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PRESENTATION

Andrew Decker - *Guggenheim Securities - Analyst*

My name is Andrew Decker. I am part of Guggenheim Securities and we have with us this morning Lowell McAdam, Chairman and CEO of Verizon. Before I get started, a couple of housekeeping -- two housekeeping items. For those of you who have one-on-one or group meetings, you can check at the front desk for the details if you don't already have them.

To remind you, lunch is down on the second floor. The elevator is just out in the lobby area to get you down there. Tom Rutledge will be there for lunch. Unfortunately, also Chase Carey is traveling and will not be able to get back to New York by this afternoon, so he will not be joining us. So the final panel will start at 3 p.m.

Okay, Lowell. Lowell, as many of you know, has been in this business for a very long time.

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Not that long.

Andrew Decker - *Guggenheim Securities - Analyst*

He began his career with PacBell and AirTouch and I guess, at AirTouch, you had some stints at some of the international assets that are now part of Vodafone strangely; PrimeCo, which became part of Verizon Wireless and served as CEO at Verizon Wireless; and last August was named CEO at Verizon and at the beginning of this year when Ivan retired became Chairman.

So I guess just to set the stage maybe, I am sure people might be curious about it, Ivan had been there a long time, almost 20 years at or around the top of Verizon. So now that you have taken over, is it different? How do you see the differences and how does the organization feel different than what might have been for a long time under Ivan?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

So good morning, everyone. I appreciate you all being here today. So Ivan was really a master and things that I learned early in my career is you don't try to be just exactly like somebody like that. You just can't do it. But he -- I think one of his many achievements was he really thought through the transition and he brought several of us along so that there was an opportunity that he could pick who he wanted. And in that process, he educated us all, kind of allowed us to get inside his head and see what the strategies were, kind of the puts and takes. He introduced us to all of the major investors, some of the partners that we had spent a lot of time with him.

So the handoff was really pretty smooth and when people say, well, what is the change in the vision? Well, we were also engaged in creating the vision over the last two or three years, that it is a very sort of natural handoff. So I think anytime you take over a position like this and you become the person that is in the spotlight, it feels different, to get to your question.



But substantively I don't think there is going to be a major change in investment strategy or that sort of thing. Our philosophy all along was to build Wireless to be the best wireless company we possibly could and make it the best wireless company in the world. But then also to not be one dimensional. It is very easy I think to say, well, we are a wireless company and as you say, when all you have is a hammer, everything looks like a nail.

The dimensions we wanted to add to it were things like the cloud, were things like having a strong enterprise footprint, were things like delivering fiber-to-the-home and to large businesses in the wireline footprint. All of those add tremendous dimensions and earning capability to the rest of the business, but there isn't going to be this sort of major change. There is always different emphasis when you have somebody different at the top, but the basic vision I think is solid.

Andrew Decker - *Guggenheim Securities - Analyst*

And you mentioned wireless, which obviously is a huge part of the business and the geometry of the valuation. You are in the midst now of the 4G LTE rollout, which there are a lot of network engineering and a lot of business model reasons why the migration to the next generation is important. But it also represents an opportunity for Verizon to change the nature of the relationship with the customers. So how do you see the evolution to the next more data-intensive era and how has the relationship with the customers evolved?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Okay, well, there is a lot to cover there. So let's talk about the foundation kind of from a network perspective. As you indicated, I have been around wireless since the beginning and I have to say that LTE is the first sort of exponential leap in capability that I have seen. I mean analog to digital and then 1X to 2G to 3G, those are sort of incremental steps. This 4G leap really opens up all the things that we have been talking about for a long time and obviously the cornerstone is video.

I mean other technologies, the video experience was just not very good. We tried to do a lot of things to spoof it and make it work, but with 4G LTE, you can really make that work and so that is going to be the cornerstone of the changes and the future of the business. And that is why things like this relationship with SpectrumCo is important to us and we can come back to that.

I think the other thing that it opens up is because the latency is so good and the cost profile of LTE is so much better than previous technologies, you can go in and do things like machine to machine that again we have been talking about forever and we will actually be able to deliver all of the home monitoring and control, the telematics in the car and then delivering video to the car. So I think the change in relationship with the customer is you are not your cell phone provider anymore, you are your network provider wherever you are. And I think that adds all sorts of dimensions to the relationship and I think that is the exciting part as I look forward on the wireless side.

