



Verizon (VZ) 2018 Q1 Earnings Summary

April 2018

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Verizon's Oath Platform Has Massive Scale, But Lacks The Consumer Engagement That Attracts Advertisers

OATH

- **Positioned for global reach and future growth in premium content distribution and programmatic advertising capabilities**
 - Concentrating on deepening the engagement of its user base to create opportunities for further monetization in the future
- Focus in 2018 has shifted to streamlining platforms and products, unlocking cost and revenue synergies on the way
 - **Integrated the legacy AOL and Yahoo! video supply side platforms into a unified platform and go-to-market strategy**
 - **Makes them easier to do business with and establishes their role as a value-added partner for advertising customers**

VIDEO

- **Think the best approach at this point in time is to be an independent distributor of rights**
 - **Will continue to add to their portfolio of digital rights to distribute across various Yahoo! and Oath platforms**
 - **Will bring some of that content across other distribution channels, whether that's wireless or Fios**
- Compelling content such as NFL, NBA is used to get customers on to the platform
 - **Keeping them on the platform is imperative in order to increase their attractiveness to advertising partners**

5G

- **Launching its residential broadband service later this year, which will be the first use case of a broader 5G strategy**
 - Using a lot of existing assets to deploy a 5G network that will have multiple revenue streams off of it
- The launch this year will be on its proprietary standard, which allows them to get a product out to in the market before others
 - **Network is being repositioned to be able to launch 5G as soon as customer equipment is ready on the global standards**
- **The most exciting pieces are the new use cases that don't exist on the current technologies around IoT, B2B-type application**

WIRELESS

- As expected, they have seen significant increase in data usage as they moved to unlimited
 - **Also saw a change in where (geography) and when (busy hours) that usage was taking place**
 - Still seeing year-over-year increases, but not the same levels from when they first launched unlimited
- **Driving revenue accretion through increasing the number of customer relationships and deepening the participation within existing base by adding more devices and services**

EQUIPMENT

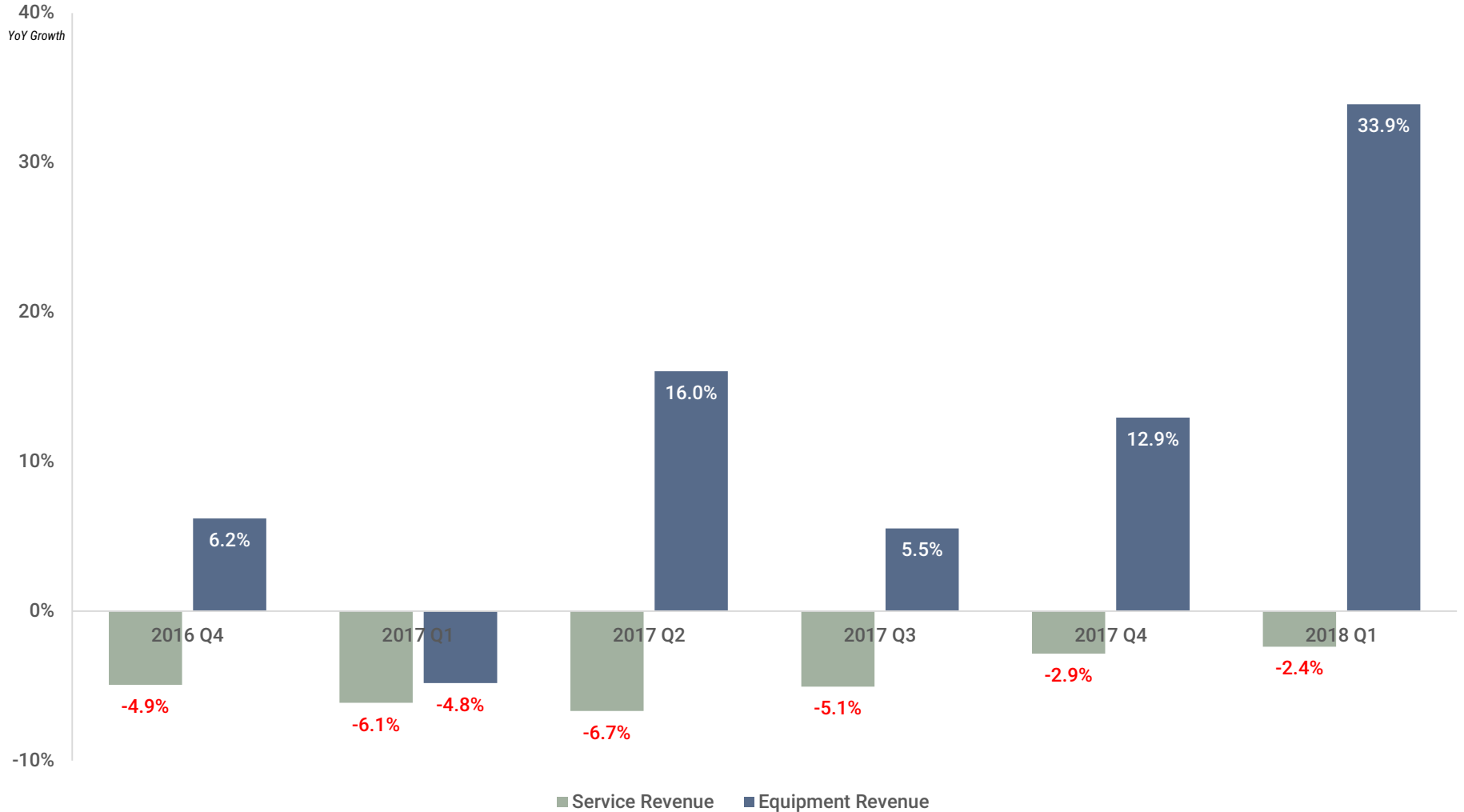
- **The elongation in the ownership cycle means there are going to be more subscribers on unsubsidized pricing**
 - 81% of their customer base is on unsubsidized pricing, but only about 49% have an active loan
 - As people pay off the device and keep their devices longer than just 2 years, that gap will widen
 - Have seen some level of BYOD, but that has flattened off over the past couple of quarters
- **Have had a stable relationship over the past few quarters as they've transitioned the base from subsidy to device-payments**

