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VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

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MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

CORPORATE PARTICIPANTS

Lowell C. McAdam *Verizon Communications Inc. - Chairman and CEO*

CONFERENCE CALL PARTICIPANTS

Philip A. Cusick *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

PRESENTATION

Philip A. Cusick - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

I think we're going to get started. So if you can grab a seat? Thank you. My name is Phil Cusick. I cover the telecom and cable space here at J.P. Morgan. I want to thank Lowell McAdam for coming and joining me. Lowell has been the CEO of Verizon since 2011 and Chairman since 2012 and has been running Verizon since quite a long time, since the business came together. I thought, just to start off and sort of warm things up, as we look over how you think of the business in the near term and long term, how do you see the business evolving? What are your priorities to strategically position for the next 5 or 10 years?

Lowell C. McAdam - *Verizon Communications Inc. - Chairman and CEO*

Okay. Thanks, Phil, and good afternoon, everyone. So we use a mission statement inside Verizon that is delivering the promise of the digital world. I just coincidentally, Jamie was there as well, we were at the Microsoft Conference last week, and we had a lot of presentations about what the digital world really is. And there's so much hype now about autonomous cars and healthcare, all the things you can do from robotic surgery to long-distance consultation. We look at smart cities and you think about the electrical grid, the water grid and managing everything from parking to information for communities. And I happen to be on the GE board and you look at digital twins and you look at being able to manage aircraft in flight and those sort of things, so that's what we think of as the digital world and IoT. All of that is driven by having a ubiquitous broadband across the country. And it reminded me of a conversation I had with Steve Jobs back a decade ago now when we were beginning to move from 3G to 4G, and we talked about the potential to get to 15 megabits delivered to the handset. And Steve's comment to me was you had me at 10. But he could see what you could do if you had 10 megabits to a smartphone. Well, now we're talking about 100 -- a 100x that, 1 gigabit to the smartphone. You're looking at fiber into enterprises and small businesses that will deliver a terabit of service. So our role and where I see our company evolving is providing more and more high-speed, ubiquitous, wireless and fiber-based services to customers. So that's why -- I'm sure we'll get into it but that's why we did the deal with Corning that we did for 12.5 million fiber miles a year for the next 3 years, and we added on with Prysmian right after that deal. That's why we're pushing as hard as we are on 5G because we see the opportunity that if you can really deliver a gigabit and up to a mobile device or in fixed mobile, fixed wireless, you can see the potential in the marketplace. And you see the excitement coming out of the Valley. So I won't be around to see all of this for sure, but the potential for the change in people's lives because of telecom services, I think, is going to be more dramatic as we make this next leap than it's been ever before in the history of the business.

Philip A. Cusick - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

I won't ask you about your plans for your legacy given what Jamie said. But let me follow up there because I think a lot of us think more in terms of weeks or quarters or a year maybe, and I don't think I understand what the potential is for IoT relative to the size of the profit pool today. So if you look 5 years or 10 years down the road, what are the things that are really driving profit for Verizon that you're getting ready for?

Lowell C. McAdam - *Verizon Communications Inc. - Chairman and CEO*

Well, there's 2 layers. First, on the connectivity side, you can make a very good return. That's why we're deploying the kind of fiber we're deploying across the country. And if you see the OEMs, the manufacturers and the consumer's eyes light up over what you could do with a gigabit to the handset, you see huge potential there. But we've also decided to go beyond the connectivity layers, as you know, Phil, and get into things about delivering some of these applications to market. So we've invested a lot in sensors and platforms to deliver smart city applications. We've invested



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

in telematics through Telogis and Fleetmatics along with the Hughes meta-platform that we had already because we see the intelligent transportation systems moving into intelligent supply chain systems as well. And then if you look at the AOL and Yahoo! opportunity, people always want to know what we're going to buy next. We haven't even closed on of Yahoo! so give us a few minutes here. But you see the potential of 1.3 billion users on a platform like AOL and Yahoo! and you see the advertising potential and the content potential, there are some huge profit pools out there.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

And I still come back to the same question, which is the quantifying that opportunity for investors and looking sort of 5 or 10 years out as the mobile business changes. I'm sure it won't be recognizable then. But the size that Verizon could be at that point and what people are really going to be excited about over that time frame.