Andrew Decker - *Guggenheim Securities - Analyst*

And you mentioned the M2M and the telematics and obviously you are in the midst of completing an acquisition in that space right now. Over the medium term or long term or over some timeframe, is a significant part of the revenue base shift away from the more individual user toward other applications or is it still heavily focused on the end user, whether it is a business or consumer user?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Well, honestly, it depends on how you define it. So this new Simply Everything plan that we are introducing and it is out in the marketplace, customers have been telling us for years -- I don't want to have a separate account for my iPad. I don't want to have it for my smartphone and then you want to tell me I am going to have four appliances in my house that are going to -- I don't want four different accounts for that.



So I think this is a very -- it is a sea change and somebody -- one of the analysts said this. As I look back at my 20 years in the wireless industry, this I think dramatically changes how people feel about their devices. They can use things -- if the usage moves around, they don't have to think about it. It just makes life so much easier for them. So I think that is going to be a change as you go forward.

If I know that I have an intelligent home that I can get to any number of ways. If I know that I can do everything I want in my car that I can do in front of my TV set or my PC or on my tablet, I think it just takes away a lot of the restraints. Is it going to cost them more money? Yes, but it will probably shift their wallet spend from other things that they do individually into this sort of a bucket of gigabytes. And so I think it will be a significant stream for us.

Now the relationship is going to change as we have talked about as well. The customer -- this will be much more ingrained in their life versus something that is sort of attached to their hip or in their pocketbook as they go about their daily business.

Andrew Decker - *Guggenheim Securities - Analyst*

So from an investor's point of view or a market point of view, some of the traditional metrics that are used to measure how wireless companies have done or are doing or are competing, those may or may not work going forward. How would investors think about measuring success over the medium to long term?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Yes, I don't think it is going to work the way we have looked at it before on an individual basis and ARPU and that sort of thing. So to me, it is going to be much more about connections to your network and the revenue associated with those connections. And then obviously margin will continue to be a big factor, but it is more -- I think it will be more like the wholesale model as we've reported in the past. It is just number of connections and revenue and margin versus all the individual subsidies and that sort of thing.

Andrew Decker - *Guggenheim Securities - Analyst*

And you mentioned margin, which obviously comes back to your friends at Apple, which are a significant chunk of the margin issues these days, but more generally the role of the edge device being subsidized by the carrier. Is that a long-term model for the industry? Does that change? How do you see that evolving?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Well, it will probably -- I think you're going to see all sorts of models. I don't think that there is any reason that the carrier, for example, would subsidize the thermostat that is going to make your house more intelligent, but the utility company might want to do that because there are some advantages to that.

If you look at the telematics industry today, the car companies subsidize a device that goes into the car. So I think that we have a tendency over the years to sort of look and say, oh, something is going to happen very quickly. Things have a tendency to evolve over a long period of time, so I think you will have some devices, like the tablet today, that is not subsidized and you'll probably still have certain devices that are because you want to establish that relationship with a customer and that is the easiest way to get there.

Andrew Decker - *Guggenheim Securities - Analyst*

And to date at least, the carriers generally, you and others, have been on one side of the equation and the people creating the hardware or the OS apps ecosystems are on the other side of the equation. Does that continue? Is there a third ecosystem? Does Verizon or do carriers more generally play a role as part of that ecosystem of convergence of the network and the hardware and the OS and the apps?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes, well, there is a lot in that question we can talk about. So let's deal with the third OS. I think there will be and there is a lot of fuss right now about Apple and their device and subsidy associated with that. But I don't know how many of you in the room had a Motorola RAZR in the days that those were sold. If you remember what that was like -- oh, my god, the economics are shifting to Motorola. They kind of come and go and our hope is that there is always a device out there that makes the industry exciting. So that happens to be Apple now and they are great partners, so we don't wish them any ill at all. And customers want the device and it has spurred another growth movement in the industry, so I don't view it as a bad thing.

