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PRESENTATION

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Good morning, all, and thanks for joining us. My next speaker has transcended the realm of 2 names. He goes by a single name, Sampath, like Madonna or Prince.

Sampath became CEO of Verizon Business this past July. Before that, he was responsible for 2 of the most important strategic initiatives at Verizon over last decade, really: One Fiber, which you all know about, and the network transformation. He sits at the center of many of the big themes that we're focused on today, including the opportunity in enterprise mobility, the migration of networks to the cloud, the convergence of fixed and mobile and the integration of space-based networks and -- inter-terrestrial networks.

Sampath also happens to be a BCG alumnus. Sampath, thank you very much for joining us today. We really appreciate it.

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Hey, Jonathan. So good to be here. Before we get started, I'd just like to draw your attention to the safe harbor, which can be found in the Investor Relations portion of our website. Our comments today may include forward-looking statements, which are subject to risks. Actual results may differ materially, and details can be found in our SEC filings.

Jonathan, I'm ready for you now.

QUESTIONS AND ANSWERS

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Great. Thanks for covering off the legalities. So as I mentioned, your -- one of your earlier big focuses was the One Fiber initiative. You've now deployed your own fiber to more than 50% of the -- your mobile cell sites. The benefits of that are obvious. The idea behind One Fiber was to leverage that fiber to serve enterprises, wholesale and consumers as well. How large is the enterprise opportunity that you unlocked with the One Fiber initiative?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes. When we started this One Fiber, there were 3 big elements of this. The first was just taking out cost, third-party carriers that we were using to connect our cell sites as, well as our enterprise customers, with primarily our cell sites.

And as you said, 50% of all our sites today are self-provisioned by Verizon, which is just an incredible number because we can then scale up as we get to mobility and fixed wireless access, we can scale up that piece really quickly because we have owner's economics on the fiber and we can scale up and down that easily.

The number we've been public about is $1 billion of cost savings by 2025. That's the headline number we have just on the cost-savings portion of One Fiber. The second piece is around new sources of revenue. Within that, there are 2 big opportunities that I'm going to focus on.

The first is providing wholesale, what I call sell via the wholesale channel, to other carriers and maybe some large enterprises as well. So these are dark fiber services. And we do a fair amount of that today already in footprint. And now with One Fiber, we've just been able to expand that pie to go after that account. The second is enterprise services. These tend to be large-bandwidth circuits, wave circuits, point-to-point circuits that we can now do. Look, we have deployed in 60 markets, and this just gives us the scale to do that.

So on the cost side, it's $1 billion. On revenue, it's wholesale as well, as going after enterprise accounts, is what we are focused on in One Fiber. And what we're finding is we're quite happy with both the elements of that. The cost piece, definitely, because we've actually provisioned the circuit. On the enterprise as well, the uptake has been good. We've been able to bid on some very large enterprise bids. We wouldn't have been able to do so because we never had owner's economics in many of those places.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And you're in 60 markets with this fiber now. You sort of mentioned the 2 focus areas for driving incremental revenues. Why isn't consumer on the list? Why isn't there an opportunity to leverage the fiber that you're putting into these 60 markets to expand the reach of Fios?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Primarily because, look, we made a very large, substantial investment in C-Band. And we strongly believe that C-Band, with our very deep millimeter wave footprint as well as spectrum holdings we have, we are able to get close to 1 gig speed in many of our homes as we do that. So we do think C-Band, fixed wireless access and millimeter wave, what we call Ultra Wideband, is the right way to go for consumer broadband outside our footprint.

In-footprint, we offer multiple opportunities. We were the OG, the real OG, on fiber-to-the-home with our Fios footprint dating back 2004. So we continued deploying that, getting deeper with that every year. We continued to add more homes. But out of footprint, C-Band and millimeter wave just gives us such an incredible tool to scale out consumer broadband.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And presumably, the One -- the sort of One Fiber network transformation underpins your ability to use millimeter wave and C-Band in more and more markets. As I think about millimeter wave as being the band that you really can deliver a 1 gig service to the consumers and small businesses, I think you're -- you sort of last disclosed at 2 million homes or 2 million locations. How big could that ultimately be in these 60 markets?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Look, right Now, we've combined our C-Band and our millimeter wave deployment, as we called -- we call it Ultra Wideband, which gives us basically the power to do both. Our plan is to get to 50 million homes very soon. I think we'll be easily north of that number given the pace at which we're actually rolling out and the homes we are coming.

