



News Release

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Verizon ends 2019 with highest 4Q wireless adds in six years, increased cash flow and revenue growth

4Q 2019 highlights

Consolidated:

- \$1.23 in earnings per share (EPS), compared with \$0.47 in 4Q 2018; adjusted EPS (non-GAAP), excluding special items, of \$1.13, compared with \$1.12 in 4Q 2018.
- Operating revenue growth of 1.4 percent from fourth-quarter 2018.

Consumer:

- Total revenue of \$24.2 billion, an increase of 2.0 percent year over year.
- 852,000 retail postpaid net additions, including 588,000 phone net additions, up 12.6 percent year over year, and 723,000 postpaid smartphone net additions.
- Total retail postpaid churn of 1.09 percent, and retail postpaid phone churn of 0.83 percent.
- 35,000 Fios Internet net additions.

Business:

- Total revenue of \$8.1 billion, an increase of 0.8 percent year over year.

- 396,000 retail postpaid net additions, including 202,000 phone net additions.
- Total retail postpaid churn of 1.28 percent, and retail postpaid phone churn of 1.00 percent.

Wireless (non-GAAP):

- Total revenue growth of 3.5 percent year over year to \$25.3 billion in fourth-quarter 2019, driven by a 2.7 percent increase in service revenue. For full-year 2019, Wireless service revenue grew 3.2 percent.
- 1.2 million retail postpaid net additions, including 790,000 phone net additions, the highest fourth-quarter phone net additions in six years; and 969,000 postpaid smartphone net additions, up 11.0 percent year over year.
- 1.4 million phone net additions in full-year 2019, compared to 1.1 million in full-year 2018.
- Total retail postpaid churn of 1.13 percent, and retail postpaid phone churn of 0.86 percent.

Wireline (non-GAAP):

- Total revenue of \$7.1 billion, a decrease of 4.1 percent year over year.
- 39,000 Fios Internet net additions; Fios total revenue growth of 0.8 percent year over year.

2019 highlights

Consolidated:

- Full year EPS of \$4.65, compared with \$3.76 in 2018; adjusted EPS (non-GAAP), excluding special items, of \$4.81, compared with 2018 adjusted EPS of \$4.71.
- Full-year 2019 operating cash flow of \$35.7 billion, an increase from \$34.3 billion in 2018.
- Free cash flow (non-GAAP) of \$17.8 billion in full-year 2019, up 0.7 percent year over year.
- Unsecured debt is lower by \$3.9 billion from year-end 2018.

NEW YORK - Verizon Communications Inc. (NYSE, Nasdaq: VZ) closed 2019 with strong fourth-quarter results highlighted by earnings growth and the most fourth-quarter phone net additions in six years.

"Verizon delivered strong operational performance in the fourth quarter, highlighted by continued wireless customer growth in both Consumer and Business," said Chairman and CEO Hans Vestberg. "In 2019, Verizon drove innovation in 5G, established a new operating structure and delivered solid financial results. We entered 2020 with great momentum as we expand our network leadership and remain focused on the customer to provide a best-in-class experience. Our 5G footprint continues to grow as we lead this era of transformational change by building these next-generation networks the right way."

For fourth-quarter 2019, Verizon reported EPS of \$1.23, compared with \$0.47 in fourth-quarter 2018. On an adjusted basis (non-GAAP), fourth-quarter 2019 EPS, excluding special items, was \$1.13, compared with adjusted EPS of \$1.12 in fourth-quarter 2018.

Fourth-quarter 2019 EPS included a net pre-tax loss from special items of about \$2.4 billion, which consisted of an early debt extinguishment charge of \$2.1 billion, an impairment charge of \$236 million primarily related to the write-down of goodwill in the Media business, and a net charge related to severance and annual mark-to-market for pension and OPEB (other post-employment benefits) liabilities of \$135 million. The company also recorded a \$2.2 billion tax benefit related to the sale of preferred shares in a foreign affiliate. The cash impact related to the tax benefit of this sale will be realized in 2020.

In fourth-quarter 2019, Verizon's results included the effects of a reduction in benefits from the adoption of a revenue recognition standard, primarily due to the deferral of commission expense, and the adoption of a lease accounting standard. The combined net impact was a 4 cent headwind in fourth-quarter 2019, and 17 cents for full-year 2019, which is included in the year-over-year increase in adjusted EPS.

For full-year 2019, Verizon reported \$4.65 in EPS, compared with \$3.76 in full-year 2018. On an adjusted basis (non-GAAP), excluding special items, 2019 EPS was \$4.81, compared with 2018 EPS of \$4.71.

Consolidated results

Total consolidated operating revenues in fourth-quarter 2019 were \$34.8 billion, up 1.4 percent from fourth-quarter 2018. This growth was primarily driven by higher wireless service revenue, highlighted by volumes and step-ups in access, partially offset by lower wireless equipment revenue and declines in revenue from wireline products and services, predominantly in the Business segment. Full-year 2019 consolidated operating revenues were \$131.9 billion, up 0.8 percent year over year.

Cash flow from operations totaled \$35.7 billion in 2019, an increase from \$34.3 billion in 2018. This growth was the result of operational improvements in Verizon's businesses and lower discretionary employee benefit contributions, partially offset by higher cash tax payments and cash payments related to the Voluntary Separation Program.

Full-year 2019 capital expenditures were \$17.9 billion. Capital expenditures continue to support the launch and build-out of Verizon's 5G Ultra Wideband network, the growth in data and video traffic on the company's 4G LTE network, the deployment of significant fiber in markets nationwide and the upgrade to Verizon's Intelligent Edge Network architecture.

