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# EDITED TRANSCRIPT

VZ - Verizon Communications Inc at Morgan Stanley Technology, Media & Telecom Conference

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## CORPORATE PARTICIPANTS

**Matthew D. Ellis** *Verizon Communications Inc. - Executive VP & CFO*

## CONFERENCE CALL PARTICIPANTS

**Simon Flannery** *Morgan Stanley*

## PRESENTATION

**Simon Flannery** - *Morgan Stanley*

All right. Good morning, everybody. Welcome to Day 2 of the TMT conference. Delighted to have you all here today. Delighted to be joined again by Matt Ellis, Verizon CFO. Welcome to San Francisco, again, Matt.

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**Matthew D. Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Good morning. Good morning.

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**Simon Flannery** - *Morgan Stanley*

So before we get started, please note that all important disclosures, including personal holding disclosures and the Morgan Stanley disclosures appear on the Morgan Stanley public website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures) are at the registration desk.

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**Matthew D. Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

That sounds like a good lead-in for me to refer everyone to our safe harbor disclosure on our IR website and our SEC filings. I'm sure we'll make some forward-looking statements this morning.

## QUESTIONS AND ANSWERS

**Simon Flannery** - *Morgan Stanley*

Great. All right. Well, so you had your Analyst Day a couple of weeks ago, but perhaps we just recap what Verizon's key priorities are for 2020?

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**Matthew D. Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So as we think about 2020, we put our priorities in 4 main buckets, and we lead with continuing to strengthen the existing business. Whether we think about that in consumer being, obviously, continuing the momentum in wireless and the growth there; on the business side, again, wireless growth, combined with the transformation activity going on in there; on the network side, continuing to have the best 4G network, and that requires continued work on an every year basis. And so obviously, continuing to strengthen the core business is the first one.

Secondly is while we're doing that, also taken advantage of the assets we have to put ourselves in position to have GDP plus revenue growth as we go forward. And obviously, that begins with what we're doing with 5G, but also as we think about the One Fiber buildout. And then even the Intelligent Edge Network architecture within the network and setting the network to have the architecture for the future needs of the network and not just the historical architecture that comes along. So that's the second thing is setting the business up for future growth.



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Thirdly, maintaining the financial discipline and continue the work around the balance sheet that we've discussed for a number of years. That includes, obviously, the cost programs that we have in place as well. And then finally, making sure we have a purpose-driven company with engaged employees and a customer-centric mentality we think companies that have that strong purpose around them to get the employee base energized, produce better long-term results overall as well. So those are the kind of the 4 major buckets that we have spent the majority of our time thinking about as we go through this year.

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**Simon Flannery** - Morgan Stanley

Great. Good intro. So if we start with the revenue growth, I think, specifically, you said low- to mid-single-digit this year. Can you unpack that for us a little bit, please?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So as you think about how you get from 0.8% growth in 2019 to low- to mid-single digits in 2020. And if I go kind of through each of the revenue-generating units, and starting with consumer, a continuation, obviously, on the service revenue side. If you think about the growth we had in the fourth quarter last year, especially on the back end, we had gross adds and net add numbers that we haven't seen across the wireless business in 5, 6 years. And so we start billing those customers as you come into the first quarter this year. So certainly expect within consumer to see the service revenue growth on the equipment side, and this applies to both consumer and business.

Equipment last year was negative 3.1%. We would expect that to be a positive number this year as we start to get into the 5G upgrade cycle. And so that's obviously a significantly different number year-over-year. Within the business segment, again, the service revenue around wireless, which is very strong last year, 6.7% service revenue growth for the year, 7% in the fourth quarter. So good momentum there. We would expect that to continue. The wireline side of business, while probably still a negative number, we would expect to see that improve a little bit, so not quite as much of a headwind.

And then finally, the third revenue group as we think about our media business. That was negative 3% last year. It started the year at negative 7%. It was essentially flat in 4Q. So significant progress in the trajectory of that business during the course of last year, which means we would expect to see that be less of -- not the same headwind it was last year. So when you take the service revenue, continued momentum, improvement in the equipment number and then the wireline piece within our business segment and media not being the headwinds they were last year, we feel good about seeing that increase from 0.8% to something low- to mid-single digits this year.