And look, 50 million is almost half the country will have access to it, Ultra Wideband fixed wireless access, which is just an incredible option for consumers who've not had choice for many years.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Right. Give us some context for what 52,000 route miles means. How deep into these 60 markets does that take you? And are these 60 markets the one -- the ones where this kind of fiber deployment makes sense? Or could it expand?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

First, let me talk about the 60, and then I'll talk about what's going outside the 60 markets. The way we do the 60 markets is our first anchor tenant is ourselves. We are the first anchor tenant, which is we go, and what we call the initial rings that we built tend to be all around our cell sites. And it's not just the macro, it's the small cells and the micro cells and some of the in-building networks that we have.

So that's a pretty intense network that we build out in these areas. I mean, there are some towns like Chicago and the others where we have a real reach -- Chicago, San Francisco, Phoenix, where we have a really dense network, and we have our own fiber doing that. Then we have something called the Ring A, which is just the ring on top of that. And then we have Ring B that goes on after that.

So when you take Ring A, Ring B plus the core that we build out, it's a pretty deep network. It's got a lot of capillaries. And the core of it is serve the mobility business, but how do you start pulling in more enterprise and data centers within a stone's throw reach? So these are dense network in these markets. 52,000 miles is a lot in just 60 markets, and we like the nature.

Now what is also interesting is, if we get an opportunity right off the edge, what we call near-net, it's very quick for us to go and build out that last mile. It's 300 feet, 800 feet, 1,000 feet. We can do that in 30, 60 days and get the customer connected. So the TAM is pretty big for us, just the way we've built out our network in these 60 markets.

Now let me jump to the second question, outside 60. We like the 60. They are the big NFL cities plus our Tier 1 markets. Anything outside that is just on a ROIC basis. Does the math make sense? Right now, we feel comfortable with where we are in the 60. But as we kind of finish building out this, are there other opportunities where the ROIC makes sense?

We don't have a religion around this, it's purely a ROIC calculation. And look, we think as our fixed wireless access and our mobility business grows, we're going to need more fiber. And we like to self-provision a lot of our own fiber.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. Sampath, you brought a pretty profound change to each of the organizations that you've been involved with at Verizon over the course of the last 8 years. I assume you're not taking this role to manage what's been put in place already. How does the strategy at Verizon Business need to evolve from here?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes, I was very lucky. I worked for Tami Erwin, who had my role for many years before. So I've stepped into her really big shoes. But I've had the chance to work with her over the last couple of years to frame the strategy. So good news is I'm not coming clean into this. I've been able to frame the strategy and kind of put things in place.

Our strategy going forward, Jonathan, is quite straightforward. And I love straightforward strategies, just being a student of strategy my whole life. The first is mobility as we finish rolling out C-Band. I mean imagine, by early, early next year, we'll have 200 million people -- POPs covered by C-Band, Ultra Wideband, which is just an incredible number for us to double down on to do that.

So continuing to take share in mobility. We have close to between 44% and 45% share. There are some segments, especially in the public sector, where we have north of 60%, 70% share. We think there's opportunity for us to grow into that. I know we'll come back into that, I suspect. But that's our first strategy, it's a combination of strong distribution, strong network and just phenomenal account services to do that.

The second big growth opportunity for us is fixed wireless access. That's a virgin market for us. Outside the northeast, in Fios, where we actually have 50% share where we have fiber, we never had a nationwide broadband play. It is one of the fastest-growing products I have ever seen in my lifetime, fixed wireless access. We put 107,000 net adds last quarter. We're having a good quarter again this -- as well. So continuing to build out that. And as C-Band gets rolled out, that number will continue to grow. So that's a new market, new TAM, new margin pool for us.

