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& Technology Conference

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PRESENTATION

Jim Schneider - *Goldman Sachs - Analyst*

Good morning, everybody. Welcome to the kickoff presentation of the Goldman Sachs Communacopia and Tech Conference. I'm Jim Schneider. I'm the telecom analyst here at Goldman Sachs. And it's my pleasure to welcome Verizon Communications and the CEO, Hans Vestberg, today.

Thank you very much, Hans, for being here. We really appreciate it.

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Thank you for having me. Great to be here, early morning, West Coast.

QUESTIONS AND ANSWERS

Jim Schneider - *Goldman Sachs - Analyst*

It's true. It doesn't feel so early. So maybe to start with the headlines, Hans, last week, you announced the acquisition of Frontier Communications for \$20 billion. That's going to expand your fiber footprint to 30 million fiber passings by the time you plan to close the transaction in 2026.

Very high level, give us a strategic rationale for the transaction. How does it fit into your overall strategy? And why this timing made sense for you today, given that you own some of these assets previously?

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Let me start with the Safe Harbor. I might say something forward looking.

When it comes to Frontier, we announced that Thursday (corrected by company after the call) last week. When I think about the Frontier acquisition, I think there's a couple of things that are really seen. First of all, it's straight into our strategy. I mean, we build the network once. We want to address as many profitable connections on top of one build of the network. So of course, adding this is just adding more customers.

Secondly, it increases our TAM. We can address more customers with our current strategy, which means that we can sustain growth and continue to grow as we're doing right now.

And thirdly, I think we also will have a great opportunity to continue to have both the best wireless network, the largest wireless network in the nation, and then also having an extremely good position on broadband in the country which, over time, depending on how customer sees it, of course, convergence comes in there and possibilities of that. Those are the three reasons.

And you mentioned, we owned this asset before. My predecessor did the right call. They sold them off 2010 and 2015, mainly because they were only copper by then. And it was a big undertaking to transform into fiber. The Frontier team has done a great job. Today, over 55% of their revenue is coming from fiber; more than 55% is coming from the profit on the EBITDA level. They have 7 million passings already.

So they have done a great job. We are actually bringing back a state of the art asset. And when we compare all the external KPIs like churn, penetration, ARPU, et cetera, they are very close to our Fios footprint. And we know Fios is the best fiber operation in the country. So there's a lot of things playing into it.

And then, of course, economics is very important piece of it. We looked at buy versus build, of course, and it was a pretty easy calculation, accretive from the day of the acquisition, both on revenue growth, as well as EBITDA, maybe one year later on EPS and cash flow, mainly because we account a little bit different, and then we have some investment for IT systems. That's the only reason.

So it makes sense financially, strategically, operationally, scale -- our scale is going to be enormous. It's already number one in basically everything we're doing. Now, we're just adding more strength to that. Very good. So now, since -- that's a long answer, sorry.

Jim Schneider - Goldman Sachs - Analyst

No, it wasn't. Some investors I've spoken to are trying to figure out a few different aspects of the transaction. So maybe we could talk about a few of these in turns if we could. You've been quite bullish about the prospects for building and growing your fixed wireless footprint to much larger scale.

How are you thinking about fixed wireless versus fiber as strategic priorities for Verizon? And why doesn't the increased emphasis on fiber? Would this deal mean there's some kind of pullback on the fixed wireless strategy?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

So first of all, I think about the customers. I think that the optionality we create with the network, and some of you might remember when I came into Verizon, I started the Verizon Intelligent Edge Network, which basically, it's a fiberized and uniformed routing system. So basically, all the access built on the same system. Adding then optionality at the edge for our customers, some customers just love fixed wireless access. It's by far the highest NPS we've had on the broadband product.

And remember, then we have FWA because it's a self-installed, it's so easy. So you need to have that in the portfolio. And then you need fiber, which is the best performing. So for us, we want to give optionality for our customers. So doing the Frontier deal does not change anything in my appetite to continue with fixed wireless access. I think it's just a unique product that is just competing well.

