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News Release

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Verizon reports strong 3Q results propelled by wireless customer growth

Highest third-quarter phone gross adds in five years, increased wireless net additions and EPS growth

3Q 2019 highlights

Consolidated:

- $1.25 in earnings per share (EPS), compared with $1.19 in 3Q 2018; adjusted EPS (non-GAAP), excluding special items, of $1.25, compared with $1.22 in 3Q 2018.

Consumer:

- Total revenue of $22.7 billion, an increase of 1.4 percent year over year.
- 193,000 retail postpaid net additions, including 239,000 phone net additions, more than double the 112,000 phone net additions in third-quarter 2018, and 372,000 postpaid smartphone net additions.
- Total retail postpaid churn of 1.05 percent, and retail postpaid phone churn of 0.79 percent.
- 30,000 Fios Internet net additions.

Business:

- Total revenue of $7.9 billion, approximately flat year over year.
- 408,000 retail postpaid net additions, including 205,000 phone net additions.
- Total retail postpaid churn of 1.22 percent, and retail postpaid phone churn of 0.98 percent.

Wireless (non-GAAP):

- Total revenue growth of 2.6 percent year over year to $23.6 billion, driven by a 2.7 percent increase in service revenue.
- 601,000 retail postpaid net additions, including 444,000 phone net additions, an increase from 295,000 phone net additions in third-quarter 2018, and 615,000 postpaid smartphone net additions, an increase from 510,000 postpaid smartphone net additions in third-quarter 2018. This growth was driven by a 10 percent year over year increase in phone gross additions.
- Total retail postpaid churn of 1.09 percent, and retail postpaid phone churn of 0.82 percent.

Wireline (non-GAAP):

- Total revenue of $7.1 billion, a decrease of 3.8 percent year over year.
- 36,000 Fios Internet net additions; Fios total revenue growth of 2.3 percent year over year.

NEW YORK - Verizon Communications Inc. (NYSE, Nasdaq: VZ) today reported strong third-quarter 2019 results highlighted by increased cash flow and the most third-quarter phone gross additions in five years.

"Verizon continued its momentum in the third quarter by driving strong wireless volumes in both our Consumer and Business segments, while delivering solid financial results, highlighted by continued wireless service revenue growth, increased cash flow, and EPS growth," said Chairman and CEO Hans Vestberg. "We are focused on our 5G rollout strategy, looking to deploy next-generation networks while enhancing our industry-leading 4G LTE network. Going into the fourth quarter, we are energized by the strong performance of the business and we are confident in our strategy to drive value for our customers and growth for our shareholders."

For third-quarter 2019, Verizon reported EPS of $1.25, compared with $1.19 in third-quarter 2018. The company's reported earnings include a minimal net impact from special items: a net pre-tax gain of $261 million from dispositions of assets and businesses that was offset by a pension re-measurement pre-tax charge of $291 million. On an adjusted basis (non-GAAP), third-quarter 2019 EPS, excluding special items, was $1.25, compared with adjusted EPS of $1.22 in third-quarter 2018.

In third-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 third-quarter 2019, and 13 cents year-to-date, which is included in the year-over-year increase in adjusted EPS.

Consolidated results

Total consolidated operating revenues in third-quarter 2019 were $32.9 billion, up 0.9 percent from third-quarter 2018. This growth was primarily driven by higher wireless service revenue, partially offset by lower wireless equipment revenue and declines in legacy wireline revenue, predominantly in the Business segment.

Year-to-date cash flow from operations totaled $26.7 billion, an increase of $504 million year over year. This growth was the result of operational improvements in Verizon's businesses and lower discretionary employee benefit contributions, offset by higher cash tax payments and cash payments related to the Voluntary Separation Program. In September 2019, Verizon’s Board of Directors declared a quarterly dividend increase for the 13th consecutive year. Through third-quarter 2019, the company’s cash dividend payments totaled $7.5 billion.

Year-to-date capital expenditures were $12.3 billion through third-quarter 2019. 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.

Strong operational cash flow and capital spending efficiencies have enabled Verizon to decrease total debt by $3.5 billion year to date. The company remains focused on reducing its unsecured debt portfolio while continuing to actively manage its near-term maturities, optimize its overall funding footprint, and lower its cost of capital.