The third big piece for us is B2B solutions and mobile edge compute. And there, private networks are making very good traction. Mobile edge compute, look, it's early in the innings there, so I think we are waiting to see. IoT is a huge market where we continue to take share, especially in the auto space.

And then last is on the wireline side. For there, it's these large Network-as-a-Service deals that's able to bring all our assets to bear. And we are still one of the few global carriers left. We operate services in 120 countries, and large multinationals like that.

So 4 really strong platforms for growth of us: Mobility, fixed wireless access, B2B solutions that includes MEC and IoT and then our wireline business. So those are 4 big vectors. And look, we are doubling down on them and we feel we have the right assets, now it's just execution for us the next couple of years.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

So to zero in on the first of those big vectors, Sampath, the enterprise mobile market is sort of the -- what I think of as the traditional enterprise mobile market, excluding private networks. You size that as a $30 billion market. And as you said, you've got 44% market share.

Is that level of market share sustainable in what is today a 3-carrier market, with sort of T-Mobile as a challenger really gaining momentum? The cable industry is starting to move into the enterprise market. And ultimately, the potential for DISH to arrive as a competitor at some point in the future as well.

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Definitely. I think 45% is sustainable. I want to grow on that piece. Look, historically, last -- the arguments you have made today are not dissimilar from the arguments that were made 2, 3, 4, 5, even 10 years ago in different context. And since then, we've seen our market share actually grow substantially. I think 45% is a good number. I want to grow off that number.

Now what gives me confidence that we'll grow off that number? I think 3 things. The first is our network. I know there's a fair amount of noise in the business. We think our network is the best. But more importantly, our customers feel our network's the best. And in small businesses and large enterprise and public sector, network makes a difference. We cover more square miles than pretty much anyone else. And every call dropped is either one trouble ticket gone or one call center call lost or a business lead lost. So network continues to be our platform for differentiation.

The second is distribution. We have probably one of the largest B2B distributions in the country today. And so you pick any DUNS ID number, any number. Every time someone opens a new business, we have an account rep assigned to that immediately. That's how surgical we are in terms of our own distribution, distribution by our stores, distribution by our third parties, our channel, our partners. That's a very difficult asset to rebuild. I mean, it's taken us 20 years to get to here.

And third is account services. Some of the automation and tools we have for account servicing, especially in the large space and public sector, are probably the best in the industry.

So when you have those 3 things, which is network, distribution and quality account services, it's very difficult to beat that. So we feel 45% is the right number for us, and we want to grow off that piece.

Now on the cable operator side, look, we do have -- we do get wholesale revenue, so it's accretive to us in some extent as well. But look, retail-wise, we think 45% is a good number, and we want to grow from it.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

So Sampath, as a lifelong student of strategy and game theory, how do you think about the risk to the pricing environment in a market with 3, 4 players where you've got 45% and want to sort of extend your lead from 45%?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

I think the core of this, Jonathan, comes down to differentiation. If we have an undifferentiated product, almost everything we both studied in school will come to play. Every single thing. It's an undifferentiated product. We strongly believe that Verizon Business has a differentiated product. And every day, when we come into work, it's we got to keep increasing that differentiation.

Look, it's going to get narrower. People are going to come, they're going to come into our moats, they're going to come and play more aggressively in our space. But every day, network, and it's -- look, consumer and businesses have different perception on network because where they use the network is different, how they use the network is different. So we've got a network that's really well set up for business. We want to go and continue taking share in that piece.

Secondly, as I said, distribution. It took us 20 years to get here, it's going to take others a very long time to get here. And every day, we don't stay still. We add more partners. We add more sellers. We add more channel. We add more digital to that piece. And third is account services. So with those 3 things, if you can have a differentiated product, we feel very good about our prospects on taking this 45% and growing that.

Now as a student of corporate strategy, if those differentiators fail, don't work for us, then what you're saying will play out well. But sitting where I am right now, we are working hard to ensure that those are sustainable differentiators for us.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. So the third category that you mentioned is -- the third vector for growth that you mentioned was mobile edge compute, private networks, enterprise services. I think you guys have sized that market as $30 billion by 2025. How big is that market today?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes. We provided that number earlier in the Investor Day. Like any large TAM market projection, it's directionally correct and precisely wrong, as we've done this before. Look, we still think it's a very big market for us. And I'll break that up into a couple of pieces.

There's the private network piece. And Jonathan, what we are finding is private network is in production for us right now. We have tens of -- large number of tens of accounts who already have private network deals with us, where we either deploy licensed spectrum or unlicensed spectrum. We don't care. We think licensed is better, but we'll do what the customer wants.

And private network for us has 2 purposes. A, it becomes the gateway to the mobile edge compute. Because once you take a facility and put a private network on it, the next logical step is, okay, let's put a mobile edge compute there linked to any of the 3 cloud providers to do that. So that business is going really well. I talk a lot about the Associated British ports, but I won't pick on them. We've got Virginia International Terminal. We've got Mastercard. We've got BlackRock. We've got some incredible names who've deployed our private networks into that.

On the MEC, what we are finding is demand is taking a little longer to go. And part of that is we're having to work back and integrate deeper into their operating system. So it's going to be much stickier when it does happen, so it's going to take a little longer. So we've got a lot of proof of concepts, some early commercial deployments, but we shouldn't see revenue until the back half of next year and into '24.

But on the private networks, we are very bullish on that opportunity. And I think things have gone a little faster in the last 90 days than they've gone in the last year or so.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

And as you look at both the private network opportunity and the MEC opportunity, is what enterprises are spending with you on those, or what they will spend on you -- with you on those, coming out of the sort of the traditional wireline enterprise services that you've provided historically? Or is it incremental?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

It's -- the relationship is incremental. So for example, if we are providing wireline network services, I'll call it more broadly network services, 10,000 stores in a realtor. If they want 100 sites or 200 sites of private network, they're going to come to us because we are already integrated into their service stack. We are integrated into their day 2 operating model. We are integrated into their operating system. So when a ticket happens, they know what to do and vice versa. So it's a very logical extension to our business, when you're managing large portions of the infrastructure, to manage their private network piece to it. So I think that's one.

Second is also it's important for private networks for our enterprise mobility business as well because you want to give users the opportunity to fade in and out of networks. So they're in a private network when they are in their facility, but when the car or the truck or even the employee leaves the facility, they immediately switch on to our macro network and then manage through that. And we can do that through authentication on what we call user A, user B, user C, to authenticate through that piece.

So this incumbent position, both on the enterprise mobility piece and on our wireline services where we do these large outsourcing deals, is exactly what we need to get in. It's very difficult for someone new to come and crack in because of the legacy as well as just the deep integration we have.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Sampath, what I'm trying to understand is if you've got a global enterprise that's spending $100 million with you today, is their budget going up in order to enable MEC and private network opportunities? Or is the budget staying at $100 million, and it's sort of redistributed from legacy services towards new services?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Look, it has to go up, and we are seeing that. But I'll break that into a little bit. On the wireline side of the business, we are seeing some secular declines in the business. As customers migrate away from private IP to SD-WAN, the TAM is lower than what it was in a private IP network.

So you do get some -- a customer gets some "savings" through that tech transformation that they want to redeploy with us in new services. So the overall spend does go up a little bit, but there's some reallocation between the wireless and wireline piece.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And what is victory -- how do you define victory for this opportunity? Is it 40% market share, so sort of $12 billion in revenues at some point? Based on...

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes, look, it's quite early in the -- it's early in the movie. It's quite early in the movie to say what's victory. What we do want to know is we want to be the largest in the country in that space. We want to be the #1. Similar to our mobility business, even in wireline large network deals, we do very well with the government and otherwise. We want to be #1 in this space.