Remember, when we deploy our capital for wireless, our number one priority is mobility. Then we get the secondary business case on the same radio base stations or the same radio technology, which is the fixed wireless access. And that's how we do it today, and that's how we are created. So way over 3 million customers on fixed wireless access today.

And as I said before, when I come to 4 million to 5 million fixed wireless access customers, I will come back to the market and talk about our overall broadband strategy. And for anyone that can count there's only days until we're there probably. And then I will come back and talk in more general terms how we continue with fixed wireless access, how we continue with broadband in general, but -- so I don't see that this is doing anything to my strategy on fixed wireless access.

Again, it's all about seeing that you are meeting the customers. And remember, fixed wireless access is great for small and medium businesses, for enterprises, for consumers, the same goes for fiber.

Jim Schneider - *Goldman Sachs - Analyst*

Very good. And then on the fiber strategy, maybe frame for us your long-term ambitions in fiber, just to frame it for the audience, cable has roughly 60 million or so passings. One of your competitors is talking about 40 to 45. And I guess, how big do you want to be and to me, it speaks --

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Usually we don't talk too much about what we have in the future. I do what I have. But obviously, with the footprint of probably 60 million households on fixed wireless access, and when we close this deal, we estimate the Frontier deal will take some 18 months. They will almost be at 10 million. So we will have 27 million to 28 million fiber passings (corrected by company after the call) that we're going to have a very sizable -- one of the most sizable broadband networks in the country, probably the biggest.

So I think I'm going to sort of -- I stop there and I think that, that is a great first step for us. Then, of course, we will continue to be financially disciplined and continue rollout. I mean we started Fios in 2004. We are 20 years into fiber, but no one has been as long as we have been in fiber. We do 400,000 to 500,000 households every year, high penetration, good margins. And it takes some time to learn that and also make money on it.

So we -- I think that we will continue to invest both in fiber and fixed wireless access going forward to create that optionality for our customers, and at the same time, having the nation's best wireless networks, that's sort of the whole strategy we have.

Jim Schneider - *Goldman Sachs - Analyst*

Very good. So maybe I want to shift focus a little bit and talk about, just for context, of course, this is the first presentation at a technology conference we're going to be hearing a lot about AI this week. And I think a lot of people --

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

We heard a lot about AI.

Jim Schneider - *Goldman Sachs - Analyst*

Exactly. I wouldn't immediately associate Verizon with AI, but I believe you have some initiatives in edge computing. You're doing some things in customer service and marketing automation as well, I believe. So give us a sense of the detail of what you're doing in those areas.

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Yes. So I would say my team is very advanced on AI. We have been on to AI for probably 10, 15 years. Of course, generative AI is coming now. So I see three areas. One is on, let's say, efficiency for our customers. The second is for personalization for our customers. And the third one is for revenue generating.

And let me just take them through. The first one is very much to simplify the process for our customers. Just imagine I have over 100 million calls in my call center every year. We have some 800 data points on every call. When the calls come in, in milliseconds, we can define with very high probability, why is this customer calling? So I can route that to an agent that has the best capability to solve it.

What I do with that is two things: number one, the customer is going to be way more happy because they're going to solve it with the first iteration. Secondly, my employee is going to be very happy because they get the call on something they know. We have already implemented that for 40,000 call agents today, and we have four of these really important use cases already deployed or generated by AI.

The other one that I can talk about is also on personalization. Given the amount of data we have on the customer, we can personalize the plans much better. I can give much better information to my sales reps in order to do it, all with enormous data lakes, both of them have proven already after one quarter in market that efficiencies are enormous. So we cut minutes on calls. We improve the sale through quite dramatically on the personalization. So there, we have a lot of things we're doing.

