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# EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc Webcast to Discuss Executive Leadership Changes

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**OVERVIEW:**

Co. updated its senior management changes.

## CORPORATE PARTICIPANTS

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

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

**Matt Ellis** *Verizon Communications Inc. - Executive VP & CFO*

## CONFERENCE CALL PARTICIPANTS

**Brett Feldman** *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

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

**Frank Louthan** *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

**Kannan Venkateshwar** *Barclays Bank PLC, Research Division - Director & Senior Research Analyst*

**Michael Rollins** *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

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

**Simon Flannery** *Morgan Stanley, Research Division - MD*

## PRESENTATION

### Operator

Good morning, and welcome to the Verizon Investor Conference Call to discuss executive leadership changes. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time. It is now my pleasure to turn over the call to your host, Mr. Brady Connor, Senior Vice President, Investor Relations.

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

Thanks, Angela. Good morning, everybody, and welcome to our webcast. We're excited to be here with you this morning. I'm here this morning with Hans Vestberg and Matt Ellis. And before I get started, I need to cover the safe harbor statement. Everything in this discussion today is covered under the framework of our safe harbor statement, which can be found on our Investor Relations website.

With that, we're ready to dig in. Hans, I'm going to turn the call over to you.

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

Thank you, Brady, and thank you, everyone, for joining this morning. We know it was a fairly short notice. But we thought it was important to do a briefing on the leadership changes we're doing this morning, and let me go over them one by one.

First of all, you all know I've been running the Consumer Group for quite a while right now, even though I think it's been an exciting time and really good for me to learn more about the Consumer Group and how they operate in between them and then, of course, has also formulate how I appoint someone to lead it after me.

Always when I have these very important functions, I always run the process with the best internal candidates and the best external candidates to see that I really, really get the best and talented candidate for the job, given the challenges or the opportunities in the units. No difference this time. I've been running this all the way, and it became very clear that the best candidate and the one that I really believe is going to do a great job in Verizon Consumer Group is Sampath.

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Many of you know Sampath. He is a long timer of Verizon, working basically every function of the company, all the way from procurement, transformation, CFO, leading big units. He has been into wireless, that's where he started to work a lot with John Stratton with all the transformation in the wireless segment and the consumer segment, very long experience in that.

What is special about Sampath is, of course, his ability to execute. You have seen that in Verizon Business Group with great results we have had the last 6 quarters when it comes to wireless. But not only that, he's also a visionary that can take this unit forward.

We share clearly the same views on the Consumer Group and that we have the best assets there. But we also know that we need to continue to segment the market, to see that we're really getting the best out of it. And the mission is clear: Grow our service revenue as well as seeing that our EBITDA and cash flow is growing. I think we're 100% aligned on that. I'm super excited that we have such a deep bench that we can bring Sampath forward to Verizon Consumer Group.

That means also that we need to appoint a new leader for Verizon Business Group, and that's yet another guy that you know well, I hope, Mr. Kyle Malady. Kyle, of course, long timer of Verizon, working in every function as well: Wireline, wireless, he knows the network. He deals with customers every day on a high level, and no one is better suited than Kyle to run the Verizon Business Group.

Our alignment here is 100% clear, continue the momentum that we have today in wireless and fixed wireless access, while he's also knowing the asset best to see how we manage the wireline secular decline that we have to take out costs and do that in the right thing. So couldn't be more excited to have Kyle at the helm, great leader as well.

Then thirdly, that means that we need to replace Kyle in network and technology. Joe Russo, which might not be equally known by some of you, he is today having a super important role in our LTE, running all the engineering for our core network, for our radio network, for our cloud network. He's sort of keeping everything together.

He has proven to be a great leader, been in the company for a long time, knows every ins and out of the network. And I couldn't be more happy that we have such a strong bench in that group.

Clear mission, just continue to extend the leadership in our network, continue to accelerate our C-band deployment, which proven to be extremely important for our consumer and customer experiences. Joe is super committed to that, so really happy with that.

All these 3 announcements that we do today, the transition starts immediately. Of course, we're going to hand over in between each other because I'm running the Consumer Group, so Sampath will take over that. And Kyle will take over Sampath, and Joe taking over from Kyle.

The good thing is these are multi-skilled leaders. They have been working in several different units and know the company. They are very well received in the company, and they know how to execute. So I cannot be more happy about that solution with these 3 top leaders.

And then we have additional changes, as Matt Ellis has decided that he would like to step down and pursue opportunities outside the company. That's going to happen after the first quarter, May 1. I couldn't be more supportive of Matt. He has done a fantastic job in the company, been here in 10 years and 6.5 years as CFO. So that is, of course, a choice of Matt.

But why don't Matt comment a little bit on his decision.

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### **Matt Ellis - Verizon Communications Inc. - Executive VP & CFO**

Thank you, Hans, and good morning, everyone. It's been -- thoroughly enjoyed the time I've had at Verizon. I have been, as you said, CFO for greater than 6 years, which is a long time. This is the right time for me to step away, recharge my batteries for a while and then decide what I want to do next.

It's been an honor and privilege to serve as CFO of such a great company, and more importantly, work with the best team in the industry. So I've worked closely with Tony Skiadas for the past 10 years, and he's going to be a great CFO. My focus for the next couple of months is ensuring we have a smooth transition and a lot to do in that time period. But thank you.

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

Thank you, Matt. He's -- invaluable contributions to the company. And as Matt said, Tony Skiadas today, the Corporate Controller, not sure how many years he has been in the company for a long time, but he has been the Controller for 10 years, and he probably started before Verizon started.

He is a really good person and of course, has been working very closely with Matt for many, many years. He is now, after May 1, he will then take over. They will work in parallel as they do already to date. So the transition is going to be smooth, as Matt is saying.

Long term, I'm going to look for a CFO succession, as Tony will not be equally many years in the CFO helm as Matt has been. But clearly, I'm feeling really good about having that transition. It will not disrupt anything in the company. The focus will continue to be taking out the cost, delivering on our results and of course, continue the work on the balance sheet. We have a strong team under Matt that he has developed over the years, so I feel really good about that as well.

So all in all, we do some senior management changes here with some differences in timing. The three first ones I talked about is immediate transition. And Matt is, of course, continuing throughout the first quarter and stepping down May 1, and then Tony will take over.

This, of course, tells a volume about our bench in the company to having so many leaders that can step in. And actually, as I said before, I have been measuring greatest possibilities of external candidates as well that I can bring in, but these are the best we can get.

And will definitely continue to execute on the long-term strategy that we have and the long-term goals we have. So -- couldn't be more energized this morning to have this out. And of course, over time, seeing that Sampath is taking over Verizon Consumer Group, so I can focus on a couple of other things.

But by that, I hand it back to Brady for Q&A.

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

Great. Angela, we're ready to open the floor for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from Simon Flannery with Morgan Stanley.

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**Simon Flannery** - *Morgan Stanley, Research Division - MD*

Great. Best of luck, Matt. Just to clarify on the CFO search, I think the press release says while the company conducts a search for a successor, you mentioned Tony wouldn't be there for many years. But are you actually planning to launch a search this year? Or what's the time line on that?

And then secondly, Hans, just -- perhaps if you could just give us a little color. This is a lot of change at one time, and I understand it's a little bit of a domino effect given where the people came from. But -- can you give us any kind of update on what are the implications for the long-term strategic plan you've had for the company for your 2023 guidance. Any updates around that, that flows from this would be great.

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

Thank you, Simon. The first on the time line. Now we -- I will start pretty soon to look into the succession of the long-term CFO. So that I will do, but that might take time. And we will have the right candidate that we're going to bring to the function over time.

So I will start with that immediately. But I said, it takes time to do these type of things, and that's why it's so great to have Tony there, that really knows the craftsmanship of the finance function. So that's the time line I have, but I have no defined time when this is going to happen or something.

But I will embark on it. And again, it's more important to get the right person than the right timing. And the good thing, I have Tony there and supporting me and of course, being in the transition with Matt.

Yes. Yes, there are many changes. The good thing is these changes are, of course, people that's already in the company and already running a lot of things, and sharing the vision and the plans, the 5-year plans of the company. So I think that we don't see any changes to that. We are very focused on continuing on that.

And I think you also sneaked in the question about the full year guidance in there. This is not a call for that, of course, but there's no change to that one. There's no change to the full year guidance.

But clearly, the good thing is that these leaders coming in, they can execute day 1. They are here, and we just do transition in between each other. So that means we shouldn't lose any momentum at all.

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**Operator**

The next question comes from Craig Moffett with SVB MoffettNathanson.

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

Two questions. Matt, I wonder if you could just put a little more meat on the bones about what led you to make the decision to leave now?

And then second, Sampath, I wonder if we could hear a bit from Sampath about his vision for the changes he's thinking might come in the consumer organization. Is there any change in the, sort of, vision of the go-to-market strategy? Is there any change in the balance between price, volume, profitability versus subscriber growth, those kinds of things that we should be looking for?

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

I can start with the Sampath question. Sampath is not here, and I don't want to put him on the spot today as he was just appointed. I think, as I said from the beginning, we share many of the vision how we want to run the Consumer Group.

But then, of course, Sampath is a very driven leader, and he will do the action that is right. I think the most important we share the view on service revenue growth and EBITDA expansion or cash flow expansion as the main matrix for us.

He will, of course, put his thumbprint on the Verizon Consumer Group as he has done on the Verizon Business Group. He is a really accomplished leader and a very good executor. So I think that we will -- you will hear more from him as soon as he gets into the saddle.

Today, we start his transition, so definitely we're going to have it out in the market and talk to you guys as soon as he had more than 24 hours in the role. But thank you for the question. Matt?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, Craig. So look, I've had the privilege of being in this role for 6.5 years. By the time I step down, that will be the longest tenure in the -- of a Verizon CFO. So I've had the chance to achieve a number of things I wanted to do. We've made some -- the finance team's achieved a number of things we wanted to do.

So this was really just a good time for me to step away having a number of great things achieved that we wanted to get done. So time to recharge the batteries for the first time in over 30 years, and figure out what I want to do after that. But it's been an absolute privilege to work with the finance team here. And they are absolutely set up to continue to do great things in support of the business. And I'm pleased of being able to be a part of that with them.

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

Congratulations, Matt, and thank you for the time working together.

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Thank you. Enjoyed it.

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**Operator**

The next question comes from Brett Feldman with Goldman Sachs.

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**Brett Feldman** - Goldman Sachs Group, Inc., Research Division - Equity Analyst

I'm just going to sort of reiterate my thanks to Matt. You've always been very clear and transparent with analysts and investors, and that's greatly appreciated and certainly wish you the best in your next endeavor.

My question to Hans is, it's interesting that you've asked Kyle to move into this new role. You mentioned that he has spent a lot of time talking with customers. I'm curious is one of the decisions to take him out of, what is effectively a technical role into a customer-facing role, a signal that you're anticipating or beginning to see enterprises increasingly want to talk about how to deploy mobile edge compute in 5G, and you want to make sure you've got someone at the top the organization with more of those skill sets?

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

You almost stole my script, yes. No, definitely, you're right. And that's why Kyle already are into all these conversations of digitalization with large enterprises, government entities. You need to be really technology skilled in that.

And you know also that our success has been our reliability on the network. And there's no one that knows the network better than Kyle. He has built the wireline network. He has built the wireless network. He's built the Verizon Intelligent Edge Network. He knows what we can do and what we can offer to customers and design solutions.

And then he is, I would say, he's a super proven leader. I mean, he can lead organizations. And sometimes people don't believe that he is meeting customers. I would say he's meeting more customers than many people in this company every day because he is just an integral part of every customer or consumer delivery.

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So you're absolutely right. The technology is moving forward, especially in the Verizon Business segment. It's very important to have the technology acumen to be able to talk to the customers, the CIOs of our customers and the Chief Procurement Officers and even the CEOs. So he's extremely capable of doing that given his background and his way of leading.

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### Operator

The next question comes from Phil Cusick with JPMorgan.

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

Thanks, Matt, for all your help. And Hans, please forgive me, I know this isn't a market update call, but it's all I've been getting from your investors this morning. I figured it made sense to give you an opportunity to comment on the company's momentum and maybe the industry overall, exiting February. Anything you can say?

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

Actually I shouldn't do major comments on that. But the good thing is that Matt is going to be on the webcast, on an IR event already on Tuesday next week, so he's going to give all the updates. I don't want to get into that right now.

But as said, we don't -- we confirm the guidance for the year, and we will come back. And Matt will talk about his -- what we have seen so far. Remember, February is not even closed yet. I think we're in the beginning of that. So he will come back with that early next week.

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

Lucky you, Matt. One last mission.

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### Matt Ellis - Verizon Communications Inc. - Executive VP & CFO

That, and I get to -- I look forward to talking to everyone on the earnings call in April as well.

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### Operator

The next question comes from Michael Rollins with Citi.

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### Michael Rollins - Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst

I also want to express my thanks and best wishes to Matt. As you begin this search process and decided on the changes for the leadership at Verizon, can you share if you discovered or identified some untapped or underappreciated opportunities related to the 5 vectors of growth that Verizon has been focused on over the last few years?

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

Yes. I think that it's an extremely good question. Of course, you'll constantly find new ways to deliver and do better. And if we didn't do that, I mean we shouldn't be in our jobs. So of course, during the time here, we both have seen a little bit of change of assumption that we had before, so we need to adapt our strategy.

I don't think that our overall strategy and the 5 vectors of growth, that has not changed at all. But there's adaptation in certain segments and go-to market and things that we're doing. So I feel really good about that. The thing with this change is, of course, I believe we can accelerate even more the strategy execution. Because we have such a proven team, they know it and they're really focused on operations.

So all in all, I think that we -- there are areas all the time that is moving, and that's why you need a leadership team like -- and leaders like we're bringing in right now that are quick, that take decision quickly, they're executing, they're very focused on operations.

So I think that, in general, no change to the overall strategy. We need to adapt our strategy execution every day. I couldn't be more happy with the team that I'm bringing in today. They are all very quick today -- make strategy adaptation. And that's what we need to do right now to continue to be the #1 in the market and continue to lead the market.

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### Operator

The next question comes from Kannan Venkateshwar with Barclays.

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### **Kannan Venkateshwar** - Barclays Bank PLC, Research Division - Director & Senior Research Analyst

Hans, the Consumer Group's gone through a lot of changes over the last, I guess, 3 years in terms of leadership. And there's obviously issues in the market with respect to growth. So when you think about these leadership changes on the consumer side, are there more changes to come?

Organizationally, are you in a good place with Sampath's move? Or could we expect more changes, both in terms of the organization itself as well as potentially how you look at the market, going forward?

And then as a follow-up, I guess. Sampath's choice is a little unusual, I guess, because he comes from a different side of the business with very little exposure to consumer. So why Sampath? And why not somebody else from the Business Group itself -- I'm sorry, on the Consumer Group itself?

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

Yes. No, thank you. And let me start with the last question there. Remember, which might -- you might not -- he has worked with wireless consumer, wireless business a long time, so his experience with consumer are pretty extensive.

Then he worked with the transformation together with John Stratton in the wireless segment for years. So he has a very long experience of everything we do operationally, grinding every day to see that we are growing our business. So he has a very good experience in that area.

And of course, Verizon Business Group, they have small and medium customers in wireless with fixed wireless access products. There are a lot of similarities when it comes to product offering, execution, pricing and all of that. So I definitely feel that he has a lot of that experience.

When it comes to further changes, I think I'm going to answer as I did before, we have the same vision where we need to bring the Consumer Group. Then of course, he will put his thumbprint on how he wants to run -- and I'm going to support him and empower him for that to do the right things for the company, long term.

But again, that's very early to say as he was appointed some 1 hour ago. So we will let him get in there, but we will not drop the ball there. We will continue to execute and not waiting for something. But over time, as he is coming in there, he's going to see what he wants to do to see that we achieve our long-term goals in the Verizon Consumer Group.



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

Angela, we have time for one more question.

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### Operator

Our last question comes from Frank Louthan with Raymond James.

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**Frank Louthan** - Raymond James & Associates, Inc., Research Division - MD of Equity Research

Thanks again, Matt, for all the help. Just to kind of build on that, just -- and maybe you said this earlier and I missed it. But was Sampath involved in some of the adjustments with the Consumer Group since last year? Or should we think of this as sort of another reset in the progress that you're making in that unit?

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

Of course, we share a lot as a management team what we are doing, so of course he is fully aware. And of course, we're also -- in some cases, we need to coordinate when it comes to media how we do go-to the market, how we do promotions, because groups are interlinked here.

So yes, he's part of it every day. I mean we have a, sort of, executive committee that looks into things we need to execute on that, that are, of course, right for the company. And many of the decisions we do on pricing in the Consumer Group has to be considered in the Business Group and how you do it together or not together in price agreements.

So of course, he has been involved. He knows what is happening in Verizon Consumer Group with full transparency. That's how we run our governance of the company and our execution and operation of the company. So he is aware of a lot of that.

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

Angela, that's all we have for today.

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### Operator

Ladies and gentlemen, that does conclude the conference for today. Thank you for your participation and for using Verizon Conferencing Service. You may now disconnect.

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