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PRESENTATION

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Good afternoon, everybody. Tim Horan, the cloud and communications analyst here at Oppenheimer. My pleasure to be hosting Verizon's head of the business unit who used to run and build all their networks, so he's got a very interesting outlook on what's going on in the whole industry. We don't talk about the business unit a real, real lot or at least publicly too much, so this has been something I'm really looking forward to.

QUESTIONS AND ANSWERS

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

So Kyle, I guess to start off, which job do you like better, running a whole company or running the network?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

That's a fair question. They're both fantastic. But here's what I would say. I'm an engineer at heart and that's how I grew up and I like to build things. And I still get to do that here on this side of the house. It's just a little bit different. Instead of worrying about so many bits and bytes, I'm learning about EBITDA margins and the like, but it's all problem solving and helping our customers so it's all good.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Good stuff. Can you maybe just describe what's in the Verizon business group and how it's organized? And if you can give any color around the primary products and services, how you think about them now?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Sure, no problem. But first, let me say, we've got a safe harbor statement. I might say some stuff that is forward-looking, and you guys know the drill, right? So all right, how we're organized. It's very simple. It's really based on business units. It's really how we face the customer so it's really on the size of the customer. We service everybody from two guys in the garage, small business, all the way up to the most sophisticated enterprises in the world across the globe.

So how we've organized ourselves around the customers' needs because they are different. So really, I have one segment that we call business markets, and that's the smaller kind of small business, medium enterprise. And then we have global enterprise and public sector that's all-in-one group. I also have another group that's wholesale. That's a much smaller part of the business, that's the arm of the business that we sell into other telcos and whatnot.

So that's generally just really based on the customer and then so we can focus on what their needs are, and we can tailor our commercials in the appropriate way as well as bring technologies that target the right customers there. So largely, mobility, whether it be fixed wireless access, smartphones, tablets, laptops, that's obviously a very big part of our business.

And then on the landline side, we have our Fios offering, Fios for business, as well as the things that large businesses would consume. So ultra-long haul, private IP networks, public IP networks, and then we also offer services on top of those connectivity kind of offering. So in general, it's connectivity and then services up above that.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And you're pretty unique in the industry and maybe even globally that well, you've really integrated wireless with wireline pretty aggressively in your unit. Wireless is almost half your revenue at this point, and your overall growth rate looks quite a bit better because of that. Can you maybe just talk about being so integrated with wireless and wireline? Do you have some unique products out there that you think or unique go to market that gives you a competitive advantage?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

First of all, let me start with, before we reorganized, we used to run the network separately. And putting them together, and I was CTO at the time, and putting those together, really it saved us a lot of money. It drove a lot of efficiencies, but now you start seeing the ability to have similar services that can cut across different connectivity methods.

So for instance, SD-WAN is something that's very popular right now. And we offer that both on our wireline side, on Fios or any other Internet products and also on the fixed wireless access side. So it's whatever the customer wants for connectivity, we let them choose but then we're able to put these add-on bolt-ons, we call them, other products and services depending on what kind of connectivity they want.

The other thing is now we're able to bundle different things together. That's allowed us to do some new things. We actually just came out in the market a little while ago, the soft launch on our Verizon business complete. And really what it is, it's kind of service-as-a-service. So we'll give you smartphones, connectivity, take care of your mobile device management, basically take all of the work, the heavy lifting off of an enterprise and do it for a monthly recurring fee. So there's no capital, there's nothing. So we do these -- the ability to have all of these products and services combined and converged gives us a really much easier way to meet our customers' needs.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Yeah, I think you guys talked about the mobile device management in the last earnings call, and I definitely want to talk to you about that. So can you just elaborate on what that product is a little bit more and how unique is it? And how much of an opportunity do you think that is?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I think it's a great opportunity for us. We're the only ones in the market with this. And we did a soft launch just so we can kind of learn and make sure that our systems are working correctly and all that kind of thing. But it's -simple, it's not rocket science. Say you have a company; you've got a couple of hundred people in your company that have phones or devices.