Remember, we do them very clear target on the business case on a certain sort of key journey for customers or for employees. So that's how we do it. On the revenue side, some of you remember that we were a little bit early out or probably I was early out on mobile edge compute. 2018, I talked about it has to be edge computing. It has to be latency, throughput and economics to do a lot of transformation at the edge of the network. We have seen that happening, probably not to the speed that I was expecting.

I think what we've seen right now in the conversation with all the larger players in the market is that GenAI applications at the edge it's going to be something when it's going to be products. The main reason is that the transport cost, the security of that application many enterprises want to keep their data very close to them. We have processing, compute storage, power already built across the nation with our mobile edge compute.

So I think that no one in the telco world is better prepared than Verizon to be part of the sort of GenAI edge compute over time. And remember, we already have agreement with Google, with Amazon and Microsoft on mobile edge compute. So this is, for us, we're just seeing that now the loads are coming. Probably it's going to take some time because the majority of GenAI today is large language models that you are training, so they send them to way back to the data center. But as soon as they start doing like Verizon, it's an application that you use, then you want it closer to the customer because of transport cost, security, in some cases, in certain cases, latency.

Jim Schneider - Goldman Sachs - Analyst

And are you more excited about the revenue side of the cost side as an opportunity? And which one is the more --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

I'm excited for everything. No, I'm excited for both sides. And I'm genuinely excited for the employee experience and the customer experience I can improve. Then I have a choice. When I find efficiency, what they do with efficiency, I can bring it to the bottom line or I can try to sell more or something like that.

And that's where Sampath, my Head of Consumer and I are debating sometimes, okay, if we gain five minutes on every call, are we then doing efficiency of it, taking the bottom line or are we trying to sell more instead, and that's a great conversation you have and see that we are doing the right thing with efficiency coming out from GenAI. And I said, we're one -- a little bit more than one quarter in of these four applications, GenAI application that we have deployed and more to come.

Jim Schneider - Goldman Sachs - Analyst

Maybe switching to a macro question for you. The state of the US consumer has been a big point of debate among investors lately, and you as Verizon touch --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Hasn't been not lately, it has been for years.

Jim Schneider - Goldman Sachs - Analyst

Talking about for a while maybe, you touch more consumers in your industry than any other --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

The largest direct-to-consumer business in the United States, yes.

Jim Schneider - Goldman Sachs - Analyst

Yes. And so I think people will be interested in your view. What are you seeing from the US consumer in terms of their propensity to still trade up and add more incremental services and other parts of the plan. Or are they seeing a propensity to trade down in certain cases? And I guess, are you seeing any of this drop in terms of credit delinquencies and the like?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

So if we talk about consumer wireless, consumer broadband in general, I think the last five years, something has first of all happened. I mean the necessity to be connected with broadband and wireless, it's so critical. I mean you have to have it. So of course, it today is even higher, in the higher tier of priorities for consumers than it was five years and definitely than 10 years. So that's one thing that our industry is actually seeing.

Secondly, Verizon has the highest quality consumers in the market. Clearly, the highest FICO score, you can see that on our ABS, enormously quality high. So those two, you need to weigh in when you think about other industries and other consumer statements coming out. And then finally, when it comes to delinquency and bad debt, I would say we see basically same pattern as we saw before the COVID.

Remember in COVID, we didn't disconnect anyone, so it was very different. You cannot really compare it. But -- so it's very similar. But I think that our industry and Verizon is very different today than we were pre-COVID from a consumer point of view, and that's what we have seen so far. And that's what I said when I came out from the second quarter as well that we haven't seen any elevated bad debt.

We still see upgrades and sort of step-ups, et cetera. We still believe that by year-end, we can reach 40% (corrected by company after the call) of all the consumer base having myPlan, which is sort of our premium offering right now, which is enormously quickly -- basically 1.5 year, we go from customers of myPlan to 40% (corrected by company after the call) of the base, and we have the largest base in the country.

Jim Schneider - Goldman Sachs - Analyst

Yes. Maybe switching to the consumer wireless business and digging into that a little bit. I think one of the other topics that you've heard on investors' minds lately is the topic of Apple's upcoming iPhone announcement, which is a matter of hours, expected to have AI features embedded. So I guess, overall, what's your expectation around the success of this and other AI smartphones this year? And I guess relative to Verizon, how do you think about consumers, their switching activity and what means for your ability to kind of retain those customers and if you need to provide incentives or more subsidies to make that happen?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Yes, we will probably know in a couple of hours as the launch is coming today on the iPhone. What we've seen, a couple of things very important here when it comes to upgrading to next-generation phones and all of that. We have seen, of course, a pattern now over the last couple of years where customers, consumers, keep the phone longer and longer. We have gone from, I think it was 12 months, sometimes in the '90s that people changed their phone every year.

Then it came to 24, then 36. Now we're over 40 months. So people keep the phone because the quality is higher and it works really good. I guess that's partly because of the network is great. So that's one thing. And then what we have seen historically is when you really see a surge of demand has been two reasons: one, it's a 2G to 3G, 3G to 4G or 4G to 5G, a technology cycle.

The second has been a hardware redesign that is very different from it. Those two has triggered historically. We have two, I would say, great AI phones in the market today, not mentioning names here, but two great, haven't made a big change in the United States market in the United States so far anyhow despite that. But I don't know. The only thing you can know that we have since 2022 been extremely financially disciplined how we do promotions to see that we're much more segmented.

We see that the customer is getting the value and the promotion they should have, not making a broad statement. So we will continue to be financially disciplined, but let's see what's going to happen. And then -- and also remember, when we are number one on wireless with large enterprises, government and SMBs they usually take N minus 1, N minus 2, meaning they never take the latest version. They are usually taking versions that are a little bit earlier.

So we're going to see what's going to happen, but you can bet on that we're going to be financially disciplined in this process as well as we have been. And we -- as I said, when we came out from the second quarter, we are from '23 when upgrades was low, we're still double-digit down this year in -- after the second quarter.

Jim Schneider - *Goldman Sachs - Analyst*

Very good. Maybe thinking about the wireless market very broadly for a second. Subscriber additions in the market have continued to defy expectations for a big slowdown. I think we've got 4 million net adds in the first half of this year alone, industry-wide. And so what are you seeing right now in terms of the overall kind of health of the market, growth additions? And are you still seeing healthy market momentum heading into your end from what you compete today?

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

I think we see a third phase of wireless. There's going to be, of course, new customers coming in, but the immigration has gone down quite dramatically. There is less pool, a big part of the pool when you talk about the 4 million, that's postpaid customers. They come -- a big portion come from prepaid. So they are not new to wireless. They already have a phone. So -- and that's the thinking I was doing and my team was doing in '23 when we went through everything with consumer insights.

And we designed myPlan because ultimately having a mobile plan is going to be important with flexibility, you can pick different type of plans, but also building a whole ecosystem around that, that's going to be important to continue to have this fantastic recurrent business we have, on service revenue, and that's why we started with the streaming services. We started with the inclusion. We learned that customer doesn't feel that as a value, at least some. I don't want Disney+, why do you give me, so that's why we started with the streaming services for \$10 on top of it.

On top of that, we have the fintech, where we have everything from credit cards to insurance, et cetera, as well as cloud services. And then on top of that, we have what we call, myAccess, where we can get access to premium experiences, getting access to tickets of concert before anybody else. And we are starting. We're just one year into myPlan and for the ones following us, we also launched myHome now, exactly same on broadband. You can pick whatever broadband configuration you want, if it is fiber or fixed wireless access. You take your streaming service on top of it. You have all the insurance, home insurance, credit cards and then you have on top of that myAccess.

