



News Release

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Strong wireless customer additions and cash flow highlight Verizon's 2Q and first-half 2020 results

Disciplined network strategy, strong operational performance, and wireless customer growth

2Q 2020 highlights

Consolidated:

- \$1.13 in earnings per share (EPS), compared with \$0.95 in 2Q 2019; adjusted EPS (non-GAAP), excluding special items, of \$1.18, compared with \$1.23 in 2Q 2019.
- Operating revenue decline of 5.1 percent from second-quarter 2019.
- First-half 2020 cash flow from operations of \$23.6 billion, an increase of \$7.7 billion from first-half 2019.
- Second-quarter 2020 total debt reduction of \$4.9 billion, and net debt (non-GAAP) reduction of \$5.7 billion.

Consumer:

- Total revenue of \$21.1 billion, a decrease of 4.0 percent year over year.
- 72,000 retail postpaid net additions, including 97,000 phone net additions and 199,000 postpaid smartphone net additions.
- Total retail postpaid churn of 0.69 percent, and retail postpaid phone churn of 0.51 percent.
- 10,000 Fios Internet net additions.

Business:

- Total revenue of \$7.5 billion, a decrease of 3.7 percent year over year.
- 280,000 retail postpaid net additions, including 76,000 phone net additions.
- Total retail postpaid churn of 1.12 percent, and retail postpaid phone churn of 0.90 percent.

Total Wireless:

- Total wireless service revenue of \$15.9 billion, a 1.7 percent decrease year over year.
- 352,000 retail postpaid net additions, including 173,000 phone net additions and 287,000 postpaid smartphone net additions.
- Total retail postpaid churn of 0.78 percent, and retail postpaid phone churn of 0.58 percent.

NEW YORK - Verizon Communications Inc. (NYSE, Nasdaq: VZ) reported second-quarter results today highlighted by increased cash flow and strong momentum heading into the second half of the year.

"Through extraordinary circumstances, Verizon delivered a strong operational performance in the second quarter," said Chairman and CEO Hans Vestberg. "We remain focused on our strategic direction as a technology leader, quickly adapting to the new environment and providing our customers with reliable and vital connections and technology services, while working to keep our employees safe and accelerating our 5G network deployment. We have embraced, engaged in and responded to important social movements happening throughout the world, and will continue to be at the forefront of initiatives that move the world forward for everyone. We are proud of what we have done, and continue to do, for our customers, shareholders, employees, and society."

For second-quarter 2020, Verizon reported EPS of \$1.13, compared with \$0.95 in second-quarter 2019. On an adjusted basis (non-GAAP), second-quarter 2020 EPS, excluding special items, was \$1.18, compared with adjusted EPS of \$1.23 in second-quarter 2019. The company estimates that second-quarter 2020 EPS and adjusted EPS included approximately 14 cents of COVID-19-related net impacts, primarily driven by impacts to wireless service revenue and lower advertising and search revenue from Verizon Media. The company expects total wireless service revenue growth for third-quarter 2020 of -1 percent to flat year over year. The company also recognized an aggregate tax benefit of \$156 million in connection with a series of legal entity restructurings related to an internal reorganization, which resulted in an approximately 4 cent benefit to second-quarter 2020 EPS and adjusted EPS.

Second-quarter 2020 EPS included a pre-tax loss from special items of about \$255 million, which consisted of a net pre-tax loss of \$102 million related to early debt redemption costs and a net charge of \$153 million related to a mark-to-market adjustment for pension liabilities.

In second-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 second-quarter 2020.

Consolidated results

- Total consolidated operating revenues in second-quarter 2020 were \$30.4 billion, down 5.1 percent from second-quarter 2019. This decline was primarily the result of significant declines in wireless equipment revenue in the Consumer and Business segments, primarily due to limited in-store engagement and the impact of COVID-19 on customer behavior.
- First-half 2020 cash flow from operations totaled \$23.6 billion, an increase of \$7.7 billion from first-half 2019. This year over year growth was primarily driven by strong performance in the business and non-recurring items and timing differences, including approximately \$2.0 billion in second-quarter 2020 tax payments postponed to third-quarter 2020 due to COVID-19, the receipt of the previously disclosed \$2.2 billion cash tax benefit related to preferred shares in a foreign affiliate sold in fourth-quarter 2019, improvements in working capital due to lower volumes, and payments related to the Voluntary Separation Program in full-year 2019 that did not repeat this year.
- Capital expenditures in first-half 2020 were \$9.9 billion. Capital expenditures support the capacity for traffic growth across Verizon's networks and the deployment of additional fiber and cell sites to expand the company's 5G Ultra Wideband rollout.
- In 2018, Verizon announced a goal to achieve \$10 billion in cumulative cash savings by the end of 2021. This initiative has yielded \$7.2 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 even after the current target is achieved. The current environment provides the company with the opportunity to explore additional long-term business transformation initiatives and related cost savings.
- The company ended first-half 2020 with free cash flow (non-GAAP) of \$13.7 billion, an increase of 74.1 percent year over year.
- Verizon's total debt decreased by \$4.9 billion in second-quarter 2020, and its net debt (non-GAAP) decreased by \$5.7 billion. The company's unsecured debt balance totaled \$102.2 billion, and its net unsecured debt (non-GAAP) totaled \$94.4 billion, resulting in a net unsecured debt to adjusted EBITDA ratio (non-GAAP) of about 2.0 times, down slightly from first-quarter 2020.

Consumer results

- Total Verizon Consumer revenues were \$21.1 billion, a decrease of 4.0 percent year over year, primarily driven by a significant decrease in wireless equipment revenue due to low activation levels.
- Throughout second-quarter 2020, as COVID-19 restrictions began to ease, Verizon gradually reopened some of its temporarily-closed company-operated retail stores with enhanced safety precautions to further employee and customer well-being, including limiting store hours and introducing curbside pick-up and a new touch-less retail approach. At the end of the quarter, more than 60 percent of its company-operated retail stores were open. In second-quarter 2020, Consumer reported 72,000 wireless retail postpaid net additions. This consisted of 97,000 phone

net additions and 97,000 tablet net losses, offset by 72,000 other connected device net additions. Postpaid smartphone net additions were 199,000.

- Consumer wireless service revenues were \$13.1 billion in second-quarter 2020, a 2.7 percent decrease year over year, and include impacts related to reduced roaming, usage, and waived fees, primarily due to COVID-19.
- Total retail postpaid churn was 0.69 percent in second-quarter 2020, and retail postpaid phone churn was 0.51 percent.
- Consumer reported 10,000 Fios Internet net additions as Fios installations were limited during the quarter due to temporary restrictions put in place on work inside customers' homes. Consumer reported 81,000 Fios Video net losses in second-quarter 2020, reflecting the ongoing shift from traditional linear video to over-the-top offerings.
- In second-quarter 2020, segment operating income was \$7.1 billion, a decrease of 3.7 percent year over year, and segment operating income margin was 33.5 percent, an increase from 33.4 percent in second-quarter 2019. Segment EBITDA (non-GAAP) totaled \$9.9 billion in second-quarter 2020, a decrease of 3.0 percent year over year. Segment EBITDA margin (non-GAAP) was 47.0 percent in second-quarter 2020, up from 46.5 percent in second-quarter 2019, and included approximately 40 basis points of headwind from the deferral of commission expense.

Business results

- Total Verizon Business revenues were \$7.5 billion, down 3.7 percent year over year. During the quarter, Business responded to the challenges of COVID-19, handling increased traffic needs while also meeting a surge in demand for connectivity and devices.
- Business reported 280,000 wireless retail postpaid net additions in second-quarter 2020. This consisted of 76,000 phone net additions, 61,000 tablet net additions, and 143,000 other connected device additions.
- Total retail postpaid churn was 1.12 percent in second-quarter 2020, and retail postpaid phone churn was 0.90 percent.
- In second-quarter 2020, segment operating income was \$946 million, a decrease of 11.7 percent year over year, and segment operating income margin was 12.6 percent, compared with 13.8 percent in second-quarter 2019. Segment EBITDA (non-GAAP) totaled \$2.0 billion in second-quarter 2020, a decrease of 7.4 percent year over year. Segment EBITDA margin (non-GAAP) was 26.2 percent, down from 27.3 percent in second-quarter 2019, and included approximately 20 basis points of headwind from the deferral of commission expense.

Media results

- Total Verizon Media revenues were \$1.4 billion, down 24.5 percent year over year, primarily as a result of COVID-19 related impacts. Verizon Media has continued to drive increased customer engagement on its owned and operated properties.

Outlook and guidance

The company continues to expect the following results for full-year 2020, and notes that this guidance assumes no significant deterioration to the macroeconomic environment or material changes to the company's bad debt reserves:

- Adjusted EPS growth (non-GAAP) of -2 to 2 percent.

- Capital spending to be in the 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.

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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.