I think now, a lot of the work is how does the strategy and some of the technical work translates into commercial deployment. And as I said, private networks, we're doing really well. It's hot and heavy and moving fast. MEC is going to be a '23, back end of '23, early '24 opportunity for us. But our goal is to be the #1 in the space, similar to the other segments we operate in.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And you mentioned a minute ago the secular pressures on the traditional wireline network services business. Do those pressures go away at some point and allow the growth you're seeing in these new areas to sort of pull the whole segment back into meaningful growth?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

There will continue to be some pressure as the migration from private IP goes to SD-WAN. I think, for us, it's 2 things. A, are we taking enough share? Because in private IP, we had just a very large share position in the market, globally as well as in the U.S. We want a similar share position in SD-WAN services to do that. So are we set up to do that?

But I think the second piece is, can -- as that revenue declines, can we take out enough cost in our business to get back to an even margin profile in that space? And that's where we've got a lot of work. And One Fiber initiative, we spoke about health because we're able to put circuits on-net.

The fixed wireless access has been a killer app for us because large deployments, where we had to buy, or the customer had to go and get cable broadband for 3,000 or 4,000 stores, don't go there anymore. They come to us and say, "Look, get fixed wireless set up and move." So that's another huge cost opportunity.

And third is our business transformation program. It's a classic process reengineering, automation-type work, we do that. So that transition is happening. We want to take a share of the revenue that comes out of it, but also redo our cost structure, so that margin-wise, we are whole as well.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And if we're just focusing on the top line for a second, Sampath, when do you see the top line transitioning back to growth? How far out is that?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes. Look, last quarter, we put -- I think we were 1.9% growth on top line as we worked through it. So I think we are starting to see that piece. Our top line growth, it's a 2 -- it's like any scissor curve in strategy. I think we got to take the wireless piece, move it faster so get more than 45% share and bring some of our private network services. And then on the wireline, it's how do you just manage for margin. And I think that's how we're going to work our sell-through. But last quarter, I was very happy with the results that we had as the scissors work their way through it.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And then you've announced a partnership with AWS on the mobile edge compute arena. What made AWS the right partner for you? And as you go after this opportunity, how do you sort of -- what do they bring? What do you bring? And how do you divide the value between you?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

So Jonathan, I'll say we have relations -- very similar relationship with Microsoft and Google as well, where we've essentially pre-integrated our 5G network with their private 5G -- private cloud stack. So essentially, in a single control plane, you can control policy between the network, security and cloud in one place. And with that, you get some really low latency. So it's -- the value prop is pretty strong in doing that. We want to have more on-ramps onto our 5G business. So that's one of the reasons why we've tied up with all 3.

And two, we've also tied up with many system integrators because you may want to on-ramp a different way to get into Verizon 5G services, which is a very different way of doing business than we did 5 years ago, which is using third parties to on-ramp into our piece.

Now specifically with AWS, we are a large customer of theirs, they are a large customer of ours. So we've known each other. We have similar operating principles, putting customer at the first as we do that.

On the public MEC, which is where they host their things in our network sites, we have a revenue share arrangement with them. The go-to-market primarily sits with AWS. In fact, you can go this afternoon or tomorrow morning, go drop down, put Verizon Edge 16 or Edge 17 and get connected to a mobile edge compute with a credit card and you can go. We get a revenue shared back.

On the private MEC, we work together on a case-to-case basis. Typically, what we do is we bring the 5G network, the day 2 services of that, a platform, what we call Veza, which exposes our 5G capabilities. And they bring the edge compute and some of their 5G developer ecosystem onto it. We end up having to go together on almost all our large accounts to do that.

So look, it's a very good relationship. It's one we think is very symbiotic. We both have a lot to bring to the table. And look, we are making a market from 0 here. So there's something fun and magical that I personally enjoy a lot more.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Right. So they're also competing against you in the enterprise private network space, providing services directly to enterprises. What prevents this from becoming the Molotov-Ribbentrop Pact?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Oh, yes, that takes me back 1939 history, if my memory serves me right. Yes, I won't dwell on what happened in '39. But we think spectrum is our killer advantage here. Look, there will always be people who will want to try things on private network on unlicensed spectrum. It works. It works well. We do it ourselves. We play with a lot of customers. We have deployed in many customers ourselves.