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**Simon Flannery** - Morgan Stanley

I know it's early days, but anything on the coronavirus in terms of supply chain on handsets or on cell site equipment or anything like that?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So obviously, we'll talk about the financial impact and the economic impact, but it would be remiss of me not to obviously say the initial concern is on the people side and all the work that's going on to try to contain the virus at this point. But when we look at the economic and financial impact on us, right now, not significant, not material, not to say there'd been no impact, but not material at this point. I think you see the -- that's linked to the fact that our business model is obviously based off of being more of a monthly service revenue model than the -- most of it linked to the upfront transaction. So we haven't seen a material impact yet.

As you see on the handset side, I think there is a risk on the equipment revenue side that we'll see an impact there. Not so much in the first quarter. Obviously, there was handsets in the pipeline as the impact started to come through. But if we see continued disruption, you've heard some of the handset companies talk publicly about. If that carries on for a significant time period, I think we'll see a more material impact on our equipment revenue line. That doesn't really impact the earnings profile as significantly for us, given that it's not where most of the earnings come from. The



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earnings come from the service revenue. But certainly, there may be some -- in the future months some impact on the equipment. So we'll have to wait and see.

The other thing, as I think about the income statement side, that we haven't got enough data on yet to see if there's any change in consumer behavior. And as I say, we haven't got the data yet to know, but we'll stay close to that. And then you mentioned on the network side and not seeing anything material impacting our supply chain at this point. But I think, obviously, the major thing is, this is obviously a fluid situation, and we'll have to wait and see how it continues to evolve. And as it evolves, if it's going to impact either the income statement as we think about revenue or consumer behavior or the way that our supply chain on our network side will operate, we'll update everyone as appropriate. But as of right now, not a material impact, but we'll wait and see how it plays out.

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**Simon Flannery** - Morgan Stanley

And at this point, I mean, you're, what, 99% U.S. revenue generation?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. It's north of 95%. But yes, so we don't have the same exposure to some other countries that have seen a material impact at this point. It's not as impactful to our financial statements as it is to some others.

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**Simon Flannery** - Morgan Stanley

Great. Okay. So we're at this pivotal time for the wireless industry with -- it looks like we're in the kind of last few phases of the regulatory approval for Sprint T-Mobile, and DISH would be in a position to launch as a fourth carrier. How is Verizon thinking about what the industry looks like and your ability to sustain your leadership in that environment?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, we're very confident as we look forward with the things that we're doing and how that's going to position us. We examined both a deal going through, a deal not going through, and then we think either of those outcomes would materially impact our ability to remain the industry leader. And as we did that analysis, we were confident that the biggest factor in terms of the results we could produce was our own execution. In both of those scenarios, we didn't see anything that materially changed our ability to be competitive. And it starts with, obviously, having the best network experience for our customers, and that continues to be incredibly important to our customers.

But then also, as you've seen over the past couple of years, rather than just being reactive in the wireless area in terms of what other people may do, we got a little more on the front foot and said, okay, what do our customers want from us. And rather than just reacting to what others are putting in the marketplace, let's be the ones that take a leadership position. And as we've done that, you've seen the momentum that we've generated, and I think that was highlighted in the second half of last year when you look at the gross add and net add numbers across both consumer and business in our wireless activities that we saw volumes there that we haven't seen for a few years, and so we feel good about that. So irrespective of whether the deal was going to go through or not go through, we felt that we had a clear line of sight to continuing to be very competitive, and the control over that was within our own -- for us to impact rather than external events controlling how we will perform.

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**Simon Flannery** - Morgan Stanley

Okay. You talked about the strong volumes. In fact, I think, one of the positive surprises was the cable had ramped up their ads, and the whole industry had good volume year last year, particularly on the postpaid side and some of it's pre 5 migration. What do you diagnose is the kind of the driver behind the industry expansion?



