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CORPORATE PARTICIPANTS

Fran Shammo *Verizon Communications Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

David Barden *Bank of America-Merrill Lynch - Analyst*

PRESENTATION

David Barden - *Bank of America-Merrill Lynch - Analyst*

All right, everybody. Thank you for joining us for our first telecom session in the ballroom. We are very pleased to have with us here today Verizon and CFO, Fran Shammo, who has been with us a couple of years here in a row. So we are very pleased to see you here again and the white couch, very LA.

I appreciate you being here and I guess, Fran, just kind of kicking off with I think a theme that is topical and timely, and I think we're going to try to get a little bit of color from everybody on their thoughts with respect to it, which is the upcoming election. And obviously, telecom is a very highly regulated business. We have seen this year examples of how government gets very much involved in the inner workings of how telecom companies want to run their business.

And I guess it would be informative I guess if you could share some of your thoughts about how the outcome of the election might impact Verizon financially or operationally or how we would think about its operations and finances differently depending on different outcomes of the election coming up.

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

All right, well, good. Good afternoon, everyone. Just a quick reference. Anything I say is covered by our Safe Harbor and I refer you to the website as well.

But -- so good afternoon and an interesting question to begin off. So I think the best way to frame this is that if you look at just this past year and the economic situation and folks are talking about the tax cliff that is coming in December, I don't think it is so much the election. I think it is more just the general environment and I can't say that we have significantly changed the way we are running our business in this environment than we have in the past. And I don't think that will change going forward. I mean we know strategically what we need to invest in.

There is the uncertainty of the tax cliff that is coming I think that kind of makes a lot of companies kind of maybe sit on the sideline a little bit and determine how they are going to move forward because that could be significant from a planning perspective as to do we get bonus depreciation, don't we get bonus depreciation, to we get tax reform, don't we. So there is a lot of uncertainty around that, but I think that going forward, regardless of who wins, needs to deal with that situation immediately before we get to December because I think that could be a real problem if we get post December and that doesn't get solved. But I think everybody is just waiting to see how that is solved.

And then from an economic standpoint, I think that we just continue to run where we have been running the last year and a half and I don't think we have changed anything from how we run the business in that perspective. So to answer your question short and sweet, I see us not changing a thing here.

David Barden - *Bank of America-Merrill Lynch - Analyst*

Even more timely, I think somewhere else here in California, there is a presentation going on from Apple introducing the new iPhone 5.



Fran Shammo - Verizon Communications Inc. - EVP & CFO

What a surprise.

David Barden - Bank of America-Merrill Lynch - Analyst

Exactly. You're very well timed here, Fran. And it is interesting because, a year ago, you were sitting here, you were a month away from reporting the best margins that Verizon Wireless had ever reported. And then for six months or even now through today, there has been this kind of titanic struggle to really understand whether smartphones are a good thing or a bad thing or whether having iPhones come out are good things or bad things.

The market is expecting Verizon to put up new record margins for the third quarter coming up here, but now we have learned that the iPhone is coming out a little earlier and there's a lot of moving parts. Could you kind of maybe help us shape our thinking about how the iPhone 5 coming out now should inform our views about how Verizon is approaching the wireless business right now?

Fran Shammo - Verizon Communications Inc. - EVP & CFO

Well, I mean obviously we are extremely excited with this phone that is launching and obviously it is an LTE phone and given our LTE build program and where we stand versus our competitors and having as much coverage as all of them combined, double the amount of coverage than all of them combined, I think strategically we are in a very, very good spot. So we are excited to have this phone come to market. Apple is a great partner and I think we will do extremely well with the phone.

Now looking at margins here, I think the third quarter obviously is going to be a very short selling period. The question of supply comes in mind, how much supply will there be, how much demand will there be, will we be able to keep up with the demand and so forth. So I don't see a huge detriment here in the third quarter. I think we are coming off of a second quarter of a record high margin. We sold 200,000 more iPhones in the second quarter of this year than we did last year. We sold more LTE Android-based handsets than we did a year ago and we still posted the highest margin ever in the industry.

