that we are the premium brand. This is why people are paying us. So it's just reallocating money throughout the P&L. I would leave it at that. We have a big business transformation program

this year, and it's going on trend. So that money that I'm extracting, some of it goes to the P&L, but other is reinvested to make sure that we feel the growth and we're showing up for customers.

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**David Barden** - *BofA Securities, Research Division - MD*

So I mean, we've got kind of one game plan right now that we're kind of working on in the current climate. How does the possibility of recession hitting at the end of the year or early next year impact the game plan? Does it change? Do you stay the course? Do you just expect different outcomes? How does that impact how we think about how Verizon works through a recession?

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

I think that I don't want to sound too cocky here, but I'm not afraid of the recession because I really feel we have all the tools. I mean depending on what's happening, I pull my value segment. Now what we've done, we've combined all -- I told you all the segment together visible, Verizon prepaid and TracFone, so they work as a team.

So they have all the agility, the nimbleness to really go after what we need to do. So I have this there, then I have FWA, which is a great value in that recession, if it hits. You need to be connected. So I can play that to protect my postpaid portfolio and making sure that, that premium positioning is protected because I have other tool to give in. And the Welcome Plan is a great example, we are adapting.

So I think that the long-term strategy at this moment in time, I could not tell you it's going to shift, it's going to change. It's just how my go-to-market evolves with all those tools that I have. And I feel so confident because I have the tool. If I didn't have those tools, then it would be another story. So I think we're ready to face any type of headwinds or economic landscape.

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**David Barden** - *BofA Securities, Research Division - MD*

Got it. And one of the tools you're bringing to market again this fall, maybe the third announcement is the play plus.

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Yes. You're so -- I won't tell you anything. But yes, you're right. +play we can talk about, but not the launch date. But +play is a great tool. And once again, +play for us, it's a game of giving our customer base the best. So it's not a tool for us to acquire. It's not a switcher pool tool we were talking about before. It's more a stickiness tool. It's more ARPA game tool. And we have the best lineup of partners in there. We are in beta testing right now. The platform is good. It's stable. Like any launch, it's always challenging. But I think that we'll be there, and we'll start slowly making sure that we understand the behaviors. But I think it's a great asset. It's mainly to secure the base and grow ARPA.

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**David Barden** - *BofA Securities, Research Division - MD*

So do you make a commission on the transactions that occur inside this space? Or is it like -- but you said it's an ARPA contributor, but is it a profit contributor?

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

It's clear. It's a very simple model, and it's the best because we are really far from the old cable type of content distribution model. There is no minimum guarantees. There's no -- all that legacy historical stuff that you have with cable industry. It's mainly a rev share. So it's success driven.

So my partners, they come to the platform, they give me something in return for us to having them on the platform, giving them access to our customer base. And then the job is, for us, making sure that all of those partners, they're bringing value to the subscriber. It's not just a pass-through that you take it directly with them or with us. Now we want to make sure that our members, I like to call it that with our customers, they feel like members of the club.

And with us, oh, my God, I have all those bells and whistles stuff that comes with my best OTT provider. Everything is about subscriber-based products. So it's not -- you cannot find shoes on that platform. It's not the goal. It's really everything is subscribed to. That is a high-quality type of experience we want to partner with. So rev share, simple model, success-based.

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**David Barden** - *BofA Securities, Research Division - MD*

So before we kind of shift away from wireless, what we've talked about is about the evolution of where Verizon is right now kind of introducing new price plans, introducing new phone plans, introducing new content access, which all seem very kind of 4G in nature. I know that we spent an hour or so talking with Sampath a couple of months ago about what he's been working on in the enterprise sector trying to evolve the 5G applications.

Is there anything that you and Sampath see that is in his world that could be coming to the consumer world that's new and incremental that would really leverage what the Verizon network is about?

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Yes. Sampath and I are working very closely in terms of the B2B2C model. I think there is something big there, and we are looking at various opportunities in the future. And as the big buzz of the metaverse is evolving, of course, there's a place for us in there.

So I mean we are working forward looking. There's a lot of application in 5G that -- and we've launched already, by the way, when you go in big stadium, then you have your multi-angle camera and all of that. This is all Verizon. So I think we're there already. But we want to have a scale and a mass application that we can deploy and have a big impact on the P&L. So we're not there yet, but there's a lot of ideas.

Sampath is ahead of us, meaning that is deploying the infrastructure, MEC and all of that. So now, it's how do we layer those B2C experience. So the B2B2C is a model, I think, that Verizon can be very strong and more to come in the future is quite early stage.

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**David Barden** - *BofA Securities, Research Division - MD*

Right. Okay. So just quick shifting gears to the Fios business. You guys, I think, are targeting like 550,000 something new homes passed in 2022, correct me if I'm wrong, with a kind of longer-term goal of 400,000 to 500,000 per year. How is business going?

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**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Business is going great. I mean when we exited Q2, we were the first to disclose. Of course, we're so ambitious with Fios. We were like, we need more or we want more. But then we looked at the cable results and we were like, wow, amazing. And what I could tell you is it's keep going well. Q3, I don't want to give you any numbers, but clearly, it's better than Q2.

So I think that the momentum is keeping, I think that the launch of mix and match on Fios really helped that new pricing strategy I was talking about, that story telling, it simplifies the go-to-market. So we see those results in Q3 already. And we're going to keep the momentum. It's an amazing platform, and it goes well.

And when you combine that with other markets where we have FWA, I think that as a broadband provider, we're being stronger and stronger. So both line of product are benefiting, sorry, of that broadband, national broadband positioning.

**David Barden** - *BofA Securities, Research Division - MD*

And is fiber net adds going to be able to sustainably offset the copper losses?

**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

I think so. That's what I want. It's -- I mean, we still have customers that want to bundle their TV. As you know, we made a choice. We have that still, but it's not a future for us. So I think that we are focusing on broadband mainly. And of course, it's always a challenge to migrate copper totally and especially for Sampath.

But I think we're doing the work. The numbers so far are good. Do we want them to be better? All the time. Really, we like to win hard. So we will keep pushing on it. And as I told you, looking at those numbers in Q3, it's getting better every month, so.

**David Barden** - *BofA Securities, Research Division - MD*

And we heard the other day that even when fiber and copper are kind of offsetting each other, the fiber is like a 20% higher ARPU than the copper anyway? So it's always a win, no matter what.

**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Yes. Financially, totally yes.

**David Barden** - *BofA Securities, Research Division - MD*

Got it. Okay. Well, I think we've kind of reached the end of our time, but this was a wonderful conversation. Thank you so much, Manon. We appreciate you being here for the first time. Thank you, everybody, for being here. Comcast is going to be next in the auditorium. Thank you so much for coming.

**Manon Brouillette** - *Verizon Communications Inc. - Executive VP & Group CEO of Verizon Consumer Group*

Thanks.

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