But when you want large-scale deployments, you want to come to a carrier who's done it their whole life. So I think they're going after the slightly lower end of the market. We want to go at the lower end and the higher end of the market, which is why we have 3 partners. We work with Ericsson on the really high end of the market. We work with Nokia on the mid-end of the market. And we have Celona, which is almost like a Wi-Fi replacement, if you will, for the low end of the market that uses unlicensed spectrum.

So with those 3 options, we can hit any price point, any size, any deployment and basically make most ROI calculations work. They don't have all those 3 tools at their disposal, they have a pretty small subset. So I think they're playing in different markets, but I think the pie is big enough for all of us right now.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And the spectrum that you're -- that sort of is at the core of what you can do, what they can't do, is -- do you think of it as your entire portfolio of spectrum? Or is it more specifically CBRS? Is most of the private network stuff happening in CBRS?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Look, we'll open up a millimeter wave and C-Band as well. And we do that for some of our accounts. Because look, also what people want to do is private networks are pretty early in the game. So they want to go, they want to get started with 10 radios, 12 radios, use CBRS to get started.

But if you are deploying it in a large airport, in a large warehouse, a 2 million square feet warehouse, you want licensed spectrum. If robotics is working off it, if AGV vehicles is moving off it, you want licensed spectrum that you can control as we do that. So C-Band, millimeter wave, definitely. We support CBRS as well quite aggressively, actually.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

And when it comes to bringing together different bands of spectrum that behave in completely different ways, like millimeter wave, CBRS, C-Band, all into one unified experience, that's something that, the cloud platform providers really, really can't do it. That's very difficult, I get it.

So as you're working with all of the different platforms, it seems like guys like AWS are also working with multiple carriers. So if I think of the announcement between AWS and DISH, when will they work -- when they're bringing business in, when do they decide to work with you versus somebody like DISH or AT&T or one of their other partners?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes. Most -- a lot of it goes down to our integration with our network. So one is our product differentiation. We are natively integrated into their cloud. Very few have that native integration that we have. So I think that's always a differentiator. And there are a lot of use cases that call for that.

Second is go-to-market. I mean, think about it, 97% of Fortune 500 companies, we have a direct billing relationship with today. More than 1/3 of that, we are their primary infrastructure partner. So it's a combination of product and our relationship. And those 2 always play a role in terms of where -- who do we work with. Because, look, we have options to work with all the 3 cloud providers, they have options to work with a few carriers, my peers as well. So it's always a combination of that. What's the product? And what's the go-to market? And do you have the right relationships to do that?

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

And you mentioned, as your second vector of growth, Sampath, fixed wireless broadband. I'd love some more context for how this plays in your enterprise strategy specifically. Is it sort of an ancillary service to address use cases that you can't get to with One Fiber? Or can it be a primary use case in the enterprise market as well?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Primary use case. So 85%, between 80% and 85%, it's actually closer to 85%, of all our fixed wireless access is primary use cases. Within that number, more than half is a pure takeaway from cable. And another half is opportunities that cable typically cannot reach. It's the food truck, it's the others. But the first half is pure takeaway from cable to do that.

And we think about it. Last quarter alone, we probably took out 50,000 net adds straightaway from cable broadband to get to fixed wireless access. And these are -- what we are finding is it's consistent across all our segments. Around 30% comes from large enterprise, 70% comes from the mid-market, if you will. On the large enterprise, these are big 2,000-, 5,000-, 10,000-store, 10,000-location deployment of SD-WAN that use fixed wireless access as their primary access. We are going really hard after that opportunity. It's a primary use case for us.

On the mid-market, similar. There, the value prop is different. It's speed, it's reliability, it's mean time to repair is much lower. And think about it, I don't know what cable NPS is, but it's definitely not what we have today. We have a product that has a better NPS than cable. It also is able to turn it on in a day. You can order your fixed wireless access from Verizon, I think, until 7 p.m. tonight. Do it after your drink tonight. And then by 8:00 in the morning, I'll have a box in your office that you can turn on in 3 minutes.

