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News Release

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Verizon ends 2020 with strong earnings and cash flow, and increased wireless service revenue growth

Company's execution of strategy and resilient 4Q and 2020 performance lead to momentum and optimism for 2021

4Q 2020 highlights

Consolidated:

- $1.11 in earnings per share (EPS), compared with $1.23 in 4Q 2019; adjusted EPS (non-GAAP), excluding special items, of $1.21, compared with $1.13 in 4Q 2019.
- Operating revenue decline of 0.2 percent from fourth-quarter 2019.
- Net income of $4.7 billion, a decline of 9.6 percent from fourth-quarter 2019, and adjusted EBITDA (non-GAAP) of $11.7 billion, an increase of 5.3 percent from fourth-quarter 2019.

Consumer:

- Total revenue of $23.9 billion, a decrease of 1.2 percent year over year.
- 357,000 retail postpaid net additions, including 163,000 phone net additions and 284,000 postpaid smartphone net additions.
- Total retail postpaid churn of 0.96 percent, and retail postpaid phone churn of 0.76 percent.

- 92,000 Fios Internet net additions, an increase from 35,000 Fios Internet net additions in fourth-quarter 2019, and 95,000 total Fios Internet net additions across Consumer and Business, the most fourth-quarter total Fios Internet net additions since 2014.

Business:
- Total revenue of $8.1 billion, a decrease of 0.3 percent year over year.
- 346,000 retail postpaid net additions, including 116,000 phone net additions.
- Total retail postpaid churn of 1.19 percent, and retail postpaid phone churn of 0.98 percent.

Total Wireless:
- Total wireless service revenue of $16.7 billion, a 2.2 percent increase year over year.
- 703,000 retail postpaid net additions, including 279,000 phone net additions and 442,000 postpaid smartphone net additions.
- Total retail postpaid churn of 1.01 percent, and retail postpaid phone churn of 0.80 percent.

2020 highlights

Consolidated:
- Full year EPS of $4.30, compared with $4.65 in 2019; adjusted EPS (non-GAAP), excluding special items, of $4.90, compared with 2019 adjusted EPS of $4.81.
- Full-year 2020 operating cash flow of $41.8 billion, a 16.8 percent increase year over year.
- Free cash flow (non-GAAP) of $23.6 billion in full-year 2020, a 32.4 percent increase year over year.

NEW YORK - Verizon Communications Inc. (NYSE, Nasdaq: VZ) closed 2020 with fourth-quarter results highlighted by increased cash flow, wireless service revenue growth, and the launch of 5G nationwide.

“Verizon finished the fourth quarter with strong financial performance," said Verizon Chairman and CEO Hans Vestberg. "2020 was marked by transformational change, including the launch of our 5G nationwide network. We witnessed a mass shift toward virtual collaboration, touchless retail and delivery, remote work, distance learning, and telemedicine. We continued to execute our multi-use network strategy; we were recognized by RootMetrics as the best overall wireless provider, undefeated in all categories; and we continue to be the partner of choice for the world’s most innovative brands. Today, we are excited to lead technological advances beyond mobile devices, and create new opportunities for growth across multiple industries."

For fourth-quarter 2020, Verizon reported EPS of $1.11, compared with $1.23 in fourth-quarter 2019. On an adjusted basis (non-GAAP), fourth-quarter 2020 EPS, excluding special items, was $1.21, compared with adjusted EPS of $1.13 in fourth-quarter 2019.

Fourth-quarter 2020 EPS included a pre-tax loss from special items of about $523 million, which consisted of a net charge of $404 million primarily related to severance, including voluntary separations under existing plans and the annual mark-to-market for pension and OPEB (other post-employment benefits) liabilities, and a net loss of $119 million primarily related to the disposition of the HuffPost business.

In fourth-quarter 2020, Verizon's results also included the continued effects of a reduction in benefit from the adoption of a revenue recognition standard, primarily due to the deferral of commission expense. The net impact was 2 cents in fourth-quarter 2020 and 9 cents for the full year. The company estimates that the net impact from COVID-19 was a 2 cent benefit in fourth-quarter 2020 and a 21 cent headwind for the full year.

For full-year 2020, Verizon reported $4.30 in EPS, compared with $4.65 in full-year 2019. On an adjusted basis (non-GAAP), excluding special items, 2020 EPS was $4.90, compared with 2019 EPS of $4.81.

Consolidated results

- Total consolidated operating revenues in fourth-quarter 2020 were $34.7 billion, down 0.2 percent from fourth-quarter 2019. Total wireless service revenue growth and strong results in Verizon Media were offset by lower wireless equipment revenue and ongoing declines in legacy wireline products. Full-year 2020 consolidated operating revenues were $128.3 billion, down 2.7 percent year over year.

- Cash flow from operations totaled $41.8 billion in 2020, a 16.8 percent increase year over year. This growth was a result of the continued performance and strength of the business, lower tax payments due to a one-time cash tax benefit received earlier in the year, and reductions in working capital primarily due to lower wireless volumes.

- Full-year 2020 capital expenditures were $18.2 billion. Capital expenditures continue to support the growth in traffic on the company's 4G LTE network and the continued build-out of the company's 5G Ultra Wideband and nationwide networks.

- In 2018, Verizon announced a goal to achieve $10 billion in cumulative cash savings by the end of 2021. This initiative has yielded $9.5 billion of cumulative cash savings since the program began and is on track to achieve its target by the end of 2021.