The deployment of 5G will create more opportunities to bring new customers onto its network

Revenues



Service And Equipment Revenues Have Had Different Growth Trajectories Over The Past Few Years

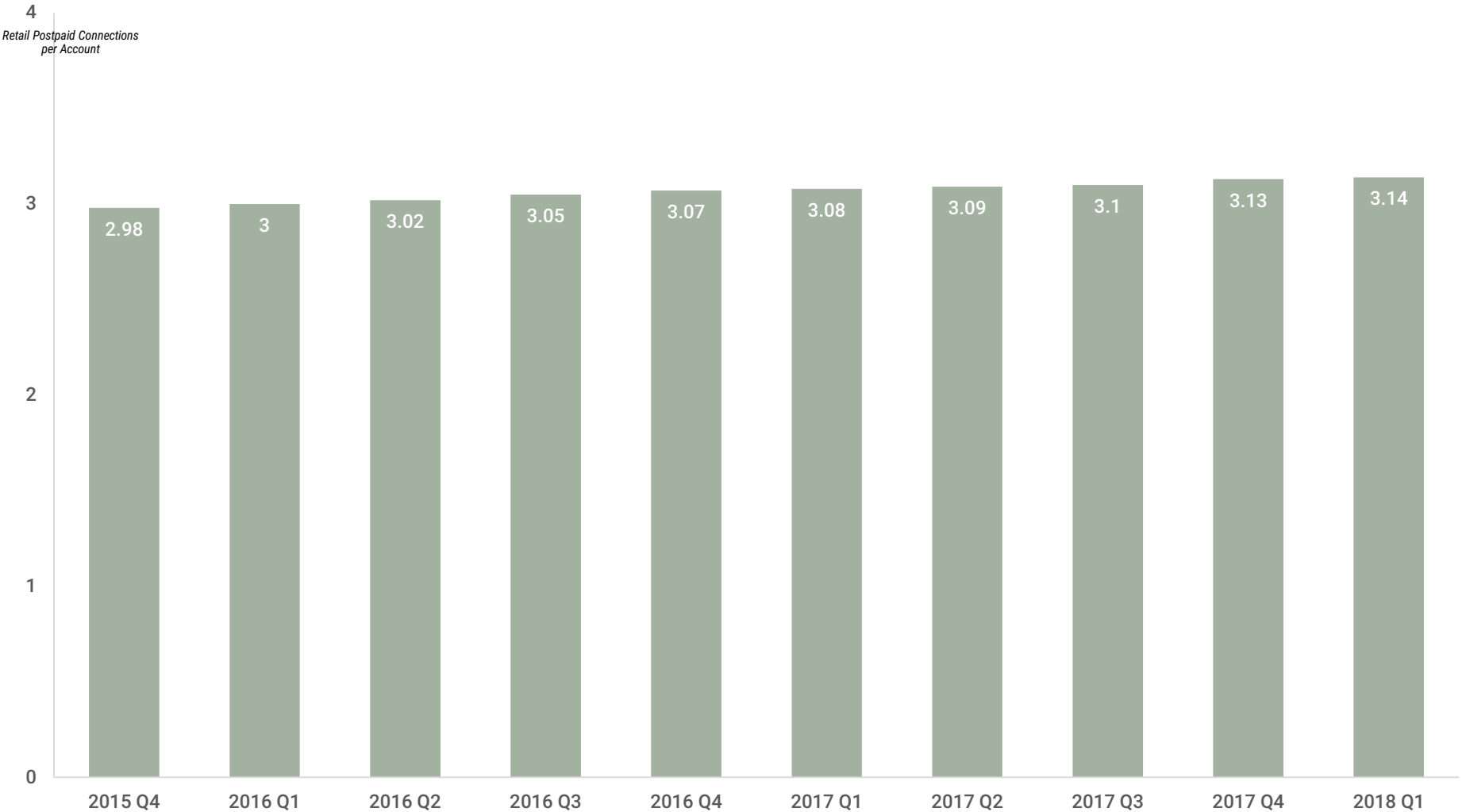


The rise in unlimited data plans has reduced a main revenue driver for wireless providers