And part of that is because of the great job that Dan Mead and the wireless team has done around just cost restructure, policy change around upgrades and all these things we have done. By the end of this year, we will have cut \$5 billion worth of costs out of our structure. So all this matters because as you get into these new iconic devices and these higher subsidy phones, you need to manage the business on an overall portfolio, which I think wireless has proven time and time again we can grow and continue to increase our profit. So I don't see that changing.

Now having said all that, I think we are set up to have a very good fourth quarter and having on that one, I think it is going to come down to volume, how much volume there will be. And obviously the fourth quarter is always a high-volume quarter for us, but this could drive volumes higher for us, but again it will come down to supply and demand and we will see what happens here. But I would anticipate if the volume is high that margins will come down some.

David Barden - Bank of America-Merrill Lynch - Analyst

Certainly since last year, you guys have taken some initiatives with the new fees for upgrades and kind of being more disciplined I think about the 20-month upgrade policies. As a function of kind of these efforts, and whatever promotionalized initiatives you have had over the course of the year to lock in customers ahead of time, is there a reason to believe that the upgrade rate is going to be lower in the third and fourth quarter in the second half of 2012 than it was a year ago because of these initiatives?

Fran Shammo - Verizon Communications Inc. - EVP & CFO

Well, I think the -- I mean obviously we saw a trend in the first and second quarter was lower than a year ago. I don't see that trend changing all that much here in the third quarter. Fourth quarter will probably be a little bit higher than the first half of the year, but I still think lower than it was a year ago because of all the measures that we have taken.

Having said that though, as you know, we are probably going to get to this question and I will let you ask it, but the Share Everything plan has had a very favorable impact on us as well. So that could play into this with the new iPhone coming out as well.

David Barden - Bank of America-Merrill Lynch - Analyst

So let's talk about the shared pricing plan, Fran. It launched at the very end of last quarter, so we really haven't gotten I think to see a lot of the results outside yet, and so I think venues like this are an opportunity. So kind of can you walk us through for the first basically two and a bit months of having this plan out there what has been the impact of it?

Fran Shammo - Verizon Communications Inc. - EVP & CFO

Yes, so I think that right off the bat, we are very, very pleased with the success of this pricing plan. Whenever you launch a major price plan like this, there is a lot of work that goes into it to make sure that you can predict what the financial impact is, what the consumer behavior will be, and we did a lot of that. And I will tell you honestly that when we first started out on this, whenever you do a major price plan change like this, the first people who jump to that price plan obviously are the quote optimizers. They are people who feel that they can optimize and save some money. So we have planned for some dilution upfront and then obviously accretion post that because we do believe that this plan is accretive.

But what the major factor here was to offset that dilution of the optimizers was how many more devices will be connected because of the Share Everything. And what we are seeing is that the dilution is actually less than we projected, the device attachment is running better, slightly better than where we expected and what we are also seeing is that we are seeing many more migrations off of the unlimited plan of 3G over to the shared pricing of 4G. More than we had expected at this point in time.

So so far, the plan has exceeded all of our expectations. I think that the plan is also contributing to new customers coming to Verizon and again, I think the addition of the Apple LTE phone and then some of the other products that will be coming here in the fourth quarter will just really strategic us to position to be in a very good place.

David Barden - Bank of America-Merrill Lynch - Analyst

So if you kind of compared your happiness level with the kind of shared plan's ability to compete against the ratcheting up of the unlimited message that we've got from Sprint and now T-Mobile, it really is that there is two camps. There is the unlimited guys and then there is the family share guys and the unlimited guys are trying to cast this family share plan as a hard to manage price hike for your average family, but it sounds like it's been doing very well. What about it has been the thing that people are most gravitating to?

Fran Shammo - Verizon Communications Inc. - EVP & CFO

Well, a couple things here. First, Verizon has built their brand, and especially wireless, around the best most reliable network there is and I think they have proven that again with the LTE network. So when you look at our footprint compared to our competitors, we have twice the amount of coverage of all of them combined. We will substantially complete our build by mid-2013, so our LTE footprint will be the same as our 3G footprint.

So when you are a customer and you are looking at everything, I think the network plays a much bigger role than people give it credit for. And if you look at our churn, I think that speaks to why customers stay with Verizon even though we may be slightly more expensive, even though we may not have an unlimited plan anymore. I think when people understand what unlimited is versus what a 2 gig plan is, I think they realize it is



really not all that different. And that unlimited for some -- I mean obviously you have these users that stream video 24x7; unlimited means something to them. Quite honestly, they could leave my network because you are not making much money on those.

But within the LTE network, I think people realize the benefit of the LTE network. They realize the value that the share plan has brought and they realize the value of the network that Verizon brings to the table. So we will continue to compete and I think the famous quote was they grew despite of their shared plan, so we like that quote.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And I know that I think this quarter you are planning on putting out some new metrics that are going to help kind of elaborate a little bit on how you talk about the shared plans. Could you kind of update us on where you stand on that?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Yes, so this is moving to the shared pricing plan has really dynamically changed the way we look at this business. And going forward, we are going to look at the business on a revenue per accounts basis, not a revenue per unit basis anymore.

So what you're going to see us do in the third quarter is we are going to actually come out with a new metric called revenue per account. We are going to restate the prior eight quarters so that everybody has a trend on where we are and where we are. We will disclose what the number of accounts are that contribute to that revenue per account and we will probably disclose something on the average of what the average devices are per account.

We will discontinue the metric of revenue per unit. And the reason for that is because revenue per unit is becoming a meaningless metric because if you think of the future here and you think of shared pricing, when you look at shared pricing, the fact of the matter is what is important to us now is use more data, consume more data, price up in your data plan and attach more devices. And some of these devices may be \$2, \$3, but if I attach my car and I stream video to my car, that increases consumption, that is important to revenue per account, not necessarily revenue per unit of adding the car.

So there is a combination here of attaching more devices, increased consumption. That is really what is important going forward from a revenue per account and of course then overall service revenue growth. So that is really where we want everybody to focus in on.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And we have historically talked about voice revenue and data revenue in wireless. I would guess with this change, there is probably going to be -- there is going to have to be a change in that conversation too. It is more like there is a connection fee and then the usage fee. Is that stuff we are going to be talking about as well as the quarters come by?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Yes, when you think about the shared pricing plan, I mean within that shared pricing plan, you have unlimited voice and unlimited text, right. So there is -- that is not even a discussion anymore. It really comes down to data consumption and that is what drives revenue. And really the reason we did this was because we saw what happened in Asia with some of the text messaging and the dilution and voice migration and this more or less protects that revenue stream going forward because if you have unlimited on text and unlimited on voice, it really doesn't matter anymore because you are paying for really a data plan and that just comes with it. So you are protecting that revenue stream going forward and we think that is beneficial to the consumer and it is beneficial to the Company.



David Barden - *Bank of America-Merrill Lynch - Analyst*

So you said something interesting, which is that, for most consumers who are making this decision, the difference between unlimited and 2 gigabytes is not that real; they are not at the 2 gigabyte level. And right now, a lot of the revenue growth in the industry is coming from data plans people are taking. They have got a lot of headroom in that data plan, but as you look out down the path, at what point does this tiering really begin to drive the revenue model of a wireless business in the US? Is it a 2014 event? Is it a 2015 event or is it sooner than that? Kind of the drivers underneath the hood are harder to see.

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Yes, I think that the ecosystem will mature and I think there will be changes within that ecosystem. So if you think about this tiered structure in consumption, you could, and I know others have talked about this, but you can conceivably look at vendors coming to carriers saying, okay, we want to provide this to your customer base, but we don't necessarily want that to go against their consumption, so we're willing to pay you the carrier to produce that to your consumer for free.

So when you look at that, revenue per account may not go up, but service revenue will because you are just getting it from someone else. So the LTE network allows the differentiation, and the way I like to classify it as you can have an 800 service over here, which is quote free data because somebody else is paying for that and then you have your consumption data over here.

So I think we will have to wait to see how the ecosystem matures on this one. But I think we are going to see this accretion faster than people think. And I think it is because, if you look at our SpectrumCo deal and Lowell and the team did an outstanding job in convincing, as well as the cable companies, convincing the DOJ about the innovation that can happen here and maybe being the first in the world to really integrate wireless with inside the home and outside the home and the content outside the home. And if you think about how that content can be streamed outside the home within cars, you really say this is really unlimited as to where this can go. So I think the innovation is going to come very, very quickly here. So we will wait and see, but I think the accretion model that we have laid out will continue.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And with the conclusion of the SpectrumCo deal -- congratulations, by the way. It was a big win I think for you guys. Are you there now? I mean are we done kind of mining the market for spectrum for the next few years and we have got a lot in the hopper? The inventory is full; we are going to work on monetizing it now rather than going out and trying to find more?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Yes, I think the right way to classify that is I don't think we will be in the market for any big type of a spectrum acquisition here in the near future. I think this positions us extremely well, and obviously we have put some spectrum on the table that said if we got this deal approved then we would be willing to auction off the A and B.

Now that was not a condition of this deal. That is not going to be a fire sale from the deal. It is going to be more of we are going to go to auction, if we get what we believe the spectrum is worth then we will sell that spectrum. And that auction is just beginning, so I don't really have much more to report on that.

But I also think it is important to say every quarter we acquire spectrum here in little pieces because when spectrum comes up from sale from whoever, it may be in just one small market, but it is an opportunistic time because it is only going to come up for sale at one point in time and you either buy or you don't buy. But I think to your point, David, we will have no more of this big tranche at least through '16, '17 at this point done.



David Barden - *Bank of America-Merrill Lynch - Analyst*

And just with respect to that, the multiple pieces of the deal, a lot of attention got focused on the marketing agreement, a lot of focus on the joint operating entity. And I think that those were some -- frankly, the joint operating entity, innovation entity was one of the most interesting parts of this puzzle because smart guys from Comcast and smart guys from Verizon are working together to come up with a product that will sell. And I think second half of 2012 was the timetable that we were looking at something coming up. Can you give us any preview or kind of glimpse into what is happening on that side of the equation as to when we might see it?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Well, what I would say is the deal was just approved. I mean the spectrum deal was just concluded and we paid for the spectrum, so the teams are working extremely diligently right now and I think we will just have to wait to see what comes out here. But I am not going to certainly make any big splash or announcement today.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And with respect to kind of the moves that the FCC looks like they are going to start taking on trying to elaborate a little bit more or define a little bit better the spectrum caps and other things, is that going to be at all relevant to you now that you have kind of done what you wanted to on spectrum or how do you look at that process?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

We think this is extremely important and I think through the SpectrumCo deal and obviously Lowell's involvement with the FCC, I think that some good things came out of this because I think to the FCC's credit, they listened. I think we made our points that not every market is created equal. I mean obviously in New York City, can't have the same cap as a Wells Fargo in North Dakota. It is just very two different markets. And you also have to consider how many customers there are in these markets that are using wireless services.

So there is a lot of things that were discussed and I think these are good open communications and we will be at the table during those open communications, but this conclusion of this will be very important for us and we will play an important role here.

David Barden - *Bank of America-Merrill Lynch - Analyst*

I guess my last question on the wireless side is just with respect to the recent ruling in the US on the Apple versus Samsung case. Obviously it is a patent dispute between two companies, but Verizon has been involved in patent -- has been on the wrong end of these patent disputes in the past, I think Brocade and Qualcomm back in the day. Is there anything about how that is progressing that we should be keeping an eye on as Verizon tries to keep its options open on the different OS operating system?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Yes, I mean I think the best way to put this is that this is a dispute between two companies and they need to resolve that dispute. As far as running our business, we continue to sell Samsung product, we continue to sell Apple product and we will continue to run our business until something changes there.