- The company ended 2020 with free cash flow (non-GAAP) of $23.6 billion, a 32.4 percent increase year over year.

- Verizon's unsecured debt balance increased year over year by $19.3 billion to $118.5 billion in 2020, and the company’s net unsecured debt (non-GAAP) decreased by $239 million year over year to $96.3 billion. Verizon's net income in fourth-quarter 2020 was $4.7 billion, and its adjusted EBITDA (non-GAAP) was $11.7 billion. Verizon's net unsecured debt to adjusted EBITDA ratio (non-GAAP) was 2.0 times versus its targeted range of 1.75 to 2.0 times. The company remains committed to its capital allocation model.

Consumer results

- Total Verizon Consumer revenues were $23.9 billion, a decrease of 1.2 percent year over year, primarily driven by a decline in wireless equipment revenue due to softer volumes in the quarter. For full-year 2020, total Consumer revenues were $88.5 billion, a decrease of 2.8 percent from full-year 2019, driven by a decline in wireless equipment revenue.

- In fourth-quarter 2020, Consumer reported 357,000 wireless retail postpaid net additions. This consisted of 163,000 phone net additions and 81,000 tablet net losses, offset by 275,000 other connected device net additions. Postpaid smartphone net additions were 284,000.

- Consumer wireless service revenues were $13.6 billion in fourth-quarter 2020, a 1.2 percent increase year over year. Full-year 2020 Consumer wireless service revenues were $53.6 billion, a 0.3 percent decrease from full-year 2019.

- Total retail postpaid churn was 0.96 percent in fourth-quarter 2020, and retail postpaid phone churn was 0.76 percent.

- Consumer reported 92,000 Fios Internet net additions in fourth-quarter 2020, an increase from 35,000 Fios Internet net additions in fourth-quarter 2019. Consumer and Business reported 95,000 total Fios Internet net additions in fourth-quarter 2020, the most fourth-quarter total Fios Internet net additions since 2014. Consumer reported 72,000 Fios Video net losses in fourth-quarter 2020, reflecting the ongoing shift from traditional linear video to over-the-top offerings.

- In fourth-quarter 2020, Consumer segment operating income was $7.1 billion, an increase of 2.7 percent year over year, and segment operating income margin was 29.6 percent, an increase from 28.4 percent in fourth-quarter 2019. Full-year 2020 segment operating income margin was 32.6 percent, compared with 31.8 percent in full-year 2019. Segment EBITDA (non-GAAP) totaled $9.9 billion in fourth-quarter 2020, an increase from $9.7 billion in fourth-quarter 2019. Segment EBITDA margin (non-GAAP) was 41.5 percent in fourth-quarter 2020, an increase from 39.9 percent in fourth-quarter 2019, and included approximately 30 basis points of headwind from the deferral of commission expense. For the full year, segment EBITDA margin (non-GAAP) was 45.5 percent in 2020, compared with 44.3 percent in 2019.

Business results

- Total Verizon Business revenues were $8.1 billion, down 0.3 percent year over year. Wireless service revenue growth was offset by reductions in wireless equipment volumes and secular pressure on legacy wireline products. For full-year 2020, total Verizon Business revenues were $31.0 billion, a decrease of 1.5 percent from full-year 2019.

- Business reported 346,000 wireless retail postpaid net additions in fourth-quarter 2020. This consisted of 116,000 phone net additions, 116,000 tablet net additions, and 114,000 other connected device additions.

- Business wireless service revenues were $3.1 billion in fourth-quarter 2020, a 7.1 percent increase year over year. Full-year 2020 Business wireless service revenues were $11.8 billion, a 5.5 percent increase from full-year 2019.

- Total retail postpaid churn was 1.19 percent in fourth-quarter 2020, and retail postpaid phone churn was 0.98 percent.

- In fourth-quarter 2020, Business segment operating income was $950 million, an increase of 42.6 percent year over year, and segment operating income margin was 11.8 percent, an increase from 8.3 percent in fourth-quarter 2019. Full-year 2020 segment operating income margin was 12.2 percent, compared with 12.0 percent in full-year 2019. Segment EBITDA (non-GAAP) totaled $2.0 billion in fourth-quarter 2020, an increase from $1.7 billion in fourth-quarter 2019. Segment EBITDA margin (non-GAAP) was 24.6 percent, an increase from 20.7 percent in fourth-quarter 2019. For the full year, segment EBITDA margin (non-GAAP) was 25.4 percent in 2020, compared with 25.0 percent in 2019.

Media results

- Total Verizon Media revenues were $2.3 billion in fourth-quarter 2020, up 11.4 percent year over year, the first quarter of year over year growth since the Yahoo acquisition in 2017. Growth in the quarter was fueled by strong advertising trends with revenue from the demand side platform growing 41 percent year over year.

Outlook and guidance

For 2021, Verizon expects the following:

- Service and other revenue growth of at least 2 percent, including total wireless service revenue growth of at least 3 percent.

- Adjusted EPS (non-GAAP) of $5.00 to $5.15.

- Adjusted effective income tax rate (non-GAAP) in the range of 23 percent to 25 percent.

- Capital spending to be in the range of $17.5 billion to $18.5 billion, including the further expansion of 5G Ultra Wideband in new and existing markets, the densification of the wireless network to manage future traffic demands, and the continued deployment of the company's fiber infrastructure.

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 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 $128.3 billion in 2020. 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.

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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," "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.