And just dealing with what happens with phones, people break them, returning them and just dealing with the logistics takes people's time away from what they're really trying to accomplish with their customers. So we just take that burden off of their hand. And so we basically manage their fleet of devices for them in a way that's a predictable monthly fee and they can get upgrades. We can take care of their security for them. If they break phones, we take care of all of that.

So it really gives them peace of mind and what we're finding ,it resonates with some of our customers here, the new customers that we're talking with because we're like, hey, I burn up three people's time at any given week worrying about this stuff. Now I don't have to. So over time, and I see this can grow, as you talked about convergence of wireline and wireless, we can bring other devices, other services into the mix. So it just makes

it really simple for people to do business with us. And they have, every month, they're going to get the same bill. So we think it's early days for us. You're going to start to see us launch whole hog here in, towards the end of this month.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And so not to put words in your mouth, but so do you own the devices, and they pay you like \$25 a month?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yeah, exactly. So it's just a bundle. We put it all together to say, this is great for a small business. Say you're a start-up. You need some computers. You need some smartphones. You need connectivity. We could put all this together for you in one simple package and then you pay us a monthly fee. So you don't have any CapEx or money that you have on hand to start your business, you can use in other ways than for telecom services.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

So the products and services in the business market have been rapidly evolving our whole careers, to be honest, particularly what we started out selling. Where are we, do you think, in making the migration to more modern Internet or fiber Internet, cloud-like services? Because I think that's weighed on the industry's growth rate for quite a bit of timeyees?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

No, I think the AI stuff is a game changer. It's the next kind of technology evolution, and we're positioned well to really help enable that and make money while doing it, frankly. Because it's no surprise, our wireline business, our legacy wireline business, really specifically private IP and MPLS, that's been in decline as people have been digitizing, as enterprises have been digitizing and put all the workloads in the cloud. And the hyperscalers, they build their own networks and cobble them together.

But AI, just how it works and the need to have a lot more of the workloads distributed is actually opportunity for us. We have a lot of fiber, not only long-haul fiber, not only last-mile fiber but the middle mile. And I think in the new world, as AI gets more and more traction and it gets more and more usage, the need for more metro middle mile, both not only fiber but power, space, and cooling and putting these things together and networking them. And also, not only for the hyperscalers but I think you're going to see a bit of a resurgence in private data centers again because not everybody is going to want to have their -- run their data outside their prem.

So I think there's going to be some -- there's some great opportunity for us. And I think that's how it's going to evolve because once the middle mile and data centers and the cloud guys, then you'll start seeing more innovation at the edge. And so I think the next 5, 10 years are going to be really exciting in this area for us.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And where are we in the decline of the legacy MPLS business? Do you think that's largely behind us, or we've got a few more years left?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I still think we got a couple more years left. It's interesting, though. We've seen some customers gone, they went all in on SD-WAN, and now I'm seeing some of them come back. They've seen there's value in MPLS network, so I've seen some of them come back. But I do -- we do believe, as best we can tell, that the decline is still going to continue for a little while, but then we think it will stabilize. And then I think there'll be new networking opportunities for us as AI gets more and more traction.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

I mean, so if we take out that decline, do you think the industry is growing in line with inflation or is it still like under some pressure?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

It's a good question. I don't know I have an answer for that because I haven't really looked at it in that term.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Yeah, it's not a question.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Because I'm looking in dollar terms and percent decline of that business, and I think we're in higher single digits right now of decline. And I think over time, the next couple of years, we get down to low single digits. And I think you hit a low watermark. But that could be 12, 18, 24 months, maybe even a little further than that. But I think the wildcard is going to be how much of this AI stuff takes off and how quickly we can provide customers with either power space cooling or fiber.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And why does AI have to be more distributed workloads?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I think, well, because the massive -- building those massive, massive data centers is difficult. And when we talk to the web scalers, they're perfectly happy building kind of mesh network data centers in a certain metro. So smaller footprint and then you could have the power distributed. So as long as you're within a certain range, if you have all the smaller data centers in a certain range instead of one big mega data center, they can make it work.