But it goes to the point of that is why we think that we would love to see more operating systems come to the ecosystem. And I think Microsoft is going to come here very shortly with something and I think if it is good that I think they can make a mark in the industry. Obviously Microsoft has a hold on the enterprise space and there really is no reason why -- if this is a good product, there is no reason why they can't win in that space.



I wouldn't count RIM out yet. They could come back to the marketplace with an innovative product, so I think there is many options here, too early to tell yet. But if you were to look at -- I think somebody told me if I pulled my handset out of my pocket, there is 500 patents on that handset and this is a very, very complicated industry with lawsuits going all different ways. So we will have to see how this plays out, but right now we are not changing anything.

David Barden - *Bank of America-Merrill Lynch - Analyst*

So maybe shifting gears a little bit to the wireline side of the equation. I think that there is kind of two big storylines in the wireline side. One is kind of the consumer revenue growth and the other one is kind of getting our arms around the margin side of the equation.

So starting on the consumer revenue growth side, again, multiple stories there. One of the big successes has been FiOS, but I think the last quarter you kind of downshifted your expectations for what people should expect to see in terms of net FiOS growth. Could you kind of talk about how we are seeing better growth than we have seen in a long time, but we are starting to ratchet down our expectations with respect to FiOS growth?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Yes, and I think it is a combination of a lot of different things here. So let's first start with the revenue side of the house. We have really concentrated this year on getting our price points equivalent to where the rest of the market was. We were actually underpriced with a superior product to cable. So the concerted effort was we needed to do some price-ups and we are doing that over -- we started in the first quarter. We did it in the second; we are doing it in the third. You saw some of that benefit come through in the second quarter where we delivered a 2.5% mass-market revenue increase, which was I think the best in years and I see that doubling by year-end. So I think that, coming out of this year, I think we will be on a very good path for mass-market revenue increase.

The other thing is that we are really on a concerted effort to really spend our capital and our dollars more efficiently from getting people off of the copper network over to the FiOS network. So you probably have seen us shift a little bit between really going after our gross add, if you will and mining our base because we get two benefits by mining that base. One is if we have a copper customer who is what we classify as a chronic, and a chronic customer is somebody who has two truck rolls in a period of six months for that copper line. So when you think about that, that is four truck rolls a year to that copper customer. I am losing money on that copper customer.

So if I can take that chronic customer and move them to FiOS, I deplete the amount of operational expense to keep that customer on and now I have moved them over to the FiOS network where they get the benefit of FiOS digital voice, which is clearer. I now can put their DSL service onto a FiOS Internet where they now realize the speeds of FiOS and what we are seeing preliminarily is even if we take a voice and DSL customer and move them, they are starting to buy up in bundles because they are starting to see the benefit of the higher speeds. Then we open up the sales routine to go after them, for now the FiOS TV product.

So there is a method to our madness here, but there is a two-sided equation that really drives some operational benefit to us by really concentrating on those copper customers to FiOS. So yes, I did lower our expectation on a net add basis down to 150 to 170. Part of that was that we are seeing a much bigger move season this year than we have in the past years. Now maybe that is a good sign that people are starting to feel more comfortable with the economy and doing more moves. So I think what you will see here is third quarter will probably be similar to second, but then we are going to escalate that growth into the fourth quarter and into '13. So I think we are on the right path and long term, this will drive the benefit that we are looking for into the wireline margin.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And so kind of then transitioning into the margin, the gameplan has been to try to get that margin up I think in the second half over the first half. But I know a big part of the puzzle has been trying to get some concrete resolution with the unions as well. Can you kind of give us a status update on that?



Fran Shammo - Verizon Communications Inc. - EVP & CFO

Actually I am a little disappointed because I thought that we would be in a different place today than we are. And I thought that we would be able to increase this margin in the back half of the year. But I think with where we are with the labor negotiation, it is going to be difficult for us at this point.

But here is what I will say is that we have been at mediation for four weeks now. It has been extremely helpful. We have made substantial movement in getting closer to a deal with our union membership. I think this is a very near-term situation instead of more of an uncertainty at this point.

So I think -- look, what we said going into this that this was going to be a hard long negotiation because we needed cost restructure within our wireline business. The big issues on the table are healthcare, pension and work rules. And it has taken us this long because we have stood strong and we know what we need and that is why it has taken as long as it is taking.

Now, again, I think we have made unbelievable progress in the last four weeks. Lowell personally, along with the executive membership of the union, have been involved in the last four weeks and I think we are getting close to coming to closure, but unfortunately I don't have anything else to report today.

But what I will say is that I am hoping that, on the quarterly call, I can give everybody some more flavor as to what this means going forward in the long term, but this has to be a long-term view because this contract will take us into the long term and we need that cost structure.

So right now, what I would say is I am probably a quarter to two off from where I thought it would be, but I am still extremely confident if we can bring the labor negotiation to a close, we execute on this copper to FIOS migration, we continue with our revenue increase, 2013, we will improve our wireline margins.

David Barden - Bank of America-Merrill Lynch - Analyst

As I look at kind of the contribution factor to the wireline unit bigger picture, enterprise has been the big kind of sleeping giant in that business that has been kind of idling while the economy has been kind of going sideways. Any kind of greenshoots in the enterprise business either domestically or overseas that are moving parts?

Fran Shammo - Verizon Communications Inc. - EVP & CFO

I think on this one, this one is a little bit more difficult for us because obviously we have got a lot of headwind internationally. As the news improves there with some of the sureties that are coming out of the councils, I think things might get better, but right now, that is just a headwind that we are faced with.

Here back in the States, obviously the economy has been flat. I go back to my opening statement that I think enterprises continue to sit on the sidelines right now until they understand what the future holds from just an economic where we come out with the elections, what happens with the tax cliff. I am hoping that the economy improves. Our plan says it doesn't for the remainder of this year, but hopefully we will be in a different place in '13.

Now I will also tell you that we are taking this opportunity to really retool this business. I mean we have gone out and strategically acquired Terremark and CloudSwitch and now Hughes. That is the foundation that we will build on going into the future. And machine to machine is going to be a huge revenue component going into the future with all these solutions that are coming to market. So I feel like we are going to be in a great place as soon as this turns around, but right now we are kind of stuck in the mud.



David Barden - *Bank of America-Merrill Lynch - Analyst*

So I mean the overall -- so the bottom line kind of coming down on the cash flow side of the equation, I guess Verizon increased its dividend last week, so clearly feeling good about the overall long-term direction of the business. Is the 3% level, is that kind of a sustainable kind of -- should we be baking a 3% assumption for growth in the dividend into our long-term expectations?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Well, I am certainly not going to give guidance on our dividend increase. That is a Board decision, but, look, I think that our Board is confident in us and I think that Lowell and I have said publicly that the dividend policy is extremely important to us. I think it is important that we show steady progress on the dividend and that is what the Board showed and approved was the 3%. That is better than the last two years. It shows confidence in where we are going and I think a consistent policy is the right policy for now.

The next question you'll probably ask me is what about share repurchase and return of shares -- returned to shareholders in that fashion. And as I said, I think that 2013 may be a year that we may start buying back shares, but we will have to wait to see what the overall environment is.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And just on that, I mean just the environment being -- all the applications and uses of cash, capital expenditure, what have you, you are kind of tying back to the original topic of conversation, which was certainty on elections and uncertainty in investment. As you think about 2013, I mean I guess just looking at it, it seems like FiOS has largely run its course in terms of that investment. If anything, you are trying to pull copper out of the network. LTE network is going to be mostly done by the middle of 2013. It kind of feels like the cash calls from the core operations of the business are going to be dropping from a capital expenditure standpoint. Is that a fair assessment?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Well, look, I mean the way I like to view this is look at the total portfolio as one. And we said coming into this year our CapEx would be flat to down. I think what you're seeing is wireless is down by \$1.3 billion through the first half of this year. So I think we will be slightly down from a year ago.