Connections Per Account



Without The Fear Of Overage Charges, Consumers Are Adding More Devices To Their Accounts



Increased connections, especially with family plans, have helped keep churn at under .8%

Equipment



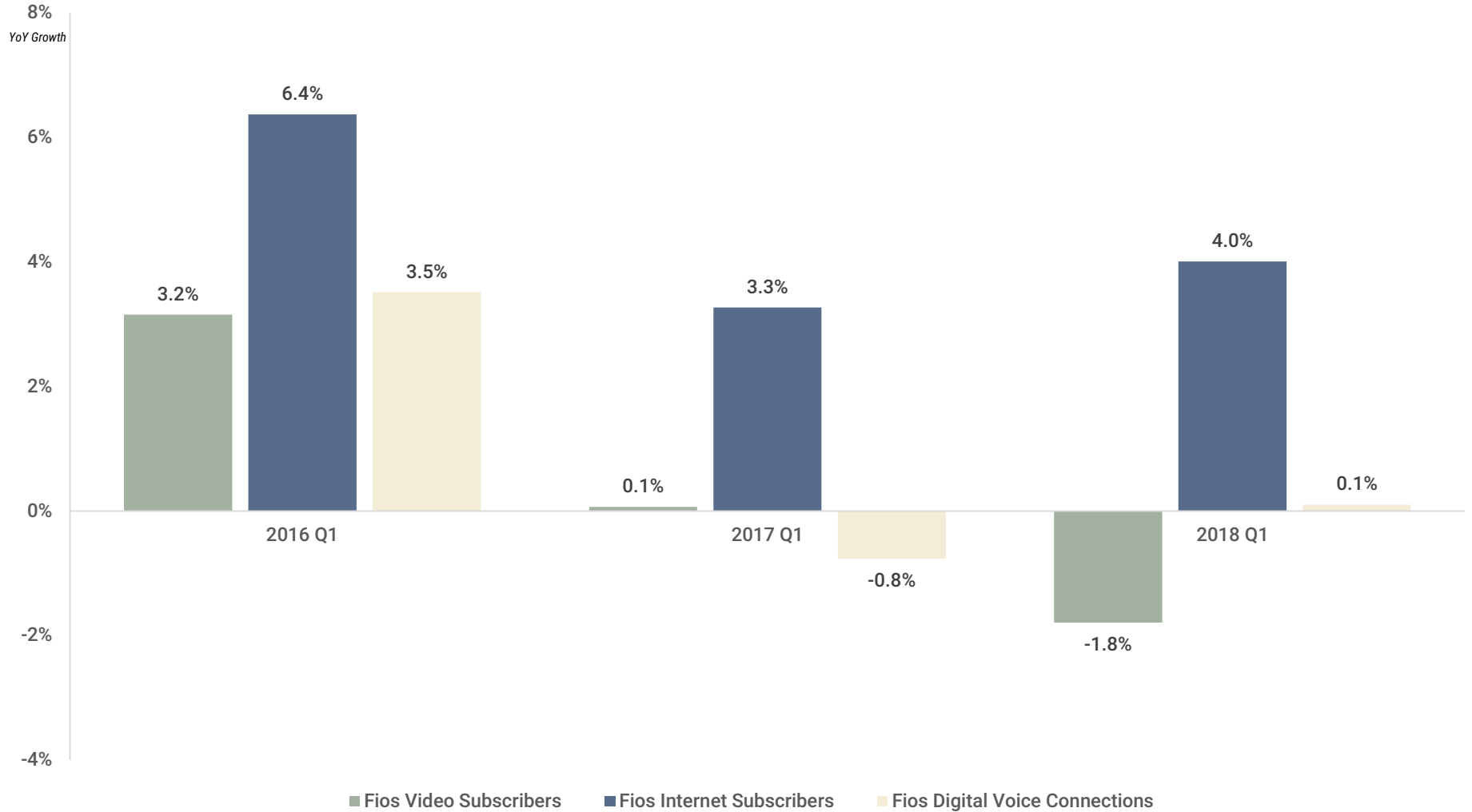
As Consumers Hold Onto Their Phones Longer, Equipment Revenues Run Parallel To The Upgrade Cycle



Carriers have avoided promotional offers recently, but they might be necessary to encourage more upgrades



Fios Video Has Suffered From Secular Declines Across The Pay TV Industry



Broadband growth has continued as it remains essential to the expanding universe of vMVPDs and OTT platforms