Because when they're doing the training and stuff, they don't really need latency. Latency is not a big problem. But over time, when they're doing more inferencing instead of training, delinquency is going to become more of an issue. And then just making sure -- spreading the power around. The power grid is the power grid, and we've learned that from 100 years of doing business. And this stuff is just because of the characteristics, it's going to get distributed and it's going to go to the edge.

And I guess finally, I think there's a lot of politicians and rules coming around data sovereignty and all that kind of thing. And also, CIOs are going to want to make sure they have full visibility and control of their data. And I think all these things together are going to lead to an outcome of a lot more distribution of the compute.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And is this part of what you guys call mobile edge compute?

Kyle Malady - Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business

Mobile edge compute was a little bit different because that was really just similar but different because the compute is different. So these aren't like NVIDIA-type processors. These are more of your CPU-type things. And really, so you could do applications like traditional applications that you use today just quicker. So we have a lot of customers where we do some online gaming and things where latency really matters.

And so therefore, you want the compute right where you're doing the work. And we have some traction there, but this is going to AI and gen AI is going to take that to a whole another level.

Tim Horan - Oppenheimer & Co. Inc. - Analyst

And you think AI is going to drive increasing network traffic? You know, volume growth?

Kyle Malady - Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business

I think so. I think especially as you're training and also in the inferencing, I think it's going to. I've seen a lot of different studies. Some of them, I think, are crazy, but I also have to tell you that I've been doing this for a long, long time. And every time I think usage demand will maybe slow down a little bit, it only increases. And it's because you just talked about it before, the technology keeps changing. People find ways to leverage it, and it just ends up being more data traffic. So I don't think we're anywhere near the end of the data, data growth.

Tim Horan - Oppenheimer & Co. Inc. - Analyst

I personally think this is also going to drive demand for more IoT because people are going to want to measure more things and there's a lot more things I can do on an automated basis across the board. And you can't wire everything. And you guys have an amazing amount of spectrum with the millimeter and your whole spectrum portfolio. Will 5G stand-alone, will that improve? Do you think you're offering quite a bit and enable the new offerings? And how does that really tie into AI, do you think?

Kyle Malady - Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business

So that's a lot there. I think, first of all, I agree with you 100%. I think gen AI is also going to lead to more sensors out there, right, because you're going to want to instrument things up. So I think that's going to happen. And how I think of it is two ways: First, the opportunities with obviously monetizing that. But also, private networks.

So we're starting to see a lot of traction on CIOs wanting to put private wireless networks on their campuses, in their warehouses or where they work. And then so they can have the flexibility. So however Gen AI kind of comes out, they can have a flexible wireless, not all connected via wires situation on their campuses. And we see a lot of people taking advantage of that right now and using it in interesting ways. So I think that's going to drive more IoT.

I think there's going to be a kind of a melding of what I call LAN, so like private networks in a campus. And then the device is going out on to our big wireless network. So there's going to be interaction there. Do you need SA do that? Not necessarily, but SA can give us some tools to really customize around some customer needs there.

The other thing that I think is going to be important is RedCap or reduced capacity in 5G. That's going to lead to cheaper modules and less burden on the network. And I think that's also going to help drive more connected devices, not just smartphones. And that's really important to my side of the business. So IoT, connected laptops, connected kind of everything, and using it in a way that is efficient on the network. So all those things together, I think, are going to drive some more use for us.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Yeah. And you guys can bundle it in very unique ways because of your convergence between the wireline and wireless networks.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Exactly. And then listen, I was the CIO here for a while, too, running IT and just the ability for me, during COVID, the ability for me to control devices that weren't in my shop in my four walls, that takes a lot of effort. And I think in a world where I can control policy both in my place of work and out in the wild is going to be something that a lot of CIOs are really going to want to leverage.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

So there's an awful lot I want to talk to you about. Every time you answer a question, I get five more questions in my head. But just sticking on the AI and networking capacity for a moment. Lumen announced fairly large contracts and a few other potential contracts for dark fiber, I think, connecting up data centers for one of the hyperscalers. I think they're talking a total of \$12 billion of dark fiber revenues. Are you guys doing much on the dark fiber side? And do you see much demand for interconnecting these large data centers?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

So we do. Actually, we thought that was a good announcement because it shows that this is kind of starting to come along, in the industry. We do, we sell dark fiber. We sell wave, we sell all the things that you need to connect these things. And it's a deal-by-deal basis. And I got to be honest with you, it takes some capital to do these things because the web scalers -- the hyperscalers, as you know, they have a lot of requirements in terms of what they want in terms of security, diversity of routes, all these kind of things.

So what we find we win when we have some assets already available, and we have a lot of assets out there. I mean, we spent a lot of time on One Fiber. So we have a lot of fiber in many, many metros around the country where we deployed millimeter wave and then ultimately C-Band and other small cells, then we can leverage that. So when we see some of these tenders coming out and if we can have a good bit of the fiber in the ground already that we can leverage, then we can do these deals and we can make a good dollar on it, and they're long, long-term deals. So that's one thing.

So we are, yes, selling into that now. I think that's starting to grow a little bit. It's not huge, meaningful right now for me. But over time, the other assets we bring, like I said, we have tens of thousands of locations throughout the United States that we have latent power and power capacity and space and cooling and the things you need to run these kind of compute. So we're -- right now, we're working on trying to figure out where does this all evolve in the next 1, 3, 5, 10 years and set up ourselves, how do we attack the opportunity. So you'll hear more from us about this probably by the end of the year.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And I didn't realize you still had much in the way of data center capacity. Are you talking about maybe repurposing some of your old central offices ?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Exactly. So like we have thousands and thousands and thousands of them. If you draw it way down to the edge, edge at a cell site, I mean, we have hundreds of thousands. But in a lot of other areas, we have all of the locations that support both our wireless and our wireline infrastructure, and we can make some of that available.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And have you ever or have you guys repurposed a central office yet to allow to resell for data center capacity?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

So actually, we haven't done it to resell for data center capacity yet. But what we have done is repurposed them and sold them for condos and other things. So we have a lot of different property. But now this new opportunity, it has us thinking about maybe we could build maybe some more facilities or more likely take out some of the old gear that's sitting there and then open up the space for new compute.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Yeah. I mean, it makes a lot of sense. I mean, why do you think you haven't done it so far? And I guess related to that, I know we were trying to rip out whole copper plant and a whole bunch of legacy switches. Have you done that in any markets, and would that be part of this process?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yes. We've been doing it for a long time now. So because it saves power. I mean, here's the simple answer. You go back to [5G] technology and old switching technology. What I could do in one floor of that gear, I can do in a corner closet now. So that space we could free up and make available. And we're doing that. We've been modernizing and taking old stuff out for the last decade, and we just keep chunking away at it, chunking away at it.

But at the end of the day, that leaves spare power space and cooling for us and then we have the fiber as well because that's where the fiber is. So we think there's some opportunity here and you'll hear more about it later on the year, I think.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Cool. So just staying on the AI theme, can you talk about how you're using it yourself to cut down on expenses or do you have any new products that are AI-based?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

So I think we've really been using it to make things more efficient. And we've been using it for a long time. We've been using AI techniques, kind of traditional AI techniques to help us actually model our networks and how we build our networks. Gen AI is a whole new thing which opens up some more opportunities for us. I'll give you one example that we're using in our group as you can imagine, in my world, the bills can get pretty complex.

Because you have a bundle of services from them, different rates, different tariffs, taxes, all these things. They can get a little convoluted. And we've been working over the last year: A, to make it simpler, but then B, how do we explain to customers how it works. And then we've used AI somebody can call us now and we'd have a rep spend an hour explaining bills. Now we can do it automatically using gen AI because we have all the data for the person's bills and why they're like that.