So think about it. You put in an order at 7:00, at 8:03 in the morning, you're on the best wireless network on Earth. And so that, combined with really high reliability, makes it a killer application for us. And next year is going to be even better because we're going to kind of get to the back end of our C-Band deployment, and that's when it gets really big. We'll have 14 million homes just on C-Band -- 14 million businesses just on C-Band that we can sell into. So the trajectory is right for it.

And lastly, look, it's 2, 2.5x the ARPU of a smartphone, and I don't have a subsidy attached to it. So the economics make sense for us, and we're seeing really good traction in the market.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Switching gears a little bit, Sampath, how does the partnership with Kuiper play into your enterprise strategy?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Jonathan, we got into Kuiper quite early in the game, just given our deep relationship between Amazon and us. It's quite early in the game right now for us. Kuiper will deploy when they're ready to deploy. 2, 3 standard use cases.

One is sell-side backhaul for us. There are some markets outside One Fiber where, in rural, sub-rural markets, where we may need alternative backhaul capability. So we'll use that for that.

Second is, even for our own internal operations, when Hurricane Ian was working its way through, can we provide bandwidth and very quick burst to take care of that?

Third is enterprise opportunities. Imagine taking fixed wireless access and satellite and combining it. You can get five 9s or four 9s reliability really easy at a good price point to do that.

The last opportunity we have more work to do is on the digital divide. Verizon is committed to bridging the divide and getting things closer. So there's another opportunity for us.

It's quite early in the game. We've been doing pilots with them. We have been testing it, proof of concepts there. But we like the technology. We like what it can do for us.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

So Sampath, the one opportunity that you didn't mention in that list was the opportunity to do go direct to device via satellite. Is that not part of the sort of the scope of opportunities that you're looking at with Kuiper?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes. We are looking at -- look, we want a solution that is scalable. We want a solution that actually works. We've piloted everything that everyone else has. Look, we are early, and given our size and scape, almost everyone wants to work with us. We want a solution that works.

If I provide 2 meg service over a single cell site that is that big, I can't even sell smoke signals with that level of bandwidth. So for us, what's important is we want a solution that works and scales. So we'll continue working with other providers to see what the right fit of technology, spectrum and operational requirements are to make that work.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And the -- there -- so I think they operate in -- so we think the sort of the killer opportunity in the direct-to-device realm is ultimately voice and data. Can you do that over a KA/KU band via satellite with Kuiper?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes. Look, the KA and KU bands are high-frequency bands. They provide more capacity for broadband use cases. So it's a kind of used widely by the LEO providers. How would these bands have shorter range compared to the traditional L and S bands that the geo providers end up using? So they're not perfect for direct to mobile service use cases that require broader coverage and limited antenna footprint.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. Going back to the MEC private network opportunity. How do you think about the -- what gives you a competitive advantage in that space specifically? Is it the same characteristics that you mentioned that give you an -- that you feel give you an advantage in the price base generally of a focus on networks, distribution, those sort of layers of capability that Verizon has built over the course of the year? Or is it something different, more technologically focused?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

I think there are 2 pieces to that. I think one is technology focused, which is this native integration that we have with the 3 cloud providers. We have a really strong conviction that, that native integration that we have is -- are very difficult to replicate those conditions using any other asset base.

So for example, once you get to an edge use case, you get to 10, 12 millisecond-type latency as well as very high throughput. Imagine 1 GB-plus throughput at 10, 12 millisecond latency in a mobile environment, which is very difficult to replicate using any other sets of technology. So I think we feel we have a mousetrap that works really well.

But the second piece is how do you take these and work with an ecosystem to deploy? Most of our other products we have tend to be horizontal in nature. We have the horizontal products, but we have some vertical flavor but largely, in this case, we feel that outside private networks, we're going to have to work with system integrators and application developers to build those vertical use cases. Whether it's quality control, whether it's retail management, whether it's worker safety. And they think there's going to be, I would say, trillions of dollars of enterprise value that's going to get created on top of our stack.

