

Verizon's Shammo Outlines Risks of EDGE Program

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Verizon expects to see more device upgrades this year, especially as users take advantage of the company's new EDGE financing program, which allows users to upgrade as often as every 30 days.

Speaking at a Deutsche Bank investor conference that was broadcast online, Verizon CFO Fran Shammo said he sees a growth opportunity in the roughly 50 million Verizon customers that can still upgrade to an LTE-capable device.

While device financing has been all the rage, Shammo said Verizon still sees value in the subsidy model and he cautioned that there are risks involved in financing devices for customers.

"You're putting up some large receivables," Shammo said, adding that Verizon maintains a strict credit policy for customers to qualify for EDGE.

But he also expressed other worries about the program, namely flooding the market with a surplus of devices.

"One of the things I worry about is that if there is a lot of upgrade activity and the market gets flooded with these second handsets, that means the pressure on the residual value is going to come down," Shammo said, but added the Verizon has built into its financial forecast "very conservative" second-hand device values.

Shammo admitted that Verizon hasn't seen a lot of customers upgrading after 30 or even 60 days, but he said that as the program ages, customers will begin upgrading in the 6 to 12-month range.

When asked whether Verizon would seek third-party financing support for the EDGE program, Shammo said it wasn't necessary for a company that generates "\$30 billion in cash flow from operations."

Shammo touched on a variety of topics during his talk, saying that video would be another significant area of growth for Verizon as it begins to take advantage of features like LTE Multicast.

"If you just look at what video means to this business...there's still a lot of room to grow...That's why we felt extremely comfortable about buying the rest of Verizon Wireless," Shammo said.

Verizon will also be rolling out Voice over LTE later this year, which Shammo said would bring additional features to customers, but he said the carrier didn't know

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