That's how you need to think about, this I would say, great recurrent service revenue you can do with I would say, fairly low churn. And that's how we build it because the more of these services my customers have, the more valued we are. And then at the same time, we rebranded or refreshed our brand. We used that word in June to see that we have a brand that is reflecting where we're going as a customer as a basis. It's always going to be net adds, but it will be less net adds and then you need to think how you build a proposition for customers over time.

And as I said, when we launched myPlan, I think the first two months, I mean, nobody took a perk. I was talking to my team, we misread it totally, but it was more us and the 6,000, 7,000 stores we have that needed to learn how we sell that, and that's why all this personalization come in, changing it in the back end. If you come into the store today, you can get Netflix for \$10, it costs you \$13.99 I guess if you go direct to Netflix. We sort out everything in back end as long as you remember your password.

That is the biggest problem for many. But if you have that, then we take care of it and you were actually moving over to a perk with us for \$10. It's just a totally new way of thinking how important this distribution channel is, and as Sampath, my CEO consumer said, we don't do this as a nonprofit. We are making money on this because we are taking away the cost of acquisition from the streaming guys, and we have, of course, the largest distribution in the country to direct to consumer, so you can use that.

So I think that -- it's a long answer for net adds. Net adds is going to be there, but you need to think different than when you move here, and that's why we feel that, yes, we are growing our service revenue now, and that's why we see we can continue to do that.

Jim Schneider - *Goldman Sachs - Analyst*

And like you said, you have, over the last several quarters, been improving your execution in the core wireless business. You mentioned myPlan. Maybe talk about some of the other components of that improvement. And if I think over the next several quarters, what's your level of confidence in your sort of getting to the target you set out this year of Consumer net positive net additions in postpaid phones, excluding the second line? And do you have more confidence or less than you --

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Yes. So as we changed management, I mean, we did quite a large transformation of the leadership team in, I think it was the first quarter of '23, I would say, there was only one person that kept position in my management team, and that was the head of HR. I think the team has been performing fantastically. I mean Sampath on the consumer side, he has worked with operation, with the stores, with the offerings much more retention work, much more granular segmentation.

And don't forget our value segment right now are prepaid. That is also improving every quarter right now. We have clarified the different type of products we have, all the way from Total Wireless to Visible to our TracFone brand that we mainly have with the largest retailer in the country called Walmart. So we have clarified that, and we see the improvement. So there's a lot of things, we changed the incentives for our sales force in the stores, saw a direct correlation. So a lot of things have been under.

And we have said all year, we're going to be positive on phone net adds in the consumer postpaid business, excluding the second line, and we feel good about that statement. The team is performing really good. I have to say, remember also our business side, they are adding 125,000 to 150,000 net adds every quarter in between large enterprises, government and SMBs, where we are number one in all three of them when it comes to market share. So the guys are doing a great job.

But again, we will do with financial discipline. We can solve net adds in two minutes by just throwing more money in the market. but we do it with the three KPIs that all the management, including myself, are measured on. Number one is the wireless service revenue growth, number two is expansion on cash flow and EBITDA. That's the three KPIs we are measured on and that's the Board and the market has told us, that's what you're going to focus on. That's why we're going to do this in the right way, taking out cost, gradually improve rather than do something that we don't think is long-term sustainable financially.

Jim Schneider - *Goldman Sachs - Analyst*

Very good. And then relative to that, I think wireless pricing in the market has been something that's maybe surprised some people. I think it's been in a relatively healthy place over the last several quarters, you and your other competitors in the market have taken some amount of price in recent quarters. Maybe just talk about how do you think about this on a prospective basis. And specifically, the amount of value you're adding to consumers, and what are you monitoring to determine whether you can take a little bit more price or a little bit less price or if you've taken too much?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

No, first of all, any statements of new value proposition in the future, I will not do, because that's for competition, I wouldn't say what we're doing, but historically, if you look backwards, we have done a lot of value-enhancing proposition for our customers, of course, trying to offer them to go to myPlan, which we think is a much richer plan, better network and all of that, and then we have had historically some price-ups as well on all the legacy plans. Two reasons.

I mean, first of all, to get our customers to get the best. Secondly is also efficiency gain for us because given that we have a lot of grandfathered plans on wireless in our base, it's really hard to be really good serving our customers on them. So we have thousands of different wireless plans. And if you call in, that's a nightmare on my call agents where they probably have some 20,000 PDF files with different pricing plans we are committed to because remember we inherited a lot when we created it.

So if we can get out of some of them, it's going to be a better way for us serving our customer. Again, it's about serving our customers in a better way. But also given the investments we're doing in the network, I mean we bought spectrum worth \$52 billion, which is quite a sizable amount of money. And we actually are bringing that value to our customer.

Jim Schneider - Goldman Sachs - Analyst

Now from a competitive standpoint, your cable competitors have continued to add wireless subscribers in the market, but they also have a wholesale relationship with you as a network provider. So how do you think of the cable companies as competitors and is also a customer relationship, do you expect them to be more aggressive than they have in the past? And how do you think about just sort of the overall kind of push and pull of that relationship?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

That's a great question. I haven't much answer for you, but first of all, they are an important wholesale partner on the wireless side for us. I have said all the time, they are accretive to our bottom line. We're losing less than our fair share to their gains which tells you that for us it's a good business. That's about what I can say. We treat them as really important large enterprise customers. Then we compete with them every day.

And in our company, there are Chinese walls. I don't even know how they're performing because I shouldn't, because me and my team are competing with this. So we have a separate organization that deals with all the wholesale to Comcast and Charter and some others in order to see that we are having integrity between us. So the only thing I know, we're accretive. It's important for our relationship with them, but we're also competing with them in other areas.

Jim Schneider - Goldman Sachs - Analyst

Maybe just returning to the topic of broadband for a second. You're coming back to fixed wireless, is what we talked about before, you said that you'll provide a market with an update once you get the 4 million to 5 million subscriber range, so I won't ask you about that. But just more broadly speaking, if you think about your investment priorities for fixed wireless over time, traditionally, fixed wireless has kind of been underneath the core mobile business as a priority, but is there a point in time at which you may consider doing investments in the network exclusively for fixed wireless or expressively for that purpose?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Yes. Right now, as you rightfully said, our investments in the network when it comes to wireless prioritized mobility. End of '23, we pivot from our C-band deployment from doing coverage, cover as many PoPs as possible, we passed 250 million, then Joe, our Head of Networks, and I decided, from now on, we deploy our wireless capital for the C-band for two reasons.

One, revenue opportunities and two, customer satisfaction. There are movements in the market. People are moving from the east to the south, et cetera, and there are pockets where we need to do better. So that's a very different priority when it comes to deployment of capital, but has turned out well for us because we see higher step-up rates where we have C-band, we also see lower churn where we have C-band. And of course, we create the secondary business case with fixed wireless access.

So we will continue doing that and see that we're doing right for our customers, but we wanted it so widely spread as possible in the beginning. That's why added \$10 billion on top of the ongoing CapEx in for the 2019 or '20, I don't remember now, which we exhausted in 2.5 years. But right now, it's very different. And right now, priority is mobility. There might be a moment in the future where you say, hey, it's such a great demand for fixed wireless access here.

So I'm going to do the priority on fixed wireless access. And secondary, I get the mobility benefit. But right now, we build the network once. We want as many profitable connections on that one build, not doing separate builds. But again, I will -- we will have the optionality, and we're creating optionality with -- we have the One Fiber that we build to every big hub in the country. We have unified routing. We have unified transport, we have redundancy in the network.

So we can handle all this data. I mean, we came out with a report, I think, in February during Super Bowl that our network has grown 129% in five years. Yes, of course, that's a lot. It's enormous given the size we have and then people usually ask about what is the bottlenecks, et cetera. There can be some bottlenecks in some markets and some radios.

But the big thing, if you don't have all these economics on your back end, your backhaul, your transport, that's going to kill you with all the data coming in. So -- and that we built right from the beginning because we understood that 5G would be so important when it comes to data load. And remember, the biggest application in the mobile network is streaming.

Streaming will continue, but it will not grow as we've done now because when we started you had one streaming subscription YouTube or you had Netflix or something, today maybe three, four in average per household, that can go up, but it's only still 24 hours and people still work and go to school. So that means that it will not continue with that. It's going to be a little bit slower growth in the network as well.

On top of that, we're having a lot of 5G advanced features in the software to manage the spectrum and the data loads better. So -- and we still have a lot of spectrum that we're deploying. So all in all, tells you a little bit how I'm thinking about the network deployment and the capital we're deploying. We are in 12% to 13% capital intensity right now, which I think is the lowest in the world in the telco, but we love to be number one in everything we do.

We're going to continue to be very efficient, but I always, always said that if I find things that can increase my TAM, I put it in my first priority of capital allocation business, and that's why we bought Frontier. So it hangs together what we're doing after a journey of seven years with a lot of things happening in the beginning, Yahoo, AOL, Tumblr, you name it, which we had to take off and then we bought the TracFone, we bought now Frontier and the spectrum. So I think with the team where we are, we're in a really good place.

Jim Schneider - Goldman Sachs - Analyst

Great. Maybe just two more, if I can. One on convert.

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

You can do whatever you want.

Jim Schneider - *Goldman Sachs - Analyst*

I'd love to understand kind of your view on this because I think that everybody has a different view. We've seen what happened in Europe. I think you've previously clarified. You don't think that the US is going the way of Europe, but you've also said that you see better fiber -- excuse me, better wireless market share in the areas where you have Fios today. So maybe talk about kind of how you think this actually plays out in the US from a convergence standpoint and what synergies you see over the next 5, 10 years plus?

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Yes. There's been a lot of talk about convergence. I think the proof of convergence is that Frontier is a stand-alone fiber company doing really well. They have good growth and EBITDA and growth on fiber. Fios has been a stand-alone as well, done really good. But what we see is, of course, that the combination with the customer having Fios or fixed wireless access together with a wireless offering, they have more services from us.

And of course, they feel that is a bigger value. So they stay longer. So our Head of Consumer says that maybe the churn is a 50% reduction in mobility churn and a 40% reduction in fiber churn (corrected by company after the call), but it's not the convergence where you are, hey, I have two products, why don't I give you one product for free, so use the other? No, we have owner's economics on both of them. Both of them are great products.

And there is some value if you have a 50% reduction in mobility churn and a 40% reduction in fiber churn (corrected by company after the call), it's value. And you can share the value with customers, but it's not that you discount one product for another. I think it's very different to Europe in the US. There are great products, fixed wireless access, fiber, and the wireless products are state-of-the-art, high-quality products, with everything we're building with myHome and myPlan, I think we're just adding to that opportunity for our customers. But clearly, there's going to be convergence. We see that with customers, we are just increasing the TAM again for that convergence when we're going to close with Frontier.

Jim Schneider - *Goldman Sachs - Analyst*

Great. And maybe just to end on sort of a capital allocation, but also a policy question, which is around spectrum. You made a big bet on C-band some time ago, you mentioned over \$50 billion investment. If you look -- right now, the FCC does not have spectrum auction authority. If you think about your needs as Verizon over the next 10 years or so, what do you see as kind of like when does this start to get problematic for you in terms of running out of spectrum, how do you think about your needs over time? And what changes in US government policy you are willing to see in this regard?

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

I guess we never have been in a better position with spectrum as we are today. We have 1,600 megahertz on millimeter wave, 161 megahertz, mid-band across the nation and then low band. we always have -- we have less spectrum than our competitors always and we always have a better network. Now we have equal, so that tells you how great we can be with it.