It's not unlike 4G, where we came in. When I worked on 4G business case, I was a puppy. I thought that Napster was the killer app. I was strongly convinced that Napster was the only killer app. I know that ages me a little, but look, I was an early puppy back then.

We feel we're in a similar phase right now. I have conviction on what the verticals are that's going to do well. I think logistics, manufacturing, health care, retail, public sector are going to do big ones. But like any large ecosystem play, we've got to let the market play itself out, just taking friction out of the process. So a developer can come and sign up within minutes, and not days, to do this.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

So I think Napster was a killer app, we just had to wait for a legal version of it to come around for it to be a properly killer app.

The -- if we're sort of back here in a couple of years having this conversation, Sampath, and the -- you haven't met the targets that you've laid out in this conversation, what do you think the sort of the -- would have gotten in the way? What are the things that could potentially trip you up over the course of the next few years?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Jonathan, I'm really confident about the strategy and the plan I've built with my team here. Look, it's coming back to those 4 areas: 5G mobility, scaling nationwide broadband, FWA primarily, getting MEC and B2B solutions, including IoT, and then these large Network-as-a-Service deals that we do that.

We've been delivering killer wireless results. I think we've had 4 or 5 quarters of 150,000-plus phone net adds in a very competitive market. So that business is doing very well. Same with the IoT business. We are winning large deals on the wireline side, especially with public sector, which has been a real strong suit for us.

I think right now, it's how do we work through some of the wireline secular challenges. It's that scissor curve where the revenues cross each other. We've -- the revenues have crossed each other. But how do we continue to take out cost and be more margin-accretive on our wireline services? And at the same time, grow the wireless services including that?

I think managing that balance is probably going to take up a huge portion of my time, but we have a place to do that because we want to get back to the 25% margin that we've -- a long-term margin that we've ascribed for the business. We are not there yet. So I think that's one area where I'm going to spend a lot of my personal time on.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Got it. And with a very large percentage of global Fortune 500 companies as your customer, you sort of got a front row seat for really how the economy is faring right now. What are you seeing in terms of sort of the impact of some of the economic uncertainty we're seeing on your customers?

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Yes. It's a pretty interesting vantage point because when a company opens up, they do 2 things: They get a bank account and they call me for a phone number. It's literally like I'm their first date when they open a new business, to do that.

So what we are finding is, in the large enterprise, the global enterprise, the multinational companies, decision-making is taking longer. So a deal is agreed on. How long does it take for signature? Or final design has been done, how long does it take? That has stretched in the last 30 days. We've seen that happen before in different cycles over the last 2 decades, but we are seeing slightly longer decision-making cycles than we have in the past.

However, what is interesting is, more often than not, our deals do get through primarily because digital is being prioritized over a lot of other investments. I think COVID did give people a shock, that they hadn't invested enough in digital and cloud migration and things like that.

So any time you hear the word digital transformation, cloud migration, you've got to get a network to do all of that. I think CFOs say, "Yes, let's move on faster, quicker." So we've been quite protected just given our focus on space, but decision-making is going up.

Second is the difference between passion projects and bread-and-butter projects. We have seen a significant slowdown in passion projects. These are edge case projects on the really high end of the innovation scale to do something. Those projects have scaled down. CFOs have prioritized their spend, prioritized their capital. But bread-and-butter projects, which is digital network, cloud, we've not seen any slowdown in that. So there's a change in mix, but our business is protected.

On the small business side, look, we continue to see strong business formation. Employment is really strong, which is a good thing for us because employment is a big driver of our -- at least on the phone nets, a piece of that.

We are seeing the -- and there is some shaving going on. Where they have 10 lines, but hey, I may need only 9 lines. Can they share phones? Can they do other things? It's quite early in the space right now, but you're seeing some early signs of this. But overall, SMB business formation has been strong, payments have been really strong, which is another leading indicator for us.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Sampath, this has been a fantastic conversation. I really appreciate you joining us today. Thank you.

Sowmyanarayan Sampath - *Verizon Communications Inc - EVP & CEO of Verizon Business*

Jonathan, thank you, and have an awesome day ahead.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Cool. Ciao.
