News Release

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Verizon begins 2020 with strong earnings and cash flow from focused strategic execution

1Q 2020 highlights

Consolidated:
• $1.00 in earnings per share (EPS), compared with $1.22 in 1Q 2019; adjusted EPS (non-GAAP), excluding special items, of $1.26, compared with $1.20 in 1Q 2019.
• Operating revenue decline of 1.6 percent from first-quarter 2019.
• Cash flow from operations of $8.8 billion, an increase of $1.7 billion from first-quarter 2019.

Consumer:
• Total revenue of $21.8 billion, a decrease of 1.7 percent year over year.
• 525,000 retail postpaid net losses, including 307,000 phone net losses and 167,000 postpaid smartphone net losses.
• Total retail postpaid churn of 1.01 percent, and retail postpaid phone churn of 0.77 percent.
• 59,000 Fios Internet net additions.

Business:
• Total revenue of $7.7 billion, a decrease of 0.5 percent year over year.
• 475,000 retail postpaid net additions, including 239,000 phone net additions.
• Total retail postpaid churn of 1.30 percent, and retail postpaid phone churn of 1.02 percent.
Total Wireless:
• Total revenues from wireless products and services of $22.6 billion, a 0.5 percent decrease year over year. Service revenues increased 1.9 percent year over year.
• 50,000 retail postpaid net losses, including 68,000 phone net losses and 95,000 postpaid smartphone net additions.
• Total retail postpaid churn of 1.08 percent, and retail postpaid phone churn of 0.82 percent.

NEW YORK - Verizon Communications Inc. (NYSE, Nasdaq: VZ) reported first-quarter results today highlighted by strong earnings per share performance, increased cash flow, and a further commitment to network investment.

"Verizon began 2020 with strong operational performance," said Chairman and CEO Hans Vestberg. "In an unprecedented time, Verizon took decisive and balanced actions that will serve our stakeholders in the long term, including protecting our employees, maintaining our network quality and reliability, serving our customers, and supporting our communities. We will emerge from this crisis stronger, knowing we provided critical connectivity to our customers, and especially our first responders, while maintaining our commitment to investing in our 5G and Fiber strategies. We are particularly proud of our employees who continue to deliver essential services to our customers and those on the front lines so they can serve others."

For first-quarter 2020, Verizon reported EPS of $1.00, compared with $1.22 in first-quarter 2019. On an adjusted basis (non-GAAP), first-quarter 2020 EPS, excluding special items, was $1.26, compared with adjusted EPS of $1.20 in first-quarter 2019. The company estimates that first-quarter 2020 EPS and adjusted EPS included approximately negative 4 cents of COVID-19-related net impacts, primarily driven by an increase to its bad debt reserve.

First-quarter 2020 EPS included a pre-tax loss from special items of about $1.4 billion, which consisted of a $1.2 billion loss related to the FCC's recently completed spectrum Auction 103 and a net charge of $182 million related to a mark-to-market adjustment for pension liabilities.

In first-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 3 cents in first-quarter 2020.
Consolidated results

• Total consolidated operating revenues in first-quarter 2020 were $31.6 billion, down 1.6 percent from first-quarter 2019. This decline was primarily the result of growth in wireless service revenue in the Consumer and Business segments, more than offset by sharp reductions in equipment revenue, after social distancing measures were adopted in March, limiting in-store customer engagement.

• First-quarter 2020 cash flow from operations totaled $8.8 billion, an increase of $1.7 billion from first-quarter 2019. This year over year growth was primarily the result of Voluntary Separation Program payments and voluntary pension contributions made in first-quarter 2019 that did not repeat this year, as well as working capital improvements this quarter.

• Capital expenditures in first-quarter 2020 were $5.3 billion. Capital expenditures continue to support the capacity for unprecedented traffic growth across Verizon's networks and the deployment of fiber and additional cell sites to support 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 $6.3 billion of cumulative cash savings since the program began and is on track to achieve its target.

• Bad debt expenses increased in first-quarter 2020 as a result of changing expectations around customer payments during the COVID-19 crisis. The company increased its bad debt reserve in first-quarter by $228 million based on the expected number of customers who will seek payment relief under the Keep Americans Connected pledge.