So we can use a bot to actually explain on video to a customer why their bill is like it is. And that's been a huge savings for us because the explaining one-on-one with a customer takes quite a while, so we freed up a lot of manpower. That's just one easy example of it.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Wow. And fixed wireless has been a real home run for you guys. And I just hear from, frankly, people that use your fixed wireless product and business market, they absolutely love it because it's just so much simpler to manage.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yeah, we deliver it to them and start it right up. Yeah.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And it's consistent, right? You can do the whole country. If I got 50 locations, if I've just got one throat to choke and one set of CPE equipment to manage, I can go from having two network engineers to one in a lot of ways. And there is a question here, Kyle. Can you talk about, give us an update on how the strategy has evolved for your fixed wireless and how important it is?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yeah. So I'd be honest, I'm really happy about how this is playing out in the enterprise and small business markets. I think we're doing a little bit better than I had really thought we might. Because when we were imagining this, obviously, we're thinking mainly consumer, right, just selling to the end consumer. I'm finding so many great use cases for it.

First of all, it was basic Internet access. We do that with FWA. Then we put SD-WAN on it so now you can use it for, if you have an SD-WAN deployment, that's been good. We're seeing people want it for backup, which is fantastic because you don't use a lot of data for backup. And then we're finding that we're starting right now to enter some markets where we're displacing old copper. We talked about monetizing the network before. There's still a ton of DS0, DS1, DS3 type technologies out there that FWA easily can handle.

And really, they're at much lower bandwidth rates than, say, than even consumer. I have DS0s out there, it's using nothing on the network or DS1s, it's only 1.5. So we could put these in, it becomes almost like a yield management game in how we use the spectrum. So we're finding all these different use cases for it, and it's pretty exciting. Our growth has been good. We had our best quarter ever last quarter, did 160,000 nets, on FWA. And as Joe builds more C-Band out in the country, I just sell into it. So it's been really good and we're finding new ways to even exploit it. So it's been awesome.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And would you ever proactively, it's kind of related to this. I mean, if you just have a few copper connections left, I mean, would you go out there and say, look, we're going to move you over to wireless. We can give you an SLA, but we're shutting down the copper.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I think that's what you're going to start seeing throughout the United States. You're going to start seeing a lot of LECs and CLECs, et cetera. But it just becomes too costly to take care of the copper. And so that's why we've always been trying to move out of the copper and put Fios in. That's kind of the modernization we've been doing for the last 10 years. I think you'll see others do that, too. And our product can suit those folks, and they can take the old copper out and put FWA in and continue the business.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And are there other products that you're bundling in maybe that you hadn't bundled in previously like there's a whole range of security products now? And there's a whole range of new, frankly, voice products. Well, obviously, we touched on a whole range of new IoT products that are kind of coming up. But are you doing much on security or other products?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yeah. So the security market is growing a lot. Our growth in security hasn't been that awesome. But we've just reorganized my security team to really double down on the areas that we see we can help customers. And there are some interesting things that we have going on that's too early to talk about, but I do see security being more of a growth for us as opposed to just stagnant going forward.

You see it every day. People are getting attacked. It gets more complicated to manage these things. And we have an interesting position that we see a lot of the data that transfers around the Internet every day. And we see the attacks. I think you probably are aware of our DBIR that we publish every year to give people insights on what the latest is happening in terms of these things. And I think we can leverage that a little bit more than we have been.

And really, frankly, honestly, Tim, that's why we've reorganized a little bit in the company inside the business unit so we're more marketing-driven product focused. So we can make sure that the things that are going to grow, we're making the right bets on, and things that are kind of going away or declining, we put less effort and emphasis on that so we can put the money and resources against the things that we think are going to grow. And security is going to be one.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Any other areas of growth to think about?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I mean, listen, advanced comms, that's always kind of evolving. But for right now, my big thing is really the FWA and how do we have wireless kind of take more of the connectivity pie over landline. So that's really where a lot of our focus is right now. And then really helping our customers. We spend a lot of time -- like I said in the last year, we talked about the AI, how we're using it, really on our customer experience and how do we show up better for our customers and helping them with their needs.

And one would be managed services. We did a deal with HCL Tech last year. That's really working out well. We're able to leverage their tech stack. And I'm not investing in it, but the partnership has been fantastic. We're driving business together. And what we're able to provide our customers in terms of new products and capabilities keeps growing. So that's just kind of an example of how we're thinking about things over here.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And what's actually included in the managed services?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Well, you have a worldwide network you need to manage, we will build it for you. We will manage it for you. We'll take care of if there's outages, all those kind of things, we'll update all of your, say you have a bunch of CPE. We'll manage your CPE, make sure it's all on the up-to-date software. And then we do a lot of specialty things for different customers. Different customers, different needs, and we'll take care of that.

So, and I think this could be another -- when we talk about gen AI, it could be another opportunity for us to see some growth in the managed network area because a lot of CIO, they need to figure out how they're going to leverage gen AI to help their business be more efficient. They don't really necessarily need to be worrying about their networks. We can actually do that for them. We have a network-as-a-service, managed services, and you can give us a piece or the whole thing, and we can help you manage that so you can spend your time on Gen AI and other things that are going to help your customers and business.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And would you also manage like WiFi access points so (multiple speakers) and all this like you manage the whole suite of enterprise networks?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yeah, we'll manage everything. And rarely do we manage everything. We do have a couple of customers where we manage everything. A lot of it's, we manage 60% or 70% of kind of what their needs are and then they do a lot in-house.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And just out of curiosity, do you think WiFi 6E and 7 are a big deal? I mean, it seems like we're more than doubling the spectrum that's out there. Does it really matter at the end of the day?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I think it does matter. I think capacity always matters, for sure. But what we're finding with our private network offering is people really like the idea of having dedicated spectrum for their use and not having to share it and not worry about things going wrong in security. And I think also the ability to be able to move, like I talked about before, devices from a private network into the big network and vice -- back and forth is something that a lot of CIOs that we're talking to see value in.

And really, they just feel they have more control and it's, I guess, more robust.? So that's where we see things go. But there's always a place for WiFi and there's always the more capacity you have, the better off things are.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

So when you're selling private network and they have dedicated spectrum, will you actually allocate the spectrum? Or are you using more stand-alone technology where you can kind of guarantee the throughput in the guarantee --

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

No. We just use our own spectrum so it's basically, you put the radio gear and the antenna into the, say, it's a warehouse. You put it in there and they leverage our spectrum. And the thing that we just have to make sure of is, just like we do on any other cell site we have, that we're not interfering. So we have to engineer it and then we turn it up and then it's up to them. It's theirs to use. And we've done it not only in the United States, we've done it in Europe.

So there're many countries over in Europe who made spectrum available for enterprises to use. And some of our customers have availed themselves of that spectrum, and then we've been the ones building the private network for them.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

How do you think -- I've always thought there's an opportunity for business customers, in particular, where I would pay \$20 a month more to know that I have like rights of -- I have quality of service, right, that I have guaranteed access maybe if the networks are congested. I know we do this in all sorts of different forms. But do you think there is a way with stand-alone or other technologies where you can start charging premiums for people that you can kind of give them better latency or throughput or if they need to download large files?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yeah. I think that time will be coming. SA gives us the capability to, just as you say, it gives us the ability to kind of set the network up for certain users in a way that will meet their SLA requirements. And in my world, that's what I would think would happen. We have a lot of customers with that SLA requirements. And we've been doing a lot of testing. I think the first area where we've been doing it is really in public safety because we've done it with a few police departments around the country because that's where SA could kick in and you need guarantee. And public servants need it in times of crisis, and we can fire up SA and they can get -- we can live up to an SLA.

So I think those are the kind of things, just as you described, that we'll be able to do and I think we can monetize it. I think the tricky part there, in all candor, you got to watch what you're doing because the net neutrality stuff pops out. But in a use case for the police running their communication systems, that has nothing to do with the Internet. So that's where SA can really shine.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Well, frankly, I hadn't thought about that angle because I'm kind of like, every industry in the world, if you want to get a premium product, you pay a premium price.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

Yeah, we should send you an FCC and you can talk to them about that.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

A fair point. So I do have a couple of questions from the audience here, and I'll go back because I have plenty more. One question here, will the data explosion and also the propagation properties of C-Band spectrum require a lot more network densification in the future? I know you're not running that unit anymore but that's the question.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

No. But I mean, listen, I always tell the story, I remember when I first started like in the '80s, we built 75 cell sites, and we were sitting around like how many more of these things we need like 10? But now we're up to 100,000 or something. But the answer is we're always going to keep growing cell sites because there's still areas that we don't serve, or we don't have coverage, or people are building in new areas. So we're going to continue to build.