Lowell and I have a very concerted effort to really make sure that the investments we make are returning their invested capital in a very short period of time. So I think it is important though that some of the capital expense that we do on the wireline side of the house is to support the wireless growth because of the IP backbone and fiber to the cell. So if you look at the portfolio overall, I would say flat to down is probably where we should be.

David Barden - *Bank of America-Merrill Lynch - Analyst*

I will ask if there is any questions in the audience. I have a couple of follow-ups from the second quarter. One of the follow-ups from the second quarter, Fran, was I think after the highway bill was passed, you kind of laid out that there were a number of different potential scenarios for taking advantage of possible pension funding, accelerating pension funding, taking advantage of tax deductions or maybe limiting pension funding for the near term and pushing it out down the road. Has there been any kind of further thought process about what you want to do pension funding wise this year?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Yes, we continue to evaluate this because this is going to be a very critical strategic decision for us because there are a lot of things that play into here obviously. So do you take the risk and push your contribution out to the future when interest rates may be a lot higher or do you take advantage



of setting the pension up right now? So there is a lot of things that we are looking at and I think what I will say here is that I will have a much better answer for you at the end of Q3 and I will tell everybody what we are going to do coming out of the third quarter.

David Barden - *Bank of America-Merrill Lynch - Analyst*

There is a question out here in the middle.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Yes, I guess somebody had to ask. Could you update us on your thinking on your relationship with Vodafone, dividends coming out of the wireless company, what are you going to do to get the other 45% of that cash flow back to Verizon shareholders?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

I knew I could not get out of this conference without (multiple speakers).

Unidentified Audience Member

Yes, you were close, but I couldn't let you --.

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Thank you so much for that. No, listen, I mean I think that -- look, I mean our speech line has been consistent in that we will be good stewards of cash. Look, I mean we just disbursed \$4 billion for the SpectrumCo deal. We have cash on the balance sheet at wireless, but we are going into a period of time in the back half of this year that normally is a high-growth period.

So we need to make sure that wireless has the liquidity to be able to run the business the right way. I think everybody forgets that I did a \$10 billion distribution in January. So it is not that I am sitting on cash. When the time is right and the Board feels that there is enough cash there to distribute, then we will declare a dividend and we will distribute. And that is all there really is to say about that.

David Barden - *Bank of America-Merrill Lynch - Analyst*

I have to ask the follow-up, Fran, which is, on the second-quarter call, you went out of your way to make it clear that everyone knew that paying out a new dividend was not on the Board meeting agenda. As you look out into the future, which Board meeting agenda is it going to be on?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Well, again, I think that if you go back and listen to what I've said, it was not on the agenda for this Board meeting because the requirement is that it happens at the last meeting of the year that there is a dividend discussion and that is -- it is not by the partnership agreement, but it is by -- there is an agreement that that will take place and it will take place at the last meeting of the year.



David Barden - Bank of America-Merrill Lynch - Analyst

I think there was a separate set of circumstances last year on this topic. There was a notion that there was going to be a dividend. Then later, there was an announcement of what the dividend was going to be and how it was going to happen. And I think what is missing this year is that you haven't announced that you will announce that you are going to have a dividend and everyone seems to be missing that piece of the puzzle. But it doesn't sound like people should be running around with their hair on fire, that this is a problem. Your hair is not on fire.

Fran Shammo - Verizon Communications Inc. - EVP & CFO

We don't view it as a problem.

David Barden - Bank of America-Merrill Lynch - Analyst

All right. Anymore questions from the audience?