When we bought the C-band, I stated in the press release, this is decades of spectrum we bought. That's why we said it. Unfortunately, right now, as you said, FCC doesn't have authority to even auction out, more important is, there is no pipeline. And I think it's more important to the United States of America. If the United States of America will not have spectrum over time coming in, harmonized with other countries, the competitiveness of the United States telecom sector and for all sectors as we're embedded in everything that is happening in this country, that's going to be challenging.

So I think it's important for the government to -- because it takes years before you start saying, we're going to unleash this spectrum, we're going to auction now, it's three, four years, five years, maybe from the day you start. So if they don't start right now, it's going to be a disadvantage in the United States over time, and I think they realize that.

Jim Schneider - *Goldman Sachs - Analyst*

Fantastic. Unfortunately, we're out of time, but thank you very much for being here, and thank you, Hans, for being here as we'll kick off our conference. We appreciate it.

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Thank you, guys.

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Forward-Looking Statements

In this communication, we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “forecasts,” “hopes,” “intends,” “plans,” “targets” or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. For a discussion of some of the risks and important factors that could affect such forward-looking statements, see our and Frontier’s most recent annual and quarterly reports and other filings filed with the SEC.

Factors which could have an adverse effect on our operations and future prospects include, but are not limited to, the following: risks relating to the proposed transactions, including in respect of the ability to obtain required regulatory approvals and approval by Frontier’s stockholders, and the satisfaction of other closing conditions on a timely basis or at all; unanticipated difficulties and/or expenditures relating to the proposed transactions and any related financing; uncertainties as to the timing of the completion of the proposed transactions; litigation relating to the proposed transactions; the impact of the proposed transactions on each company’s business operations (including the threatened or actual loss of subscribers, employees or suppliers); the inability to obtain, or delays in obtaining cost savings, synergies and other anticipated benefits from the proposed transactions, including benefits to our financial and operating performance following the completion of the proposed transactions; incurrence of unexpected costs and expenses in connection with the proposed transactions; risks related to changes in the financial, equity and debt markets; and risks related to political, economic and market conditions. In addition, the risks to which Frontier’s business is subject, including those risks set forth in Part I, Item 1A of Frontier’s most recent Annual Report on Form 10-K and its periodic reports filed with the SEC, could adversely affect the proposed transactions and, following the completion of the proposed transactions, our operations and future prospects.

Important Additional Information and Where to Find It

In connection with the proposed transactions, Frontier intends to file with the SEC a proxy statement on Schedule 14A (the “Proxy Statement”) in preliminary and definitive form, the definitive version of which will be sent or provided to Frontier stockholders. Verizon or Frontier may also file other documents with the SEC regarding the proposed transactions.

This document is not a substitute for the Proxy Statement or any other relevant document which Frontier may file with the SEC. Promptly after filing its definitive Proxy Statement with the SEC, Frontier will mail or provide the definitive Proxy Statement and a proxy card to each Frontier stockholder entitled to vote at the meeting relating to the proposed transactions. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS THAT ARE FILED OR WILL BE FILED WITH THE SEC (WHEN THEY ARE AVAILABLE), AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BEFORE MAKING ANY VOTING OR INVESTMENT DECISION WITH RESPECT TO THE TRANSACTIONS BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE TRANSACTIONS AND RELATED MATTERS. Investors and security holders may obtain free copies of the Proxy Statement and other documents that are filed or will be filed with the SEC by Frontier or Verizon (when they are available) through the website maintained by the SEC at www.sec.gov, Frontier’s investor relations website at investor.frontier.com or Verizon’s investor relations website at verizon.com/about/investors.

Participants in the Solicitation

Verizon may be deemed to be a “participant” in the solicitation of proxies from the stockholders of Frontier in connection with the proposed transactions. Additional information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be included in Frontier’s definitive Proxy Statement relating to the proposed transactions when it is filed by Frontier with the SEC. These documents (when available) may be obtained free of charge from the SEC’s website at www.sec.gov or Frontier’s website at investor.frontier.com.