We always look for the economics though, so we are out actively working to get a third ecosystem. I think Microsoft has got a shot at it. Samsung with this new Galaxy 3 that they have just brought out I think could be a good product. It is on Android, but Samsung also has their own internal OS that they could develop and shift to at any time. So there will be a third one. I don't have a crystal ball that is going to tell you who it is, but there will be and we are out there actively supporting it just like we actively supported Android when it first came out. So we will be -- there are other aspects to that question, but we will be actively involved.

Andrew Decker - Guggenheim Securities - Analyst

And in addition to the OS, a large chunk of the economics or at least a large chunk of the market power that an Apple or an Android or a Microsoft might have is the apps platform, which is where the developer community migrates to. There's certain things that a network operator has that no one else has relating to the location of the devices and how the devices are moving around and what is being done with them. Are those chips at the table that give you an ability to get into that game as well?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes, so I think our philosophy on this is that we are going to be open so that if someone wants to bring a device to us, there is not a lot of resistance because the devices -- it is a portfolio, it is a lifecycle rise and fall so you want to be involved in the whole thing. But we will also be involved in specific applications like ISIS on the mobile commerce is a big play for us. We have partnered with T-Mobile and AT&T on it so that the carriers -- it is open from a carrier perspective. That allows us to bring all the location and some of the other intelligence that we have off the network to bear and if a customer wants us to use that to their advantage, we will use it and offer them different services as a result of it.

So other areas that we are very focused on and you mentioned the Hughes acquisition, anything on machine to machine. So within our business, we have what we call shared success. It's sort of our corporate responsibility initiative and we are putting significant resources into education, energy and healthcare. So you see us going out and making investments from both our foundation, as well as the commercial side of the business in those verticals so that we can bring those applications to bear. And we think that whether it is on a wireless network, whether it is on FiOS or whether it is on the VES or our enterprise services. If you have got a few of those anchor applications, you are in the game and that keeps you from just being the dumb pipe roll. It gives you a seat at the table, so that is an important strategic decision for us.

Andrew Decker - Guggenheim Securities - Analyst

And in some of these, I mean you have had some joint purchasing arrangements and some joint technology arrangements with your partners at Vodafone. At some point, the carriers or some collection of carriers that represent a large chunk of the world's customer base have greater weight in terms of dealing with the OS apps guys, dealing with the developers, dealing with the technology layer. Is that something you see emerging or will that just sort of continue to evolve as time goes on?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, it is something that we use. We don't trumpet that a lot, but with Vodafone, I mean we have a significant number of purchase agreements that we do with handset manufacturers, the network equipment providers, router -- all that. So it is not something that we try to rub in people's noses, but we do bring that kind of purchasing power to bear. I mean we are pretty big on our own stage, but when you talk to some of these large OEMs, it is good to have as much presence as you can. So we do use it when it is appropriate.

Andrew Decker - Guggenheim Securities - Analyst

And I guess underpinning a lot of the growth and the dynamics of the LTE rollout and future development is obviously spectrum, which is a critical resource whether you get it through the SpectrumCo deal, if you want to comment on that or more broadly if there are other auctions. How do you see the approval process and the more broadly defined regulatory process recognizing the needs and actually making spectrum available for you?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

You are very good at asking questions that we could spend an hour on each individual one. So look, I think any wireless carrier views spectrum as sort of the lifeblood of the industry. And Ivan -- so many things to take your hat off to him, but he said our last dollar will probably be spent on buying spectrum. And so we are in a position now where we have got a very good portfolio and we are doing some adjustment of that portfolio right now to make sure that the spectrum and the network and the handsets play really well together going forward.

If you are not involved in this on a daily basis, you think spectrum is spectrum. But what you have and how it works across the country is very important to an efficient network and that's -- our cornerstone is that reliability of the network. So the purchase from SpectrumCo gives us the West Coast and it matches up almost hand in glove with the spectrum, the AWS spectrum we had on the East Coast. So that is a very positive outcome on a number of levels.

And then if you look at our other holdings, the 700 A and B, which we got in that auction, it was originally our strategy to get A and B across the country. Well when C went as cheap as it did, we jumped on the C block. And so that 700 A and B should be in someone else's hands. They will be able to use it more effectively with their portfolio than what we can.

So there has been a lot of interest in the 700 A and B, so we think we will be able to monetize that asset. My expectation is at least what we paid for it and probably a little bit better and then we have bought the SpectrumCo of spectrum at what we think is a very reasonable price. So now our focus is to get that through the DOJ and the FCC. The only thing I can probably say about that at this point because it is ongoing is I think we have had very good mature discussions with the FCC and the DOJ. It is never over until it is over, but I am optimistic that we will be able to see approval, as we said, sort of late summer with our original target and I still feel that that is possible.

Now having said that, I do think there is some fundamental changes in the whole spectrum management process that needs to change in our industry. If you look at the history of these auctions, we had a tendency to sort of fragment the spectrum to try to get it into lots of people's hands. I remember Reed Hundt said we need to let 1000 flowers bloom and so they broke the spectrum up into probably 1000 pieces across the US and a lot of people have it that at one point thought they might use it. SpectrumCo is obviously the big example of that. They thought they might use it. They found out it is a lot harder to use it than they had imagined and so it just sits there.

And my request of Chairman Genachowski is to try to facilitate that secondary market so that that can move more freely and get into people's hands who can afford to invest in it. I mean building networks like this -- I think we are the number one or number two capital investor in the US and we are in the top five in the world. That is what it takes to build a good wireless network like this. Not everybody can do it. So let's get that spectrum in the right hands. That will buy us some time until we can get DoD spectrum or whatever repurposed and the broadcast spectrum repurposed and solve the long-term problem. But we have got to get some fundamental change in the way we manage spectrum here over the next few years.



Andrew Decker - *Guggenheim Securities - Analyst*

And I mean spectrum is a critical component. There is also the other side, which is how dense the network is at using spectrum. And there is some early indications of offloading and fixed mobile conversions using Wi-Fi and other things. But over time, does the current broadly defined architecture of the network evolve as well where devices start to operate across more networks or you get more of a sharing of packets or how does it work?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Yes, absolutely. That is the other reason I like the SpectrumCo opportunity because that gives us the ability nationwide to offload traffic. It is interesting that a lot of people have said, well, I can't believe you're going to partner with them. You are not going to use their Wi-Fi are you? Well, of course, we are. I mean we want to shift as much onto FiOS or onto the fixed network where we can and then provide -- use that capacity to provide those higher demand services like video.

I don't expect anybody to sit in their home watching video over LTE. I want them to be able to watch it on their tablet anywhere in the house using the Wi-Fi network. And the same thing, if you are around the city and there is a Wi-Fi hotspot, we are happy to have you offload onto that.

So our thinking going forward is we talk about kind of the One Verizon approach is we want to use every network asset we have and if that means jumping onto FiOS or jumping onto -- using the cloud services for mobile as well as fixed line, using security across all of our different access technologies, we want that network to be seamless and that is what our CTO, Tony Melone, is driving hard on in the business right now.

Andrew Decker - *Guggenheim Securities - Analyst*

And I guess stepping back a couple paces, I mean the evolution of the industry and the nature of the technology and the interplay between technology and networks is changing rapidly, yet you have a regulatory structure in Washington that has whatever legal framework and whatever historical framework. The folks in Washington, at least in the T-Mobile/AT&T decision, sort of made it clear they had a vision of the number of operators and how the market should work. But in point of fact, the market, the customer, the users have sort of moved toward there being a couple leaders and everybody else.

The reality of the business and the way Washington thinks about it aren't very well aligned right now. Do you see a risk or is there a probability that Washington tries to put their thumb on the scale again in some way?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Well, now, you are trying to get me to be quotable here. This is all off the record.

Andrew Decker - *Guggenheim Securities - Analyst*

You have to be a little careful, yes.

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Off the record webcast, let me see, how does that work?

Andrew Decker - *Guggenheim Securities - Analyst*

I guess that's true. You are being webcast.

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

So well, I think that has been an ongoing push/pull and not necessarily a bad push/pull since the breakup of the old Bell system. So there are those -- when you talk to the folks in a casual conversation, there are those that think a duopoly heavily regulated is the way to go. There are others that think that you really need to have seven or eight carriers in order to keep the industry vibrant.

I think the fundamental problem here, and it is sort of like fighting gravity I think, is that it is so expensive to build these networks that you are not going to support seven or eight carriers. I don't -- frankly, I think you'll be lucky if you can support three in a healthy environment.

Now I think it is up to the industry to keep from doing things -- I used the term when I was at CTIA about we have a tendency to create a great club and hand it to our detractors and say please beat me with this because we do some dumb things like fighting some of the number portability and trying to push a direct wireless directory. I mean there are things that have really upset customers and that invites regulation.

So I think the industry has the responsibility to act in the best interests of the customer as part of the mix with a shareholder, but I think there is always going to be the battle with regulation. I do feel right now the pendulum has swung a bit more to the regulators putting their thumb on the scale and we don't like that. We think we ought to let the market do that. Over my career, every time I have seen that kind of regulation, all it does is slow down investment. It slows down innovation. It slows down the industry. And I think right now more than ever this economy needs a lot of innovation, needs a lot of investment and therefore job creation. And so I think restraining the regulators is probably in the best interest of everybody right now.

Andrew Decker - Guggenheim Securities - Analyst

Turning for a minute to wireline and specifically the telco for a second, it is still a large part of your business. There are some issues and challenges obviously there. I guess the key question is how do you see productivity improvements or changes in the business model changing the trajectory? Is that possible in the telco?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, my background is engineering and I am a big fan of process improvement. So one of the things that I did early on is I took one of my best managers and I put her in charge of our what we call Verizon lean Six Sigma. It is our own internal process improvement work, but we spent a lot of time with GE and Xerox and FedEx, some of those that are really well known for doing this. I can tell you there's -- we call it pots of gold. There are pots of gold all over our business that we can mine to improve productivity.

So I do expect to see our margins improve on the wireline side. I see opportunities every day. We are going to need a little bit of help here. Some of the regulatory environment has got to loosen up a little bit, mostly in the states and so we are working that. We have gotten Florida and Virginia and Texas to pass sort of deregulation, which allows us to be a lot more flexible in the marketplace and allows us to invest where customers want us to invest and start to sunset some of the older technology.

We have got some work to do in New York and New Jersey there that are frankly pretty backward compared to the rest of these states, so we have got some work to do there. But the vision that I have is we are going into the copper plant areas and every place we have FiOS, we are going to kill the copper. We are going to just take it out of service and we are going to move those services onto FiOS. We have got parallel networks in way too many places now, so that is a pot of gold in my view.

And then in other areas that are more rural and more sparsely populated, we have got LTE built that will handle all of those services and so we are going to cut the copper off there. We are going to do it over wireless. So I am going to be really shrinking the amount of copper we have out there and then I can focus the investment on that to improve the performance of it. So there is lots of opportunities there and FiOS is continuing to do very well so we can grow the top line through FiOS and we can leverage the cost efficiencies on the network side. So margins can improve.



Andrew Decker - *Guggenheim Securities - Analyst*

And the traditional question, although your number of unionized employees has shrunk as a percent of your total, I mean is there a view at the union that they can be part of the solution or how does that work?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Well, I will answer that from our employee perspective, which may be a little bit different than the union leadership perspective. Our employees see that it is not sustainable to keep having copper plant out there. You really can't invest in it; it is difficult to maintain it; and they want to see us improve on FiOS. And when I am out in the field, the techs and the reps will be the first to point out kind of some of the dumb policies I call them that we have around the business. Well, a lot of those are based on rules that were negotiated with the union back in the '60s and '70s.

So we have to get the union leadership to understand that if the Company is able to be more flexible in meeting customer needs then we can grow things like FiOS, which will provide good long-term jobs. Will it be the same number as what we had in the past? No, it won't be. But there is always an ebb and flow in these businesses and the analogy I use is we can hang on just like General Motors did until they have a massive event and then everything gets reset at once or we can take incremental steps as we go along. And I can't tell you that after a year of negotiations we were able to do that turn on a dime, but I do believe we're making progress and we are still working very hard to get a contract in the relatively near term, at least that is what we hope.