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes, well, there's a lot of different reports probably by people in the room here about how big smart cities can be. They're talking about trillions of dollars of impact to GDP. If you take it down, the Cisco report is a very good report, I think, that gets more into parts of the geographies of the world and the impact on the economy and the impact on the bottom line. So that everyone of these areas we're talking about can have revenue potentials of \$20 billion when you start even to shave it down into just the U.S. and multiple carriers and those sorts of things. So look, I'm not going to sit here -- I'm not that clairvoyant. I can't tell you 10 years from now what the top line revenue is going to look like for Verizon. But what the point for me is that we have the assets and are positioning ourselves to be in the leadership position when it comes to 5G and to fiber.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Okay. So let's follow up with fiber. You've -- you're -- Boston's a good example of the new way of deploying fiber, right? Can you talk about what you're doing there versus the older FiOS builds?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes. When you think about FiOS, it was a very purpose-built set of fibers. It went into the neighborhood. We delivered a fiber or 2 to each resident and you aggregated up to maybe 144 fibers in a cable by the time you got back to the central office. We had parallel networks for wholesale. So if we were selling Dark Fiber to AT&T for a cell tower or Verizon Wireless was buying their fiber, it was much more point-to-point because that's where the cell towers were. The architecture that we're building in Boston, and now in other cities around, is a multiuse where we'll go in and it turns out, building to the fiber requirements for wireless and a 4G with a dense small-cell deployment is actually the best architecture for everything, because you're going to run right by the enterprise. You're going to run right by the small business. In many cases, you're out in the neighborhoods, and it sets you up for delivering things like smart cities, and when you deliver smart cities, you're starting to put fiber to every light post. And then every light post becomes a potential small cell for 5G. So this multiuse architecture is far more cost effective than the old purpose-built fibers. And if you look at the manufacturing capabilities of a company like Corning, literally from our perspective, being the constructor of the network, the number of fibers that you put in the cable are a matter of pennies per foot. So you're far better off today doing what we're doing in Boston, and that's putting 1700-strand cables in the main feeder routes so that you can serve these networks as we go forward.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

And I think when you first referenced 1700-strands a few weeks ago, even the -- some of your partners and some of your shared infrastructure partners were a bit shocked. This is the main feeder cables for the network. How do you think about the time frame to use those? Is that like a hundred-year build, let's just get this done? Or do you think that's necessary in the next dozen years or so?



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Well, if you think about a city like Boston and you think about what Mayor Walsh wants to do in this town with providing broadband to seniors, making sure every school has the fastest broadband available so that they have access to the leading-edge educational tools. If you look at what businesses like GE, who just relocated to Boston, the kind of bandwidth they require and the financial institutions, the kind of bandwidth they require, it's certainly not 100-year build. And the fact that some people are going, oh my gosh, we're shocked at that, I think shows you that they don't -- haven't yet understood the kind of leap that we're going to make with 5G. Because if you think about it, you're going to deliver a gigabit of throughput to every home out there, you're going to need this sort of fiber capacity. And I think it's a decade kind of build or a 2 decade kind of build. It's certainly not much longer than that because this is going to be one of those if-you-build-it-they'll-come moments. And we've seen that every time we've increased speed and capacity in our networks. It's been filled up very quickly with new applications.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