• The company ended first-quarter 2020 with $7 billion of cash on hand, an increase of $4.5 billion from year-end 2019. Carrying a higher cash balance is part of the company's liquidity planning strategy, which included a $3.5 billion bond offering completed in March.

Consumer results

• Total Verizon Consumer revenues were $21.8 billion, a decrease of 1.7 percent year over year, driven by strong service revenue and other revenue growth, more than offset by a significant decrease in wireless equipment revenue due to low volume activity.

• As a result of COVID-19, Verizon closed nearly 70 percent of its company-operated retail locations and reduced in-store service hours to promote social distancing. This resulted in a significant drop in customer activity and device volumes for the quarter. Consumer reported 525,000 wireless retail postpaid net losses in first-quarter 2020. This consisted of 307,000 phone net losses and 227,000 tablet net losses, offset by 9,000 other connected device net additions. Postpaid smartphone net losses were 167,000.

• Consumer wireless service revenues were $13.5 billion in first-quarter 2020, a 0.9 percent increase year over year.

• Total retail postpaid churn was 1.01 percent in first-quarter 2020, and retail postpaid phone churn was 0.77 percent.

• Consumer reported 59,000 Fios Internet net additions as work-from-home, in-home schooling, and other related measures increased the demand for high-quality broadband offerings.
Consumer reported 84,000 Fios Video net losses in first-quarter 2020, reflecting the ongoing shift from traditional linear video to over-the-top offerings.

- In first-quarter 2020, segment operating income was $7.3 billion, an increase of 0.4 percent year over year, and segment operating income margin was 33.5 percent, an increase from 32.7 percent in first-quarter 2019. Segment EBITDA (non-GAAP) totaled $10.1 billion in first-quarter 2020, a decrease of 0.4 percent year over year. Segment EBITDA margin (non-GAAP) was 46.4 percent in first-quarter 2020, up from 45.8 percent in first-quarter 2019.

**Business results**

- Total Verizon Business revenues were $7.7 billion, down 0.5 percent year over year. Business trends were strong throughout first-quarter 2020. Starting in March, Business saw heightened demand for its products and services, specifically for mobility, jetpacks, VPN services and high speed circuit capacity, and experienced increased activity to support front line crisis responders, new work-from-home and home schooling arrangements, and other demands for critical connectivity services.

- Business reported 475,000 wireless retail postpaid net additions in first-quarter 2020, compared with 264,000 in first-quarter 2019. This consisted of 239,000 phone net additions, 60,000 tablet net additions, and 176,000 other connected device additions.

- Business' customer-centric approach led to an effective response to the needs of its business customers at the onset of the COVID-19 crisis. In wireless, this led to a total retail postpaid churn of 1.30 percent in first-quarter 2020, and retail postpaid phone churn of 1.02 percent.

- In first-quarter 2020, segment operating income was $954 million, a decrease of 9.0 percent year over year, and segment operating income margin was 12.4 percent, compared with 13.6 percent in first-quarter 2019. Segment EBITDA (non-GAAP) totaled $2.0 billion in first-quarter 2020, a decrease of 5.8 percent year over year. Segment EBITDA margin (non-GAAP) was 25.6 percent, down from 27.1 percent in first-quarter 2019.

**Media results**

- Total Verizon Media revenues were $1.7 billion, down 4.0 percent year over year, driven almost entirely by COVID-19 impacts. Prior to the COVID-19 crisis, year over year revenue trends continued the steady improvement seen in full-year 2019. Verizon Media has seen increased levels of customer engagement on its platforms, but advertising rates have declined in the current environment.

**Outlook and guidance**

Based on the unprecedented magnitude of current conditions, Verizon is updating financial guidance for full-year 2020:

- The company now expects adjusted EPS growth (non-GAAP) of -2 to 2 percent, an update from prior guidance for 2020 adjusted EPS growth (non-GAAP) of 2 to 4 percent. This updated expectation is based on a scenario that assumes significant headwinds prevailing through second-quarter 2020.

- The company is withdrawing financial guidance related to Consolidated Revenues.
Verizon also expects the following:

- Capital spending to be in the range of $17.5 billion to $18.5 billion as previously announced, to facilitate network activity and help support the economy during this period of disruption.
- 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](http://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 voice, data and video 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 recent 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.