And it's one of -- building cell sites and cell splitting is one of the tools in our chest to increase coverage and, frankly, increase capacity. Millimeter wave, certainly a great help but you'll see us continue to build C-Band sites and just sites in general so we can expand our footprint and coverage. And if we have areas where we might see some congestion and like the engineers always do, if they decide the best cost-efficient way to add capacity is put a cell site in, that's what they do.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

And I did want to touch on millimeter only -- I was by the port of Newark yesterday. I know we've seen the cranes kind of operating. And for one of the few times, I've actually seen them, they're sitting there all day, but I actually saw the containers kind of going up and down. It seems to me over time, that's something that's going to be replaced by AI. They'll automate a lot of those facilities, but you're going to need a massive amount of network capacity to do that. So I guess how important is millimeter and your strategy for these private wireless networks?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I think millimeter, it's another tool in the tool chest.? Because it depends on the use case. So you see -- some of our private networks are exactly that, they're ports where they're running on wireless. Some of them we have millimeter waves in. Other we're using just C-Band. So it depends on what the use case is for the particular application. But you're exactly on it. It's interesting when we go into these private network deployments like at ports or we've done some refineries and some other things, the people, they start off with a use case, and then they can -- right away, once they start, we've satisfied the first use case, they come up with 10 others that they can use.

Because think about it, you got a great wireless network that you can leverage to manage and run your operation, and you don't have cables all over the place, it's much easier to get devices on and off. It's much more flexible. And so that's why I'm bullish on private networks. I think we're probably a year, roughly, away from when I start seeing maybe more meaningful revenues. But I think it's going to grow on itself. And before, like you said, IoT and things like this is going to drive it all.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

You've done a phenomenal job on postpaid wireless phone ads. It seems like you're constantly gaining share really, really well. What's the secret sauce there?

Kyle Malady - *Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business*

I think it goes back to the -- what I said, taking care of the customers. I mean, really, really understanding, and we can get better at it, but really understanding what they're trying to accomplish and partnering with them to accomplish what they need to accomplish for their end users and their customers, and really listening and anticipating where the market's going to go and being there with the right product mix for them when they need it.

Right now, a lot of my customer base don't even think about Gen AI. Don't even, they hear it on the news, but they're not even thinking about it. So we're seeing that once again, we kind of tooling ourselves to be really more marketing-focused product-driven. What are the things these people are going to need in a year when they talk thinking about how do I meet them? And then how do I do it in a quality way?

Listen, we're all about reliability. We're all about quality networks. We're all about taking care of the customer. And once people become our customers, they see that and we're always trying to do a great job. We invest in the networks. They see that. And that's really it. It's done on reliable communications. A lot of these networks are running people's companies, and we take that very, very seriously.

Tim Horan - *Oppenheimer & Co. Inc. - Analyst*

Well, we're out of time. I really appreciate the conversation. It's going to be an exciting couple of years. It really is. It's going to be some pretty major product upgrades.

Kyle Malady - Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business

There's a lot of tech, man. And choosing the right path is tricky but also that's what makes it fun. Like if we can navigate this in a way that really helps our customers and leads to more profitability for us, that's the kind of the end goal.

Tim Horan - Oppenheimer & Co. Inc. - Analyst

Well, and it's frankly as a former engineer, it's great having an engineer running the unit at this point in time in the evolution.

Kyle Malady - Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business

I appreciate it.

Tim Horan - Oppenheimer & Co. Inc. - Analyst

Good luck. Thanks, Kyle.

Kyle Malady - Verizon Communications Inc - Executive Vice President and Group CEO - Verizon Business

Thank you, Tim. Appreciate it.

Tim Horan - Oppenheimer & Co. Inc. - Analyst

Thank you, Scott. Bye, guys.

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