Andrew Decker - *Guggenheim Securities - Analyst*

Although it is a political season. On enterprise, the other side of wireline, the enterprise spending on ICT services broadly have been under some pressure for the last few years. I mean is that a -- in your view, is that a secular trend or does that represent some sort of profound change in the way enterprises spend their money or organize their IT services?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

I don't necessarily think it is a secular trend. But I don't think it is a short-term trend either. So I am somewhere in between. We have a lot more presence outside the US than people think of when you say Verizon. And obviously what is going on in Europe here and our belief is that is a three-year, maybe five-year slowdown. I do think in the US we have got to get past the election. Everybody is kind of waiting to see who controls the Senate and who controls the White House and they are waiting to make those -- you have got to understand what the tax situation is going to look like, so we are all waiting to make those investments.

But I think the difference for us, at least in our thinking going forward, we were very much in a transport mode. And you saw first with the CyberTrust purchase and then with the Terremark purchase and now with the Hughes purchase that we think we have got the network assets that we need and what we need to do is add those applications on it, infrastructure as a service, all those buzzwords.

But if we have those and we can provide a way for our enterprise customers to improve their productivity, and I will also just sort of attach onto that the Vodafone aspect, gives us the ability to really do a global play for these enterprise customers. I think those two factors position us pretty well for when things begin to turn. And I think in 2013 in the US that is going to happen and probably be more like '14 and '15 in Europe.

Andrew Decker - *Guggenheim Securities - Analyst*

And when you talk about moving up the stack a bit, a lot of the very highly valued cloud companies, whether it is a salesforce.com or others, are built on an assumption that the traditional things that a network operator worries about -- security, SLAs, uptime, all those sorts of things -- are the customers' problems. Now over time, customers eventually want to come back and get the full solution. Is that the opportunity? Does that have to be developed inside of Verizon? Can you partner with people? Are there ecosystem opportunities?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Customers' needs, their philosophy I think on that is evolving. I remember two years ago, we had our top 50 customers down at an advisory board and we asked them about cloud. Every one of them said no way would I ever give you guys all my data center needs. A year later, half of them said we definitely want to do it and now almost, I would say five out of the 50 are saying no way we wouldn't do it. All the rest of them want to.

And I think when you go into that outsource, your data center, very quickly behind it comes things like security. And so that is why the CyberTrust asset was important to us. And I think we have the added advantage of having the IP backbone as well. We are not farming that out to all the local LECs around the world. And so I think that is the model that we see going forward.

Now are they all there today? No way. But we see some of the leading thinkers saying, okay, if you can give us that sort of a package, you are really -- and you have got to deliver it obviously -- but you are really where we would prefer to go.

Andrew Decker - Guggenheim Securities - Analyst

The investment banker in me has to ask, does that mean that the current portfolio of assets has to be changed? I mean are there things you need to buy, are there things you should sell? How should investors think about the mix of what you have today versus where you might be some number of years down the road?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes, so I don't think -- that is one of the other things that Ivan and I talked about. He viewed his tenure as getting the big chunks in place, buying MCI, consolidating all the wireless assets under one roof. My job I think is much more fine-tuning. It is adding a little bit here and a little bit there, so Hughes is a good example. Not a big purchase from your perspective, in particular, Andrew, but you can take and add a platform that spans all of those high capital assets and helps knit them together and then allows you to go up the stack building on that. And I think that is what our philosophy is here versus the big chunks. I don't see an MCI or an Alltel in our future right now.

Andrew Decker - Guggenheim Securities - Analyst

And I guess turning to the sort of more traditional question about your share price and the balance sheet at the moment given the dividend yield and given interest rates in an environment, there are an awful lot of people in the stock for the dividend yield, but at some point people come back to the EPS growth and more fundamental dynamics. How do you see the medium term in terms of the growth dynamics and the leverage on the balance sheet in terms of return of capital to shareholders? How do you think about that?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Well, around our business now, everybody is really excited that we are at a 10-year high or whatever it is on stock and I remind them that Greece is contributing as much to our stock price right now as our earnings per share. So we still have a lot of work to do. I think the key for us is to have both. We use this a lot. We are not an either/or; we are a both. So having a good dividend yield attracts a lot of investors. And we are seeing that at its sort of high point right now.

What I need to add by all the strategic things we've talked about over the last half hour here is to be viewed as a technology company that is capable of generating that top-line growth. And you are viewed as somebody that is very efficient in getting those incremental dollars to the bottom line. I think when we can get that kind of a balance, that is when we become the really long-term attractive stock that you have seen out of some of the bellwethers of the US and that is our objective is to get there.