And given all that demand you see coming down the pipe and the sort of leap of -- in order of magnitude of depth that you want to build, is that the driver for doing a lot more of this yourself, it seems like, than you were a couple of years ago where you were outsourcing more then?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Well, I think a couple of years ago, I would use that we had a point-to-point mentality, which is the mentality you see throughout the industry at this point. So if an enterprise wants to tie 2 offices together, you literally go to one of the fiber companies or to one of the telcos and you say give me a strand between here and there. If you're expecting a 4G densified network or a 5G high-capacity network, you really need to come in and build much more of a grid approach. It's much more like the cardiovascular system if you look at it than it is point-to-point. And that is -- that's the major change that we're seeing.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

That capillary network you've talked about?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Right.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

And you mentioned a few weeks ago, 100,000 small cells, I think it was on the island of Manhattan. Is that literally the every light post vision, is that what we get?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes, I think you have to look at the capacity requirements in each city. And we at our sellside event that you referred to a couple of weeks ago, we showed a video and I think it's still up on our website. Worth everyone if you're interested in that topic to go -- to look at that video. But Chicago is very different than San Francisco is very different than New York. So if you think about when you're out in the neighborhoods and you want to provide a 5G over-the-top broadband and video, you're probably on every light post. In a city probably not as much. You're going to have as many fibers going directly into the enterprises to give them that capacity. So it really varies. So 100,000 is an interesting number for 1 particular city. I'm not sure it's the rule of thumb for every city out there. It depends on their needs.



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Right. And once you have a small cell, whether it's that level of density or something a little less dramatic, what are the new applications you can start to provide?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes, I mean, all the different -- you get a big city mayor up here. I happened to be talking to Rahm Emanuel in Chicago. His big issues are education and then obviously, he's got a lot of crime issues. So you can put the shot detections sensors up there. You can put cameras on every street corner if that's what you want. You can do traffic management, which in Boston is 1 of Mayor Walsh's biggest issues that he's dealing with. So I think the -- what we're trying to do, Phil, is position ourselves to provide that sort of platform and then some specific applications around things like telematics. And we bought a company called LQD WiFi, which does all of the information kiosks that you can put up in every city, and we've got sensor technologies for everything from motion detection, there's some new gas sensing detectors coming out now for pollution and managing of toxic issues in a city light. So there's going to be all sorts of opportunities like that.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

And it seems like a tremendous build over a long period of time. Is this something that can be done in Verizon's legacy CapEx envelope?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes, I think, we haven't guided for out years at this point. But as I look out over the next 12 months, I think we're in that same general envelope. Because as -- one thing that we've done recently is we've consolidated all of our network assets under 1 leader and we hired Hans Vestberg to come in, who was the former CEO of Ericsson. And he's had the opportunity to look at networks all over the world. And one of the ones that fascinates me is India. You see how well they do with so little, such a little amount of spectrum. So we do expect that we, as we combine those assets together, we can see our costs drop dramatically in supporting the current network and we can redirect some of those funds into this sort of a build. And I think a lot of what will drive that, Phil, is as we go through the Boston build and we've got, I think, 11 other cities that we're building in now, and we've got the 5G trials out in the marketplace over the summer, we'll be able to get a much better sense of market adoption and how hard we should push on this. But we view what we signed up for as a 3- to 5-year build with Corning right now and then we'll decide as we augment it based on market requirements.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Okay. And following up on 5G, you've talked about sort of a fixed replacement type of offer as one of the first 5G applications. How excited are you about that after, what, almost 2 years of talking about it in public, how have your thoughts changed?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

I would say, if anything, we're more excited about it. And so if you think about the Verizon footprint, we've got the FiOS build between Washington and Boston now. And so there's a huge part of the U.S. that we don't provide those services to. And we knew going in and doing a FiOS-like build didn't make any sense economically. And when you look at the spectrum and the cost of small cells versus the cost of spectrum in the old AWS auction sort of environment, it was clear to us that building the fiber infrastructure to densify via small cells was better than the alternative of buying spectrum. Well when you look at the architecture that you have when you do that and you see the little bit you'd have to do incrementally to be ready for 5G, then you see, okay, we could be a significant player for delivering broadband and video over-the-top over that exact same network. And it's almost, I mean, incrementally, the cost is minuscule to be able to address a very large market outside of the Washington and the Boston corridor. So as we have built that architecture, 5G on a fixed broadband perspective was the best application for us. We did not need to wait for all of the mobile standards. We didn't have to wait for it to be into a -- crammed into an iPhone or a Samsung Galaxy device. You can use