The company's unsecured debt decreased by \$3.9 billion in 2019. The company remains focused on reducing its net unsecured debt portfolio into its targeted range of 1.75 to 2.0 times, while continuing to actively manage its near-term maturities, optimize its overall funding footprint and lower its cost of capital. With leverage nearing the high end of the targeted range, the company is adding share repurchases as a fourth priority to the capital allocation policy. Repurchases would begin after the company's other priorities have been met, including investment in the business, commitment to the dividend and strengthening of the balance sheet.

In 2018, Verizon announced a goal to achieve \$10 billion in cumulative cash savings by 2021. This initiative has yielded \$5.7 billion of cumulative cash savings since the program began and is on track to achieve its target. For full-year 2019, Verizon realized approximately \$1.3 billion in expense savings from the Voluntary Separation Program.

Net income was \$5.2 billion in fourth-quarter 2019. EBITDA (non-GAAP, earnings before interest, taxes, depreciation and amortization) totaled approximately \$9.0 billion. Consolidated operating income margin was 19.1 percent in fourth-quarter 2019, compared with 1.9 percent in fourth-quarter 2018. Consolidated EBITDA margin (non-GAAP) was 25.8 percent in fourth-quarter 2019, compared with 20.2 percent in fourth-quarter 2018. Adjusted EBITDA margin (non-GAAP) in fourth-quarter 2019 was 32.0 percent, and consolidated adjusted EBITDA (non-GAAP) in fourth-quarter 2019 was \$11.1 billion.

Consumer results

- Total Verizon Consumer revenues were \$24.2 billion, an increase of 2.0 percent year over year, driven by continued strong growth in wireless and Fios service offerings, offset by declines in wireless equipment revenue and copper-based wireline services. For full-year 2019, total Consumer revenues were \$91.1 billion, an increase of 1.4 percent from full-year 2018.
- Consumer reported 852,000 wireless retail postpaid net additions in fourth-quarter 2019. This consisted of 588,000 phone net additions, up 12.6 percent year over year, and 305,000 other connected device net additions, primarily wearables, partially offset by tablet net losses of 41,000. Postpaid smartphone net additions were 723,000.
- Consumer wireless service revenues were \$13.4 billion in fourth-quarter 2019, a 1.9 percent increase year over year, driven by customer step-ups to unlimited and higher-priced tiers and an increase in connections per account. Full-year 2019 wireless service revenues were \$53.8 billion, a 2.5 percent increase year over year.
- Total retail postpaid churn was 1.09 percent in fourth-quarter 2019, and retail postpaid phone churn was 0.83 percent.
- Consumer reported 35,000 Fios Internet net additions and 51,000 Fios Video net losses in fourth-quarter 2019, reflecting the ongoing shift from traditional linear video to over-the-top offerings. Consumer Fios revenues remained relatively flat, primarily due to the demand for broadband offerings, offset by the impact of video subscriber losses.
- In fourth-quarter 2019, segment operating income was \$6.9 billion, an increase of 1.2 percent year over year, and segment operating income margin was 28.4 percent. Full-year 2019 segment operating income margin was 31.8 percent, compared with 31.2 percent in full-year 2018. Segment EBITDA (non-GAAP) totaled \$9.7 billion in fourth-quarter 2019, a decrease of 1.2 percent year over year. Segment EBITDA margin (non-GAAP) was 39.9 percent in fourth-quarter 2019, down from 41.2 percent in fourth-quarter 2018. For the full year, segment EBITDA margin (non-GAAP) was 44.3 percent in 2019, compared with 44.5 percent in 2018. On a year over year basis, headwinds from the deferral of commission expense and the lease accounting standard accounted for approximately 80 basis points for the quarter.

Business results

- Total Verizon Business revenues were \$8.1 billion, up approximately 1.0 percent year over year. For full-year 2019, total Verizon Business revenues were \$31.4 billion, a decrease of 0.3 percent from full-year 2018.
- Business reported 396,000 wireless retail postpaid net additions in fourth-quarter 2019, an increase of 18.6 percent year over year. This consisted of 202,000 phone net additions, 132,000 tablet net additions and 62,000 other connected device additions.
- Total retail postpaid churn was 1.28 percent in fourth-quarter 2019, and retail postpaid phone churn was 1.00 percent.

- In fourth-quarter 2019, segment operating income was \$666 million, a decrease of 16.6 percent year over year, and segment operating income margin was 8.3 percent. Full-year 2019 segment operating income margin was 12.0 percent, compared with 13.2 percent in full-year 2018. Segment EBITDA (non-GAAP) totaled \$1.7 billion in fourth-quarter 2019, a decrease of 10.4 percent year over year. Segment EBITDA margin (non-GAAP) was 20.7 percent, down from 23.3 percent in fourth-quarter 2018, due in part to declines in high margin wholesale revenue. For the full year, segment EBITDA margin (non-GAAP) was 25.0 percent in 2019, compared with 26.7 percent in 2018. On a year over year basis, headwinds from the deferral of commission expense and the lease accounting standard accounted for approximately 50 basis points for the quarter.

Media results

- Total Verizon Media revenues in fourth-quarter 2019 were \$2.1 billion, nearly flat year over year. This is a meaningful improvement from the decline reported at the beginning of the year. Gains in native advertising and the demand-side platform continue to be offset by declines in legacy desktop search revenue streams.

Outlook and guidance

For 2020, Verizon expects the following:

- Adjusted EPS growth (non-GAAP) of 2 to 4 percent.
- Low-to-mid single-digit percentage growth in consolidated revenues compared to full-year 2019.
- Capital spending to be in the range of \$17 billion to \$18 billion, including the expansion of 5G in new and existing markets, the densification of 4G, and the continuation of the fiber build-out.
- 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 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: 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.