



News Release

FOR IMMEDIATE RELEASE
October 21, 2020

Media contacts:

Kim Ancin

908.559.3227

kimberly.ancin@verizon.com

Eric Wilkens

908.559.3063

eric.wilkens@verizon.com

Verizon reports strong Q3 financial results, increases guidance

Company's strength and resilience deliver increased cash flow, wireless service revenue growth, and the most Fios Internet net adds since 4Q 2014

3Q 2020 highlights

Consolidated:

- \$1.05 in earnings per share (EPS), compared with \$1.25 in 3Q 2019; adjusted EPS (non-GAAP), excluding a special item, of \$1.25, compared with \$1.25 in 3Q 2019.
- Operating revenue decline of 4.1 percent from third-quarter 2019.
- Year-to-date cash flow from operations of \$32.5 billion, an increase of \$5.7 billion year over year.

Consumer:

- Total revenue of \$21.7 billion, a decrease of 4.3 percent year over year.
- 136,000 retail postpaid net additions, including 142,000 phone net additions and 258,000 postpaid smartphone net additions.
- Total retail postpaid churn of 0.80 percent, and retail postpaid phone churn of 0.63 percent.
- 139,000 Fios Internet net additions, an increase from 30,000 Fios Internet net additions in third-quarter 2019, and 144,000 Fios Internet net additions across Consumer and Business, the most since fourth-quarter 2014.

Business:

- Total revenue of \$7.7 billion, a decrease of 1.7 percent year over year.
- 417,000 retail postpaid net additions, including 141,000 phone net additions.
- Total retail postpaid churn of 1.19 percent, and retail postpaid phone churn of 0.96 percent.

Total Wireless:

- Total wireless service revenue of \$16.4 billion, a 0.3 percent increase year over year.
- 553,000 retail postpaid net additions, including 283,000 phone net additions and 428,000 postpaid smartphone net additions.
- Total retail postpaid churn of 0.89 percent, and retail postpaid phone churn of 0.69 percent.

NEW YORK - Verizon Communications Inc. (NYSE, Nasdaq: VZ) reported strong third-quarter results today and revised earnings guidance upward for the year. The company's performance was highlighted by increases in wireless service revenue and total Fios Internet net additions.

"We continue to demonstrate our strength and resilience by delivering very strong third quarter financial results," said Verizon Chairman and CEO Hans Vestberg. "We are energized by the transformational technology that our 5G Ultra Wideband and 5G nationwide bring. Our purpose-driven culture paired with our network leadership will shape the future, for the better."

For third-quarter 2020, Verizon reported EPS of \$1.05, compared with \$1.25 in third-quarter 2019. On an adjusted basis (non-GAAP), third-quarter 2020 EPS, excluding a special item, was \$1.25, compared with adjusted EPS of \$1.25 in third-quarter 2019. The company estimates that third-quarter 2020 EPS and adjusted EPS included approximately negative 5 cents of COVID-19-related net impacts. Third-quarter 2020 EPS included a net pre-tax charge of about \$1.1 billion related to a mark-to-market adjustment for pension liabilities.

In third-quarter 2020, Verizon's results also included the continued effects of a reduction in benefits from the adoption of a revenue recognition standard, primarily due to the deferral of commission expense. The net impact was 2 cents in third-quarter 2020 and 7 cents year to date.

Consolidated results

- Total consolidated operating revenues in third-quarter 2020 were \$31.5 billion, down 4.1 percent from third-quarter 2019. This decline was due to lower customer activity and the timing of certain device launches.
- Year-to-date cash flow from operations totaled \$32.5 billion, an increase of \$5.7 billion year over year. This growth was a result of the continued performance and strength of the business, a non-recurring tax item in second-quarter 2020, improvements in working capital primarily due to lower volumes, and payments related to the Voluntary Separation Plan in full-year 2019 that did not repeat this year.
- Year-to-date capital expenditures were \$14.2 billion. Capital expenditures continue to support the growth in traffic on the company's 4G LTE network, the launch and continued build-out of the company's 5G Ultra Wideband and nationwide networks, the upgrade to its Intelligent Edge Network architecture, and the deployment of significant fiber in more than 60 markets.

- In 2018, Verizon announced a goal to achieve \$10 billion in cumulative cash savings by the end of 2021. This initiative has yielded \$8.3 billion of cumulative cash savings since the program began and is on track to achieve its target. The company expects to continue its focus on operational efficiencies after the current target is achieved to identify additional long-term transformation initiatives and deliver the related cost savings.
- The company ended third-quarter 2020 with free cash flow (non-GAAP) of \$18.3 billion, an increase of \$3.9 billion year over year, and \$9.0 billion of cash on hand.
- Verizon's unsecured debt balance increased year over year by \$4.7 billion to \$105.5 billion in third-quarter 2020, and the company's net unsecured debt (non-GAAP) decreased by \$1.3 billion year over year to \$96.5 billion. Verizon's net income in third-quarter 2020 was \$4.5 billion, and its adjusted EBITDA (non-GAAP) was \$11.9 billion. Verizon's net unsecured debt to adjusted EBITDA ratio (non-GAAP) was 2.1 times versus its targeted range of 1.75 to 2.0 times. The company remains focused on achieving its net unsecured debt to EBITDA target while maintaining a strong financial position to give it flexibility to invest in the business.