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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. Well, I think, certainly, you're seeing on the B2B side as we've had the economic recovery going for so long. We're seeing strong demand within our B2B customers. That's certainly been a significant factor in the volumes that we see in the business. On the consumer side, I think that -- I can't comment on the overall industry volumes, but we certainly see our customers continue to add devices to their accounts. I think we're seeing people get phones a little earlier than they maybe did 2, 3 years ago. That's helping drive some of that too. But in terms of our numbers, we know the first thing that drives it is the quality of that performance the customer gets, and that will continue to be a focus. If we do that right, I think we'll like the results that we see and put us in a position where others are responding to what we're doing.

**Simon Flannery** - Morgan Stanley

To that end, you had a successful launch with Disney+. In the fourth quarter, you've had Apple Music. So just talk about your platform strategy there and how you're seeing that benefit both your door swings and your churn and ARPU, et cetera?

**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. It links back into what I was saying about what is it the customer is looking for, what type of offers resonate. And knowing that not every offer is going to resonate with every customer, we get into the point where we have different offers for different customers who come in and putting these types of offers out there that allow us to -- we like getting new customers in, obviously, but also allows us to extend the relationship with our existing customers, which is where a lot of value lies. So when you think about the people we've partnered with really kind of see it as all 3 people involved are getting value out of it. We're getting value out of it because it improves the lifetime experience that we have with the customer. The partner gets value out of it because they get -- if you think about your Disney, you're launching this new OTT platform and you know a lot of the video consumption is now done in a mobile environment, not on a TV in the living room. And she said, okay, who could I partner with there? Well, I want to have the best experience to my customers who are paying for the service, okay? So to get that with us and you bring the best and largest base of customers to the table as well, that's -- that makes us an attractive partner in those types of situations. So they win. And then the third person who wins is our customers because they get the benefit of combining a great service like that with our network performance.

So I think you should expect to see us continue to find ways to have different types of offers out there in the marketplace that customers can choose what's right for me. And I know if Ronan was here, he would absolutely be talking about how the -- it's great we did those last year, and we're going to continue to find those things that resonate with our customers that really allows them to do the things they want to do based off of the quality of service that we provide them. So more to come there. And we think that will allow us to continue to extend the relationship we have with our base of customers and be attractive to new customers too.

**Simon Flannery** - Morgan Stanley

Help us with the math around the ARPU uplift here. You've got people moving from feature phones to smartphones, from limited plans to unlimited, from lower tiers to higher tiers. What's the opportunity set to drive that from here?

**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, I think there's still a significant opportunity for us to continue to drive service revenue. Obviously, new customers help, but even within the existing base. So we are a little over 50% of the consumer base, around 53% at year-end, the consumer wireless space on unlimited. And of the 47% that aren't, the vast majority of those have an ARPA that's lower than where the unlimited point would be. The people who had the opportunity to step to unlimited and reduce their bill, they did that pretty quickly 3 years ago now.

So when you've taken an offer like Disney+ and you say it's available to customers who are on unlimited, it helps to accelerate that pace of step up from a customer who's on a limited plan, a metered plan and they step up to an unlimited plan and increase the ARPU. The other thing is within



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unlimited is, obviously, we have different tiers. So how do we incentivize customers to move up those unlimited tiers. And you see some of the options we do in terms of putting different value in those different layers. You should expect that work to continue.

And that was really one of the things we had to develop when we moved to unlimited. In the old world, prior to 3 years ago, we said, okay use -- create different size of the data buckets. That's how you got customers to step up from an ARPU standpoint. When we went to unlimited, that way to differentiate different offers went away, and so we had to create different differentiation in unlimited, and you've seen us do that over the last 2 or 3 years. That even once you got a customer to unlimited, you still have opportunities to step them up to a higher ARPU level.

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**Simon Flannery** - Morgan Stanley

And we've got 5G launched in a number of markets. How do you see 5G driving -- help driving service revenues and ARPU for some consumer and then on business?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. Certainly, as you think about the experience that a customer gets on 5G Ultra Wideband, and just for a second I'll -- if you think about the announcement we had last week, we talked about how we continue to -- we're in the early stages of 5G evolution. The technology is going to continue to develop very quickly. Last week was a great example. We did a -- we demonstrated in Austin on the live network with Samsung 8CC rather than 4CC, the number of carriers we're aggregating on the network and got speeds on the new Samsung device of 4.2 gigabits per second, which is faster than anything we offer on Fios, right, which is fiber connection directly into the home. So that continues to improve.

That type of experience, we believe, we have the opportunity to have a different price point for. If 5G doesn't offer a differentiated experience to 4G, there's limited upside to charge a customer more. But when you look at what we're doing with -- and we use the tagline 5G built right, but we use that tagline for a reason. It's really building 5G in a way that gives you that 10x improvement in performance that does justify a price differential. So we think there's opportunity there when you deliver a differentiated service that you can get a differentiated price point.

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**Simon Flannery** - Morgan Stanley

And we had (inaudible) from Mobile World Congress last week, but where are we on getting kind of more affordable 5G handsets? Is there a good pipeline from your perspective there?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, absolutely. And obviously, we'll have to see how if the supply chain around that gets disrupted with the coronavirus. But we still have line of sight to 20-plus 5G devices coming into our ecosystem during the course of 2020. You've seen some of those announced already. You've got the Samsung models launching later this week. So absolutely still feel good about seeding the ecosystem with a lot more 5G devices this year than what we saw last year.

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**Simon Flannery** - Morgan Stanley

And we're all waiting with bated breath for the kind of 5G rollout at the lower bands. What's the latest on dynamic spectrum sharing and bringing that out?



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

Yes. I mean, we're very excited about dynamic spectrum sharing for a couple of reasons. Firstly, it gives us the opportunity to use spectrum more efficiently than we've ever had before. The ability to use the same piece of spectrum for 2 different generations of the technology, we've never had that tool in our toolbox, and dynamic spectrum sharing kind of gives us that. And it really speaks to -- it's a great example. You've heard us talk for the past couple of years about the interoperability between 4G and 5G that you didn't have in previous changes of the technology, and it's an example of that. So the ability to not have to say this is 4G spectrum, this is the 5G spectrum, now it's the spectrum we use for both and the network decides which technology it's supporting based on the customers that are connecting to the network on that cell site is a significant step change.

So we lodged -- we showed a live demonstration of the product alongside Ericsson back in December. So very happy with the progress the teams are making with that. The network team is positioning the network so that around middle part of the year, during the summertime, we should have that fully in the network, and then it'll just be a commercial decision when is the right time to actually bring that into the marketplace in the back half of the year. But 100% confidence that the technology is going to deliver what we expect it to, and it's going to be available to us when we expect.

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### **Simon Flannery** - Morgan Stanley

Great. So can you talk about your interest in the CBRS auction and the C-band auction? Obviously, you're using CBRS already on an unlicensed basis, and we had the report in order on C-band on Friday and I'm not sure if the final one is out yet. But how's Verizon thinking about those bands and rolling them out?

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

Yes. So we're thinking about both of them, but in very different ways. So if you start with CBRS because that one is going to come first. It's something that's certainly what we think about as being complementary within our LTE network experience initially, and then eventually, it could be part of the 5G as well. But within the 4G network is -- it could be another way for us to add capacity to that network in a cost-efficient fashion. So we'll see how it plays out. But obviously, there's some features of it that means -- it makes a lot more sense to use that spectrum for added capacity than using it just as a base coverage layer, given that they have some specific features around it, low power and a few other things.

So we certainly will look at it from a 4G capacity standpoint. And then C-band. So first of all, I think, the FCC has done a great job recognizing the importance of bringing this spectrum to the market for the development and deployment of 5G in this country. So they've -- we are very supportive of the fact they got to the order last week, and we're glad to see that got voted on and approved. We're anxious to see the detail of the order, which we expect sometime in the not-too-distant future. But there's a lot that we like in there.

So we now know that we'll have an auction that will begin later this year. And for some parts of that spectrum, whoever wins those pieces, the first 100 megahertz in 46 of the top 50 markets would expect to have that spectrum available to use by the end of next year. So the interesting thing about C-band is the size of it that's available, and that creates some interesting use cases. So our current plan to 5G are based on the assets that we own because our engineering team can only work with what they own. But as we look at C-band, it brings forward some use cases that it could increase the size of the 5G opportunity for us. And so we've got a lot of work to do between now and that auction starting, but I think it's -- it could very well be a very interesting complement to the assets we already own.

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### **Simon Flannery** - Morgan Stanley

Great. And 5G Home, I think you committed in your outlook to 10-plus markets in 5G Home this year. So when we get the CPE later this year, is that really a mass scaling of the product? Or is this still going to be in limited geographies within this? How should we think about when this really starts to be impactful to the numbers?





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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So it will ramp over the course that we said -- last year, we said 5 to 8 years to get to the 30 million homes open for sale. A number of important things as we go through this year, the first of which is as we continue to expand the 5G Ultra Wideband footprint, that will then bring more homes open for sale. And Hans mentioned at the Investor Day a couple of weeks ago that we expect to deploy 5x as many 5G cell sites this year as we deployed last year. So as the network build ramps so will be open for sale ramp within the markets we've launched. So if you think about it from this standpoint, we launched 31 markets last year. We said we're going to do another 30 mobility markets this year. So that's doubling in terms of the number of cities we're in, but 5x as many sites. So that means within those cities, it's not just adding new cities, it's increasing the coverage area within those cities. So that will bring -- that will continue to add to the OFS every day as we put up more cell sites. So the network build is a significant piece.

And then the other piece is having the right CPE equipment. And we've talked about having that next-generation chip, which is available on the mobility side now from -- for Qualcomm. It's in the Samsung device that launches later this week. So obviously, they're focused on getting it in mobile handsets first. We're very comfortable that they're going to get it to us for the fixed wireless access solution in the course of the summer, and then we'll have it in hardware into the fall and go from there. So as you think about having that equipment available in the back end of the year as you roll into next year as we continue to scale the pace at which we're deploying the network, that will increase the open for sale -- the pace of the open for sale coming along as we get to the back end of this year and then through next year. So the ramp will start to be significantly more noticeable as you get to the back end of next year and then throughout '21.

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**Simon Flannery** - Morgan Stanley

Throughout -- the back end of next year?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Back end of this year and then throughout next year, we'll see that ramp more significant.

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**Simon Flannery** - Morgan Stanley

And I think you've said before that the customer reaction in the Sacramentos of the world that you've had good success where you have deployed the pre-standards already.

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, I feel very good about the product and the potential for the product. So we had the 4 markets that we launched in October of '18 on the non-global standard, and we had limited geography within those markets. So we deployed that network, but within those geographies where we have, the customer take rate, whereas a customer, whether it's someone moving home or a customer deciding to change provider or whatever, our win share within those geographies has been very good. Our customer churn levels have been very good. Our NPS scores have been very good. The qualitative feedback from customers has been very strong.

So we're excited about the fact that we're seeing the response from customers that we would like to see. And then in October of last year, we had launched our first 5G global standard market in Chicago. And the one thing that we did there that is important to the long-term business case is we offered customers in Chicago the option of doing a self-serve. So rather than waiting for somebody to come around to do the installation for them, we give the customer the option of saying, I will ship you the equipment and you choose when you install it, whether you do it as soon as you get it, whether you do it one evening during the week, whether you wait until the weekend when you've got time, it's on your decision rather than wait that wonderful 4-hour delivery window that when you get the other service.





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And so more customers have actually selected the self-serve than I thought would at this point. And then the success rate of customers who have selected self-serve getting the whole way through the process and successfully simming up has also been very strong as well. So excited about the progress we've seen there. So you've got good customer experience in those initial 4 markets. We're seeing good experience on the self-serve. Now we just need to -- for the network build to accelerate, which it will this year, to increase the open for sale and then get the next-generation hardware, which will get later this year. And I'm excited about the trajectory for 5G Home.

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**Simon Flannery** - Morgan Stanley

Right. So I mean you've touched on the network investment a little bit. Can you just review the CapEx priorities, in particular, the fiber build?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So the fiber is -- 2019 was a really good year for the fiber build. We made good progress in '18, starting to get that -- the momentum into that program. But last year, we really accelerated. We got up to 1,000 route miles a month in the first quarter last year to go all the way up to 1,700 route miles per month in the fourth quarter of last year. So that's kind of now at a steady state. And getting that machine going in the organization to get it to that point across 60 markets where you have that going on has taken us a couple of years to really get the momentum there, but the team has done a great job. They found a way to get it done. And now they'll continue in to run at that type of pace, which is really important to not just 5G and the rollout of 5G sites, but also creating additional revenue opportunities.

So the fiber build pace, I think the pace you saw last year is similar to the pace of spend we should see for the next couple of years. And then we reach a point in those markets where you've done a lot of the big build. And now you've got more success based build as you need a new cell site somewhere. If you got a new office that an enterprise customer in or whatnot. So we've got a little more runway here on the fiber build, but then I think you see the level of that come down some. And we'll see what the CapEx looks at that point in time. I'm sure we'll find plenty of new opportunities to grow the business as we get to that point.

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**Simon Flannery** - Morgan Stanley

And update us on the -- getting to the \$10 billion on cost savings, you obviously had a big voluntary program last year. It's perhaps less visible to the street this year, the drivers of that. And I think you talked about some big initiatives on the business wireline side of things to help improve the margins there.

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So last year, we had the voluntary program. We actually announced at the end of '18, but of course, the impact didn't start to come through until '19, but over 10,000 people coming out of the business. That has over \$1 billion impact last year, and we still got a little bit of year-over-year improvement this year from that program.

Couple of various [areas this year] (corrected by company after the call) as you think about how we continue towards that \$10 billion goal. And as of the end of last year, we're halfway through, 2 years in and at \$5.7 billion. So well on track to hit the overall \$10 billion. But this year, we will continue to work on our sourcing and supply chain processes. There's good opportunities for us to create further value there in ways that we haven't in the past. And then, as you mentioned, the business segment. So if you think about the reorganization last year that we went through, and we were excited about the opportunity by looking at our customers holistically across the products we provide, but especially in the B2B space, the business segment that Tami Erwin runs because we had been going to these customers with 2, 3, 4 different businesses calling on them rather than bringing a holistic Verizon approach to that relationship. And in the past, that wasn't as big an issue as it is today because what the services that the wireline products fulfilled versus a services to wireless products fulfilled were very different.



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But as we get into a 5G world, you're seeing those come a lot closer together and to not be able to interact with our enterprise customers holistically across those range of products and services we have would definitely have been suboptimal in a 5G world. So as we've started to have those conversations, you've got the old wireline part of that business that we are very much in a -- the revenue is going down, bring the cost down with the revenue approach and the team has done a good job with that for a number of years.

But if you see actually the ability to grow that business in the future, there's investments we need to make within that group that, quite frankly, hadn't been the priority for the company for a number of years as we focused on other things. And so as we get excited about those opportunities, there's a lot of back office, go to market, et cetera, type things that, quite frankly, are nowhere near as efficient and effective as they should be. And so we're spending a little money on that.

Started in the fourth quarter. We'll continue this year. We'll start to see the benefit of that towards the back end of this year, a full year benefit next year and actually see some revenue accretion opportunities as part of that work as well. So as we think about getting to the \$10 billion, certainly, that transformation work going on within the business segment is an important part to say however the last -- the final 2 years of that 4-year program, we complete the journey to say at \$5.7 billion. We've got the final \$4.3 billion to go and business to be part of that.

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**Simon Flannery** - Morgan Stanley

Great. All right. Well, we do have some mics in the back of the room. So if anybody has any questions, we can take them now.