Unidentified Audience Member

Fran, I just had a question on the shared data plans. It was interesting you said you were seeing less dilution there than you expected. I was just wondering if you could talk to us about why that is. Is it that customers, when they are coming into the share plans, are actually taking larger data packages as part of that? Thanks.

Fran Shammo - Verizon Communications Inc. - EVP & CFO

Yes, well, it is actually twofold. One is that when we have a customer who wants to move and through the discussions we are telling them that they really need 2 gigabits per device. So if they want to bring five devices, they really should be buying the 10 gigabit plan. What we are finding is customers are very receptive to that formula because they can get their head around the 2 gigs. They understand what their usage is. So part of it is that they are actually buying higher up packages than we've anticipated.

But they are also adding the devices. So even though the optimizers have come in and optimized and maybe cut their costs a little bit, what we are seeing is that they are bringing more Internet devices, mainly MiFi cards, and attaching them to the plan. We are also seeing that they are attaching more tablets to their plan. So it is really twofold, a little bit better on the pricing plan packages that they are taking and more progress on device attachment.

Unidentified Audience Member

Can I ask you a question about the new iPhone 5? It is going to have the ability to make Face Time calls over regular network instead of just over Wi-Fi. Do you think in general video calling is going to become something that is a small interesting option or is this potentially a gigantic new market and a lot of people are going to be using that feature?

Fran Shammo - Verizon Communications Inc. - EVP & CFO

Well, I mean I think that video calling is going to become more significant in the future. I think that when we release our VoLTE technology probably in '13, we do voiceover LTE through IP, there will be many, many more options for that going out. But I do think video calling will start to proliferate into the future.



David Barden - *Bank of America-Merrill Lynch - Analyst*

You don't have any plans to charge a different charge for people who want to use that product?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

I won't get into our marketing plans at this point, but we will have the capability probably in '13 to offer that. Once we go to VoLTE, we will have that capability.

Unidentified Audience Member

Thanks. Another question on the data sharing plan. You made an interesting decision not to charge or stop charging people for tethering devices. Can you talk a little bit about that and are you getting any inclination for people that stop paying for say tablets, so taking advantage of tethering and how do you see that unfolding going forward?

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Well, within our shared pricing plan, tethering is allowed, so there is no differentiation. I mean data consumption is data consumption. Don't care what device you use to consume data. It goes against your data consumption and that is okay with us. I mean that is the whole basis of the plan.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And you have budgeted, as you say, for certain amounts of dilution as people kind of came in and optimized. One of those optimizations would probably be people who were tethering and realized, heck, I can save some money.

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Exactly.

David Barden - *Bank of America-Merrill Lynch - Analyst*

And then they are bringing their tablets in and using more data and net net, it is actually coming in pretty good.

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Correct.

David Barden - *Bank of America-Merrill Lynch - Analyst*

Could I just ask a quick follow-up on the competitive impact. I mean for the quarter, with the share plan being I'm guessing the flagship plan, has it had a meaningful, observable change in porting ratios with key competitors? Has it been impactful to the competitive dynamic?



Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Well, I think why don't we wait until the end of the third quarter to speak to that, but what I will say is that coming out of the first quarter, I said that our growth would accelerate in the second quarter and it did and coming out of second quarter, I said that we will have better growth in the third quarter and we will have better growth in the fourth quarter and I will stick to that speech.

David Barden - *Bank of America-Merrill Lynch - Analyst*

Better growth. Sounds good. We have one minute left, if anyone has a final question. All right. Well, I will just wrap it up and say thank you very much, Fran, for coming in. Really appreciate it. We appreciate you coming out here every year and next up, we are going to have in the ballroom, we will have Sprint, so please stick around for the next session. Thank you very much.

Fran Shammo - *Verizon Communications Inc. - EVP & CFO*

Thanks, everyone.

David Barden - *Bank of America-Merrill Lynch - Analyst*

Thanks, Fran.

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