Consumer results

- Total Verizon Consumer revenues were \$21.7 billion, a decrease of 4.3 percent year over year, primarily driven by a significant decrease in wireless equipment revenue due to reduced customer activity.
- Throughout third-quarter 2020, Verizon gradually reopened all of its company-operated retail stores, implementing practices to reinforce social distancing such as touch-less retail, appointment scheduling, and curbside pickup. In third-quarter 2020, Consumer reported 136,000 wireless retail postpaid net additions. This consisted of 142,000 phone net additions and 113,000 tablet net losses, offset by 107,000 other connected device net additions. Postpaid smartphone net additions were 258,000.
- Consumer wireless service revenues were \$13.4 billion in third-quarter 2020, a 0.7 percent decrease year over year.
- Total retail postpaid churn was 0.80 percent in third-quarter 2020, and retail postpaid phone churn was 0.63 percent.
- Consumer reported 139,000 Fios Internet net additions in third-quarter 2020, an increase from 30,000 Fios Internet net additions in third-quarter 2019. Consumer and Business reported 144,000 total Fios Internet net additions, the most Fios Internet net additions since fourth-quarter 2014. Consumer reported 61,000 Fios Video net losses in third-quarter 2020, reflecting the ongoing shift from traditional linear video to over-the-top offerings.
- In third-quarter 2020, segment operating income was \$7.4 billion, a decrease of 0.7 percent year over year, and segment operating income margin was 34.2 percent, an increase from 33.0 percent in third-quarter 2019. Segment EBITDA (non-GAAP) totaled \$10.3 billion in third-quarter 2020, flat year over year. Segment EBITDA margin (non-GAAP) was 47.4 percent in third-quarter 2020, up from 45.3 percent in third-quarter 2019, and included approximately 60 basis points of headwind from the deferral of commission expense.

Business results

- Total Verizon Business revenues were \$7.7 billion, down 1.7 percent year over year. The Business segment continues to be resilient through a challenging environment as the company provides critical solutions to customers across state and local government agencies and education providers.
- Business reported 417,000 wireless retail postpaid net additions in third-quarter 2020. This consisted of 141,000 phone net additions, 86,000 tablet net additions, and 190,000 other connected device additions.
- Business wireless service revenues were \$3.0 billion in third-quarter 2020, a 4.9 percent increase year over year, primarily driven by Public Sector and Small and Medium Business.
- Total retail postpaid churn was 1.19 percent in third-quarter 2020, and retail postpaid phone churn was 0.96 percent.
- In third-quarter 2020, segment operating income was \$923 million, a decrease of 5.5 percent year over year, and segment operating income margin was 11.9 percent, compared with 12.4 percent in third-quarter 2019. Segment EBITDA (non-GAAP) totaled \$2.0 billion in third-quarter 2020, a decrease of 1.9 percent year over year. Segment EBITDA margin (non-GAAP) was 25.2 percent, which was flat year over year.

Media results

- Total Verizon Media revenues were \$1.7 billion, down 7.4 percent year over year, but an increase of 21.2 percent from second-quarter 2020. Year over year revenue trends improved each month during third-quarter 2020. Trends resulting from the COVID-19 pandemic continued to impact both search and advertising in the quarter, though Media continues to drive increased customer engagement on its owned and operated properties.

Outlook and guidance

Based on three quarters of resilient earnings and projected trends into fourth-quarter 2020, Verizon is updating financial guidance for full-year 2020:

- The company now expects adjusted EPS growth (non-GAAP) of 0 to 2 percent, an update from prior guidance for 2020 adjusted EPS growth (non-GAAP) of -2 to 2 percent. This update includes the previously discussed accounting headwinds, impacts from COVID-19, and new device launches in fourth-quarter 2020.
- The company now expects total wireless service revenue growth of at least 2 percent in fourth-quarter 2020 compared to last year.

Verizon expects the following results for full-year 2020:

- Capital spending to now be at the higher end of the guided range of \$17.5 billion to \$18.5 billion.
- Adjusted effective income tax rate (non-GAAP) in the range of 23 percent to 25 percent.

NOTE: See the accompanying schedules and www.verizon.com/about/investors for reconciliations to generally accepted accounting principles (GAAP) for non-GAAP financial measures cited in this document.

Verizon Communications Inc. (NYSE, Nasdaq: VZ) was formed on June 30, 2000 and is celebrating its 20th year as one of the world's leading providers of technology, communications, information and entertainment products and

services. Headquartered in New York City and with a presence around the world, Verizon generated revenues of \$131.9 billion in 2019. The company offers data, video and voice services and solutions on its award-winning networks and platforms, delivering on customers' demand for mobility, reliable network connectivity, security and control.

####

VERIZON'S ONLINE MEDIA CENTER: News releases, stories, media contacts and other resources are available at www.verizon.com/about/news/. News releases are also available through an RSS feed. To subscribe, visit www.verizon.com/about/rss-feeds/.

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," "believes," "estimates," "expects," "hopes" 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. The following important factors, along with those discussed in our filings with the Securities and Exchange Commission (the "SEC"), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: cyber attacks impacting our networks or systems and any resulting financial or reputational impact; natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial or reputational impact; the impact of the global outbreak of COVID-19 on our operations, our employees and the ways in which our customers use our networks and other products and services; disruption of our key suppliers' or vendors' provisioning of products or services, including as a result of the COVID-19 outbreak; material adverse changes in labor matters and any resulting financial or operational impact; the effects of competition in the markets in which we operate; failure to take advantage of developments in technology and address changes in consumer demand; performance issues or delays in the deployment of our 5G network resulting in significant costs or a reduction in the anticipated benefits of the enhancement to our networks; the inability to implement our business strategy; adverse conditions in the U.S. and international economies; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our business; our high level of indebtedness; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing; significant increases in benefit plan costs or lower investment returns on plan assets; changes in tax laws or treaties, or in their interpretation; and changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings.