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News Release

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Verizon closes 2017 with strong wireless customer growth and retention, well-positioned in new markets

4Q 2017 highlights

- $4.56 in earnings per share (EPS), compared with $1.10 in 4Q 2016; adjusted EPS (non-GAAP), excluding special items, of 86 cents, compared with 86 cents in 4Q 2016.
- Verizon Wireless: 1.2 million retail postpaid net additions, including 647,000 postpaid smartphone net adds; retail postpaid churn of 1.00 percent, with strong customer loyalty demonstrated by retail postpaid phone churn of 0.77 percent -- less than 0.90 percent for the 11th consecutive quarter.
- Fios total revenue growth of 2.3 percent, driven by Fios Internet customer growth.

NEW YORK – Verizon Communications Inc. (NYSE, Nasdaq: VZ) closed 2017 with another quarter of strong Verizon Wireless customer growth and retention, and with core and emerging businesses positioned for 2018 and beyond.

"Verizon finished 2017 with great momentum, led by some of the best customer growth and loyalty results Verizon Wireless has delivered in recent years," said Chairman and CEO Lowell McAdam. "In 2018 we look to drive long-term shareholder value by deploying next-generation network services, leveraging global platforms such as Oath, and using our strategic Humanability approach to turn innovative ideas into realities."

Tax-reform legislation will have a positive impact to cash flow from operations in 2018 of approximately $3.5 billion to $4 billion. The incremental cash flow will be used primarily to strengthen Verizon's balance sheet. Additionally, Verizon will announce later today how employees will further share in the company's success, and the company will also be increasing contributions to the Verizon Foundation by $200 million to $300 million over the next two years. These two initiatives have a projected EPS impact of 5 to 6 cents for each of the next two years.

For fourth-quarter 2017, Verizon reported EPS of $4.56, compared with $1.10 in fourth-quarter 2016. On an adjusted basis (non-GAAP), fourth-quarter 2017 EPS was 86 cents, compared with 86 cents in fourth-quarter 2016.

Fourth-quarter 2017 adjusted EPS included a net pre-tax loss from special items of about $2.6 billion: a severance and mark-to-market adjustment of pension and OPEB (other post-employment benefits) liabilities of $1.2 billion dollars; early debt redemption costs of $681 million; a $671 million charge for product realignment of early-stage developmental technologies; acquisition and integration-related charges of $154 million; and a non-cash pre-tax gain on spectrum license transactions of about $144 million. As Verizon noted in an 8-K filing on Jan. 17, the federal Tax Cuts and Jobs Act also resulted in a one-time, after-tax increase to earnings provisionally estimated to be approximately $16.8 billion, or $4.10 per share. This is primarily related to the re-measurement of the company's net deferred tax liabilities at the new corporate income tax rate.

The cumulative net impact from these items, after tax, was approximately $15.2 billion, or $3.71 per share, in fourth-quarter 2017.

For full-year 2017, Verizon reported $7.36 in EPS, compared with $3.21 in full-year 2016. On an adjusted basis (non-GAAP), 2017 EPS was $3.74, compared with 2016 EPS of $3.87.

Consolidated results

Total consolidated operating revenues in fourth-quarter 2017 were $34.0 billion, up 5.0 percent from fourth-quarter 2016. Full-year 2017 consolidated operating revenues were $126.0 billion. On a comparable basis excluding divestitures and acquisitions (non-GAAP), full-year consolidated revenues declined approximately 2 percent in 2017, compared with 2016.

Net income was $18.8 billion in fourth-quarter 2017. EBITDA (non-GAAP, earnings before interest, taxes, depreciation and amortization) totaled approximately $9.2 billion. Consolidated operating income margin was 14.1 percent. Consolidated EBITDA margin (non-GAAP) was 27.2 percent in fourth-quarter 2017, compared with 37.1 percent in fourth-quarter 2016. Adjusted EBITDA margin (non-GAAP) for 2017 was 35.7 percent and 35.5 percent in the same periods, respectively.

Cash flow from operations totaled $25.3 billion in 2017, and capital expenditures totaled $17.2 billion. In 2017, Verizon made $9.5 billion in cash dividend payments to shareholders.

In Verizon's media business, Oath revenues were $2.2 billion in fourth-quarter 2017, up approximately 10 percent from third-quarter 2017, driven by increased customer advertising spending during the holidays. Verizon expects a normal seasonal trend in Oath revenues between fourth-quarter 2017 and first-quarter 2018.

In telematics, revenues were more than $230 million in fourth-quarter 2017. IoT (Internet of Things) revenues increased approximately 17 percent year over year, and 8 percent on an organic basis (non-GAAP).

Wireless results

- Verizon reported a net increase of 1.2 million retail postpaid connections in fourth-quarter 2017. Net phone additions of 431,000 included 647,000 smartphones, compared with 456,000 smartphone additions in fourth-quarter 2016. Total retail postpaid net adds in fourth-quarter 2017 included 193,000 tablet and 550,000 other connected device net adds, led by wearables.

- Full-year 2017 postpaid net additions of 2.1 million included 1.8 million smartphones, Verizon's highest total since 2015. It also included 31,000 tablets and 1.3 million other connected devices.

- For the third consecutive quarter, Verizon increased customer accounts, adding 40,000 to its base in fourth-quarter 2017. The company ended 2017 with 116.3 million total retail connections -- 110.9 million postpaid connections and 5.4 million prepaid connections.

- Total retail postpaid churn was 1.00 percent in fourth-quarter 2017, a year-over-year improvement of 10 basis points, driven mainly by retail postpaid phone churn of 0.77 percent. This is the 11th consecutive quarter of retail postpaid phone churn of less than 0.90 percent.

- Total revenues were $23.8 billion in fourth-quarter 2017, an increase of 1.7 percent compared with fourth-quarter 2016 and the company's first year-over-year wireless revenue growth in two years. The momentum in service revenue trends continued, increasing sequentially for the second consecutive quarter, to $15.9 billion, while the year-over-year decline improved to 2.9 percent. For full-year 2017, total revenues totaled $87.5 billion, a decline of 1.9 percent.

- Verizon now has approximately 80 percent of its postpaid phone base on unsubsidized service pricing plans, compared with approximately 67 percent at year-end 2016.

- Segment operating income in fourth-quarter 2017 was $7.1 billion, and segment operating income margin on total revenues was 29.9 percent. Segment EBITDA (non-GAAP) totaled $9.5 billion in fourth-quarter 2017. Segment EBITDA margin on total revenues (non-GAAP) was 39.8 percent, compared with 36.9 percent in fourth-quarter 2016.

Wireline results

- Total wireline revenues increased 0.1 percent year over year in fourth-quarter 2017 and 0.6 percent for the full year, compared with 2016, to $7.6 billion and $30.7 billion, respectively. On an organic basis, excluding revenues from acquired operations (non-GAAP), total wireline revenues declined 3.6 percent year over year in fourth-quarter 2017.

- Total Fios revenues grew 2.3 percent, and consumer Fios revenues grew 1.7 percent, comparing fourth-quarter 2017 with fourth-quarter 2016.

- In fourth-quarter 2017, Verizon added a net of 47,000 Fios Internet connections and lost a net of 29,000 Fios Video connections, continuing to reflect the shift from traditional linear video to over-the-top offerings. At year-end 2017, Verizon had 5.9 million Fios Internet connections and 4.6 million Fios Video connections.

- Wireline operating income was $62 million in fourth-quarter 2017, and segment operating income margin was 0.8 percent. Full-year 2017 segment operating income was $380 million, and segment operating income margin was 1.2 percent.

- Segment EBITDA (non-GAAP) was $1.6 billion in fourth-quarter 2017. Segment EBITDA margin (non-GAAP) was 20.9 percent in fourth-quarter 2017, compared with 23.3 percent in fourth-quarter 2016. For the full year, segment EBITDA margin was 21.1 percent in 2017, compared with 18.6 percent in 2016 (which included impacts from a work stoppage).

Outlook and guidance

For 2018, Verizon expects the following:

- Full-year consolidated revenues will grow at low-single-digit percentage rates on a GAAP basis. Excluding the impact from the new revenue recognition standard, Verizon is on track to achieve year-over-year wireless service revenue growth by the middle part of 2018. On a GAAP basis, Verizon expects service revenue growth to turn positive around the end of 2018 or early 2019.

- Low single-digit percentage growth in adjusted EPS, which includes the dilutive impacts from a full year of depreciation and amortization costs from 2017 acquisitions, the Straight Path acquisition expected to close later in the first quarter, and the ongoing impact of last year's data center divestitures. This is before the impact of tax reform and the revenue recognition standard.

- Capital spending for 2018 will be in the range of $17.0 billion to $17.8 billion, including the commercial launch of 5G.

- The expected savings from tax reform will generate a net $3.5 billion to $4.0 billion uplift to cash flow from operations in 2018. This is expected to yield a 55 to 65 cent increase in 2018 EPS, net of impacts from the employee and Verizon Foundation initiatives. The resulting 2018 effective tax rate is projected to be in the range of 24 to 26 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), headquartered in New York City, generated $126 billion in 2017 revenues. The company operates America's most reliable wireless network and the nation's premier all-fiber network, and delivers integrated solutions to businesses worldwide. Its Oath subsidiary reaches about one billion people around the world with a dynamic house of media and technology brands.

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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," "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: adverse conditions in the U.S. and international economies; the effects of competition in the markets in which we operate; material changes in technology or technology substitution; disruption of our key suppliers' provisioning of products or services; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks; breaches of network or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance; 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; material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact; significant increases in benefit plan costs or lower investment returns on plan assets; changes in tax laws or treaties, or in their interpretation; 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; the inability to implement our business strategies; and the inability to realize the expected benefits of strategic transactions.