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

basically your home router that you have today, just put some different chips in it. And we're working with Intel on that, and you are then a broadband provider and a TV provider outside of your franchise footprint. So the biggest question for us was what was the spectrum availability and then what's the propagation characteristics of that spectrum. Well, the FCC declared 28 and 39 to be sort of the standards, which is what you see in Korea and Japan and other places, and through purchasing the XO fiber assets, which we wanted to build out our fiber platform, we also got a very substantial, I think it's 40% of the 28-gig spectrum out there and at a very reasonable price. So we think we've got all of the assets so that part was good. Then the next thing is what's the propagation look like. We're -- we were expecting, let's say, less than 1,000 feet of propagation to deliver a gig. And the experiments we're seeing in the field and that I saw when I was in Korea, about 1 month ago working with our partners in Korea on that, we're seeing substantially more than that 1,000-foot propagation. So we're feeling very bullish on it at this point, and we'll be able to say more about that after we go through the trials over the summer.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

I think a lot of people are skeptical of the practical aspects of the distance. And when people talk about foliage and trucks blocking the way, is that a concern? Or do you think that's overblown?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Well, I think, Phil, the thing that I see in our industry, and I guard against this within Verizon, is you tend to lock in on the design principles from the 2000s. Because that's when the market was -- that's when wireless was sort of exploding. And back then, you didn't have MIMO, massive-in massive-out antenna structures, you didn't have the computing power that you had to do signal processing that you can do today. So we tend to lock in that, oh, my God you've got to have more AWS spectrum. Well, no, you don't. Small cells are a fraction of what they were cost-wise even 5 years ago. So with the antenna system -- I'll give you an example, we were at 2,000 feet from the receiver in Samsung's technology park, we were delivering 1.8 gigs. We said, okay, take that truck, drive it around the back side of the building so there is no possible way you will have a direct line of sight, 2,000 feet away, it delivered 1.4 gigabytes of throughput. And the reason was that it took all the different reflections and the computers were able to process it and get that signal back up. So in the field today, we're doing heavy foliage. We're doing downtown urban areas. We're doing residential. We're doing long haul, where there's -- you're out in a rural area and you don't have anything for 5 miles before you get to the next house, we're going to shake all of that out. But I think people when they say, oh, it's just line of sight, they've forgotten the computer technology that you see in the antenna systems today that you didn't have even 5 years ago.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

I think that will be fun. And is the economics of that build interesting enough to go into a too aggressive broadband player market, where you're not today? Or do you think it's a little bit less attractive?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Well, we'll find out. I mean, I think as you do the trials, the thing that I'm trying to push the envelope on, Phil, is that I came from a very small town and I know that rural markets today don't get broadband service. So this is a no-brainer in urban and suburban markets. The question is, can you go out to that town of 500 people and offer it at least in the community area out there? Because that, if you look at it just from a business perspective, there's -- it's very price inelastic because they really want that sort of service. But if you think about Jamie's comment about good economic policies and providing the growth engine for the country 5 and 10 years from now, I think broadband is the thing that is going to provide the economic engine. And the farther we can push that out into the various geographies, that's kind of what excites me right now.



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Okay. And as you think about ancillary services to put on top of that, you've done a lot in video over last year. You bought the rights to stream, I think it's the London NFL game, the next one. One of your executives has talked about prepositioning content assets over time. I mean is there a prepositioning for some type of OTT offer? Do you think you could differentiate there?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes. Well, it -- that all goes to the AOL-Yahoo! strategy. So Tim has talked a lot about having 4 pillars. Sometimes he gets excited and says 5, but it's news, sports, finance, entertainment, lifestyle. If you think about prepositioning for content and you do things like a sports program, you can very easily take that across to background content on lifestyle of Tom Brady or whatever. And you can go into the finance side. You can go across all 4 or 5 of those pillars with certain kinds of content. So our plan, first, we have to close Yahoo! We hope to do that around the middle of June. Then we have to get it integrated. And Tim and the team have done a very good job. We've got good representation from Yahoo! management as well as AOL management. And then get these pillars in place, get the platforms in place and start to build the content. So we've done some interesting things with Hearst so far. We've gone in and bought a couple of properties with them, and we're learning a lot there, and the NFL game is going to be another way to learn about that. We've done a lot with the women's soccer league this summer, and it's getting a lot of viewership. So the platform will be in place to do an over-the-top sort of play. And we'll go out and test it, but we have not committed to a launch date or anything. We're going to see how this evolves.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Okay. And you spent about -- with Yahoo! about \$10 billion putting together that asset base for Tim to work with. Do you have the assets in place that you need, the substantial ones anyway?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Well, for a while, yes. I mean, I think about this as a Verizon Wireless sort of moment. I say that to Marni Walden, who leads that for both telematics and for the AOL-Yahoo!, the Oath brand. When we bought -- when we put together Verizon Wireless, we had 4 big pieces that we put together. But we didn't stop. We kept adding smaller companies to fill out the footprint, and I think that's what's going to happen. So people that want to speculate, I'll just say about this M&A, I think there's a lot more, let's call it, energy in the -- in Wall Street and the media over these big M&A deals than there is in most businesses at this point. I know you've had a few here that are talking about some high profiles, but Verizon has been very consistent over the history of Verizon, 18 years now. As we have an asset, we learn about the asset, we put a few other pieces together, we build on that asset and then we fill in as we go. So you're never really done, but we've got a big thing to chew on here with Yahoo! We've got to get those platforms in place. And a few years out, who knows? But I think in the short run, we are just talking about opportunities to sort of fill in through some smaller content pieces.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

So let me -- I'm skipping around a little bit but I wanted to ask you this. There was a report, an article in the paper a few weeks ago about Verizon has to do something, and we can talk about 4G wireless in a few minutes. But as you just described, the company hasn't been one for transformative M&A. I think there's a desire for someone to do something when things aren't happening immediately. How do you think about the need for Verizon to do something? Or do you just sort of stick with your knitting going forward?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Well, the folks that write, I'm a little -- Jamie and I we're talking beforehand, the older we get, the less politically correct we are. And the people that write articles like that haven't run big businesses before. So if you start feeling pressure and you do knee jerks like that, you end up with Sprint



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

Nextel or AOL Time Warner or some of those things that are -- that have been pretty difficult to manage. So look, we have always been a company that prefers to do organic growth. But if there was an opportunity to accelerate the strategy, we would look at that. And people should be fired if they don't look at those sorts of things. But Ivan, when he and Larry Babbio and Denny Strigl put together the big deal on Verizon to create wireless, they had already decided that between Nynex and Bell Atlantic, wireless was a place they wanted to play, so this was a way for them to accelerate. And I think that culture still exists within the business because when you do these "transformative M&As", you've got an awful lot of cultural issues and integration issues you have to deal with. So I don't want anybody to think we write those off as a possibility, but I think we've shown by doing the deal with Corning, following up with Prysmian. Now, at least this point, we're the high bidder, it's got to be approved but Straight Path. We've shown that we're pretty committed to 5G, and we're very committed to fiber, and we've got AOL and Yahoo!. This is a strong position there, and we're going to continue to build on that.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

So that -- I think I understand really well the long-term vision even like a 3 to 5, 10-year vision of Verizon. I think the challenge that a lot of investors in the room have is what happens between now and when 5G really starts to build some momentum?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

So how do you think about the competitive landscape in wireless today? And what can you do?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Well, look, I don't think that -- I may be one of the few that still says that the wireless industry has been competitive from day 1. I mean, we went through a period when we were first to 4G, which we're doing our best to replicate now with 5G, where no one was ready to follow us. They didn't want to make the investment and so we had 18 to 24 months where we were the ones that were innovating on the platform. And we think that's the case -- that will be the case on 5G. In the short term, customers have clearly indicated that the simplicity of unlimited is very attractive to them. I'd also point out, though, that the benefits of the best network is still incredibly relevant to customers because you see that -- and we've always said this, Phil, you've heard me say this 100 times, that as long as we're within 25% of the low-cost provider, we're going to take our fair share of the market. And if you look at fourth quarter last year, we were having to do an awful lot to defend the -- what I'll call, the non-unlimited ground that we had. And we still had below 0.9 for 7 quarters, or whatever it was, of customer loyalty. But the feedback we were getting from customers were -- was, look, the simplicity here is such that we feel like we really going -- we really need unlimited. So we made sure that the network was strong and we could do what we needed to do, and made that move in the middle of February and we've been extremely pleased with the results. Now for investors, they take a look, okay, we had EIP, 1.5 years ago, the equipment installment plan, so that put pressure on top line revenue. In the short run, unlimited puts pressure on top line revenue. But we, again, at our sellside event, so there's a video on this, the charts are at least are out there. We showed how that will continue in -- that pressure will continue in second quarter. But in third and fourth quarter, it begins to mitigate and we start to see improvement in that pressure on revenue. So we think that unlimited and the best quality network still gives us the ability to innovate. Unlimited is not the end state. It's a step along the way and we think there's plenty of opportunity for us to innovate between AOL, Yahoo! and the main core of the business until 5G comes online.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

And we've seen -- have you seen the beginnings of that sort of uplift in consumer spending to get to unlimited from where they had been lower?



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes, so there's a couple of competing interests here. So the first people that move are the ones that did a lot of overage, so you do see compression of their revenue. But then what we're seeing now is the people that just want to have the safety and security of knowing they aren't going to have overages, so they're actually going up in price. So those 2 are sort of offsetting each other. And that's why you see the migration down through first and second quarter, but then it starts to lessen. It actually begins to turn in the other direction in third and fourth quarter.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Okay. So again going back to -- for the investors there who are here, who are watching service revenue decline, what's the message you sort of leave them with as they think about why they should own Verizon in the next 1, 2 years as we watch that transition happen?

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Yes, so I think that what I said publicly in the sell-side event a few weeks ago was first quarter is not what you have come to expect out of Verizon, and it's not what you should expect out of Verizon going forward. So without telegraphing a bunch of things to our competition, we see, let's just say, different products and different structures that will be rolling out even the second half of this year and then on into '18, which will return us to the position that we like to be in, which is strong growth and strong profitability.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Good. I think that's a great place to stop.

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Okay.

Philip A. Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Thank you very much.

Lowell C. McAdam - Verizon Communications Inc. - Chairman and CEO

Thank you all.

Editor

COMPANY DISCLAIMERS

Important Additional Information and Where to Find It

On April 10, 2017, Yahoo! Inc. ("Yahoo") filed with the Securities and Exchange Commission (the "SEC") Amendment No. 2 to the preliminary proxy statement regarding the proposed sale of Yahoo's operating business to Verizon Communications Inc. ("Verizon") and related transactions. Yahoo will file with the SEC a definitive version of the proxy statement, which will be sent or provided to Yahoo stockholders when available. The information contained in the preliminary proxy statement is not complete and may be changed. BEFORE MAKING ANY VOTING DECISION, YAHOO'S STOCKHOLDERS ARE STRONGLY ADVISED TO READ YAHOO'S PROXY STATEMENT IN ITS ENTIRETY (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO WHEN THEY BECOME AVAILABLE) AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTIONS OR



MAY 22, 2017 / 5:30PM, VZ - Verizon Communications Inc at JPMorgan Tech, Media and Telecom Conference

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