Andrew Decker - *Guggenheim Securities - Analyst*

I guess before, and we will open it up for questions in a second, but we have talked a lot about elements of your vision for where the business goes over the next 5, 10 years, however long. What do you see as the greatest risk to achieving your vision?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Well, regulatory does concern me a lot. And then I think after that, it is execution. It is a 200,000 person company at this point and keeping the team aligned, that is kind of my major job and making sure that we execute on the fundamentals, that is where my head is. And so those are the things I worry about -- but I do worry about out of left field somebody putting their thumb on the scale.

And then also, I think when you have a business like this that is so focused on consumers, you have to make sure you are staying in alignment with the consumer. And I think the bigger any company gets and the more success you have, the more you can get disconnected from your consumer. And so those are probably the three things that are the most on my mind.

Andrew Decker - *Guggenheim Securities - Analyst*

Okay. Do we have questions out in the audience? We have microphones if somebody has any questions. While we are doing that, I guess one of the things that we have observed and as you know, we have been around the various companies that are now Verizon for many years. I mean how is the culture changing? You talk a lot about your people and motivating your people. How is the culture changing?

Lowell McAdam - *Verizon Communications Inc. - Chairman & CEO*

Well, I think -- actually the first thing I did when Ivan sort of named me as the Chief Operating Officer was we had a very well-defined credo in the wireless side. We created it when we first came together in '99 because we had seven different companies and we knew we had seven different cultures and we needed to tell people what it was we were really looking for. So we created that document. We spent a lot of time on it. We do a lot of reward and recognition as a result of it and that culture really took root in wireless.

And one of the first things I did is sort of broaden it to be a global company and a telecommunications company versus a wireless company and we have put that in place across the whole business. Those kinds of things take years to ingrain in the business, but we are beginning to make some progress there.

The second thing we did is we took the top 2000 leaders through a what we call leading for shareholder value and that was really a cultural shift for us because, if you think about it, the wireline side of the business has come out of the defined rate of return culture and we left that competitively a while ago. I am not sure we left it culturally. So we have been far more pushing why do you make that investment, what is the return on it, what is the priority of that investment versus another investment.

And I think those two things together have changed the conversation with inside the Company and I think that is going to lead to better performance along with that process improvement initiative that I talked about. But cultures are tricky things and there is a lot of competing interests. You touched on the union. I mean so we have got -- there is a lot happening underneath the hood of this car right now.

Andrew Decker - *Guggenheim Securities - Analyst*

All right, questions?



QUESTIONS AND ANSWERS

Unidentified Audience Member

Just a few minutes ago, you mentioned I guess focus on top-line growth. I was wondering if you could just maybe expand a little on that in terms of how does it compare over the next three years versus say the last three and what are the bigger drivers? Where do you see the larger portion of incremental growth coming from?

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

Yes, well, there is a lot to that question and a lot frankly depends on the [stuff] of these approvals here as we go forward. So LTE is probably the big engine for us and all the things I talked about. It opens up machine to machine will ramp. I think the video piece will have a much steeper ramp to it, especially if we go forward with the SpectrumCo arrangement. The amount of innovation on the roadmap associated with this joint innovation venture is pretty amazing.

I mean think about if you could take, whether it is your e-mail, whether it is your DVR content, whether it is streaming sports, whether it is being able to do a video from your car to your home or to your PC or whatever, you tie every device that you have that has a screen on it together and seamlessly be able to take the content back across it. I mean customers will flock I think to a service like that.

So that probably dwarfs anything else that we would do from a top-line revenue growth. But cloud is continuing to pick up for us. Security is I think going to be an even more important play for us as we go forward. I think these large enterprise accounts, offering them kind of a global service with those up the stack, as Andrew said. Applications on top of it drive it as well. So there is a number of pieces in the portfolio that I think will take us up and more than compensate for some of the falling off of copper-based services like DSL and voice and that sort of thing.

Andrew Decker - Guggenheim Securities - Analyst

Okay. Other questions? All right, Lowell, thank you very much. We appreciate you being here today.

Lowell McAdam - Verizon Communications Inc. - Chairman & CEO

It's always a pleasure. Thank you.

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