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**Unidentified Analyst**

You talked about the potential that you guys are monitoring the consumer behavior. Could you elaborate that a bit?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

I'm sorry, can you repeat that?

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**Unidentified Analyst**

On the potential impacts from the coronavirus, you guys -- you said you mentioned the consumer behavior in the U.S. Could you elaborate a bit on that?

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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. And the point I was making is that it's too soon to see something in the data to see if there is any change in any consumer behavior as a result of it. But obviously, that's something that we're monitoring closely to see if there is any change in -- whether it's consumer behavior or behavior from our business customers as a result. So nothing at this point that is showing up in impacting our financials, but it's obviously something that we're going to pay close attention to over the next weeks and months as we go forward here.

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**Simon Flannery** - Morgan Stanley

So it's usually one of your quieter times of the year, right?



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**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Exactly. So -- and again, it just takes time for -- to see the impact of changes in consumer behavior from this or anything else to show up in the data as well. So that's something we're just -- we're paying attention to, to seeing if there is anything there.

**Unidentified Analyst**

I'm wondering if you could just share your thoughts on sort of medium-term capital intensity. So as you get further and further in terms of completing the 5G build-out, should we expect sort of CapEx to revenue to more or less stay at that level? Or is there a good chance for it to tick down in 2022, 2023?

**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. I think what you've seen from us over a good number of years now is capital intensity stay within a fairly stable range as a percentage of revenue, but the activities within there evolving significantly. And we've got some of that going on right now as you think about versus a couple of years ago, the spend on fiber, the spend on 5G, I would certainly expect as we go forward over the next few years and you -- some of those builds get done that those will reduce. I would also like to think that we're going to see -- continue to see new opportunities within the business to drive growth. But I don't have line of sight to what they are. So I'm not going to guide on future capital intensity at this point. But it's certainly something that, as we look forward, that certainly, the pace of spending on 5G build and the fiber build will change over time, and we'll see what else comes along at that point.

**Simon Flannery** - Morgan Stanley

I think Hans was making the point last year you've been able to do more and more with less.

**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes, there are certainly things we've done on the capital efficiency side. So that \$10 billion goal we were discussing a couple of minutes ago, that's a cumulative cash benefit and whether it shows up as OpEx or CapEx, it's -- we count in that goal. And certainly, some of that has come from the CapEx side. And all other things we have achieved last year, if we tried to do those many projects, 2 or 3 years ago, we wouldn't have done it within our normal capital spending envelope. So it's exciting to see as we continue to improve the efficiencies there. We're able to get more things done for the same number of dollars, and we'll continue to be driving towards that this year.

**Unidentified Analyst**

The satellite operators currently operating in the C-band have been silent on their willingness to participate in the clearing schedule the FCC has laid out. You guys filed a couple of weeks ago requesting authorization to negotiate with them directly. How critical is that second half '21 piece of spectrum? And how do you think about dealing directly with the satellite operators to assure the spectrum is cleared on that schedule?

**Matthew D. Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So we are -- as I've said, I think the FCC has done a good job of trying to bring the different constituents together in a time frame that's going to allow the U.S. to continue to roll out 5G and have a leadership position there. You'll have to ask the satellite companies for how they see it evolving from their perspective as we go forward. But if there is anything that changes, that's why I made the comment earlier that we have our base plan is based off what we own, and that's what the team is building around whether it's Ultra Wideband or millimeter wave or using DSS to take advantage of our existing low and mid-band spectrum. But then we look at the opportunities to do above and beyond that, and C-band is one of those opportunities. We certainly are very happy with the time line as is laid out right now and hope that continue to what we aim for. But

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if there's any adjustments, we'll work with that as necessary. But I don't see a need for the time line to move at this point. I think it's a realistic time line, and it also puts us -- the U.S. industry in a position where we continue to have a leadership in 5G, which we think is important.

**Simon Flannery** - *Morgan Stanley*

Great. Matt, out of time. Thank you so much for your time.

**Matthew D. Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Thank you. Appreciate everyone's time this morning.

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