In 2018, Verizon announced a goal to achieve $10 billion in cumulative cash savings by 2021. This initiative has yielded $4.6 billion of cumulative cash savings since the program began. In third-quarter 2019, Verizon realized over $400 million of expense savings from the Voluntary Separation Program, producing approximately $900 million in expense savings year-to-date.

Net income was $5.3 billion in third-quarter 2019. EBITDA (non-GAAP, earnings before interest, taxes, depreciation and amortization) totaled approximately $12.2 billion. Consolidated operating income margin was 24.9 percent in third-quarter 2019, compared with 23.5 percent in third-quarter 2018. Consolidated EBITDA margin (non-GAAP) was 37.0 percent in third-quarter 2019, compared with 37.6 percent in third-quarter 2018. Adjusted EBITDA margin (non-GAAP) in third-quarter 2019 was 36.6 percent, and consolidated adjusted EBITDA (non-GAAP) in third-quarter 2019 was $12.0 billion.

Consumer results

- Total Verizon Consumer revenues were $22.7 billion, an increase of 1.4 percent year over year, driven by continued strong growth in wireless service revenue and Fios service offerings, offset by declines in wireless equipment and legacy wireline services.
- Verizon Consumer Group reported 193,000 wireless retail postpaid net additions in third-quarter 2019. This consisted of 239,000 phone net additions, more than double the 112,000 phone net additions in third-quarter 2018, and tablet net losses of 176,000, offset by 130,000 other connected device net additions, primarily wearables. Postpaid smartphone net additions were 372,000, an increase from 285,000 postpaid smartphone net additions in third-quarter 2018. This was driven by a 10 percent year over year increase in phone gross additions.
- Consumer wireless service revenues increased 2.1 percent in third-quarter 2019, driven by customer step-ups to higher-priced plans and an increase in connections per account.
- Total retail postpaid churn was 1.05 percent in third-quarter 2019, and retail postpaid phone churn was 0.79 percent.
- In third-quarter 2019, Verizon Consumer Group reported 30,000 Fios Internet net additions and 67,000 Fios Video net losses, reflecting the ongoing shift from traditional linear video to over-the-top offerings. Consumer Fios revenues increased by 1.7 percent, primarily due to the demand for broadband offerings.
- Segment operating income was $7.5 billion, an increase of 3.8 percent year over year, and segment operating income margin was 33.0 percent. Segment EBITDA (non-GAAP) totaled $10.3 billion in third-quarter 2019, an increase of 0.7 percent year over year. Segment EBITDA margin (non-GAAP) was 45.3 percent, which was down 30 basis points year over year, including

approximately 80 basis points from the deferral of commission expense and the lease accounting standard.

Business results

- Total Verizon Business revenues were $7.9 billion, approximately flat year over year, as growth in wireless service revenue and high quality fiber products was offset by declines in legacy wireline products.

- Verizon Business Group reported 408,000 wireless retail postpaid net additions in third-quarter 2019, an increase of 12.1 percent year over year. This consisted of 205,000 phone net additions, 112,000 tablet net additions and 91,000 other connected device additions.

- Total retail postpaid churn was 1.22 percent in third-quarter 2019, and retail postpaid phone churn was 0.98 percent.

- Segment operating income was $1.0 billion, a decrease of 15.3 percent year over year, and segment operating income margin was 12.4 percent. Segment EBITDA (non-GAAP) totaled $2.0 billion in third-quarter 2019, a decrease of 10.7 percent year over year. Segment EBITDA margin (non-GAAP) was 25.2 percent, down from 28.2 percent in third-quarter 2018, due in part to declines in high margin wholesale revenue and legacy wireline products. This includes headwinds of approximately 50 basis points from the deferral of commission expense and the lease accounting standard.

Media results

- Total Verizon Media revenues in third-quarter 2019 were $1.8 billion, down 2.0 percent year over year, continuing the improvement in revenue trends. Gains in native and mobile advertising continue to be offset by declines in desktop advertising, though the business is building momentum in key areas.

Outlook and guidance

As outlined in Verizon's second-quarter 2019 earnings release, the company expects the following:

- Low single-digit percentage growth in adjusted 2019 EPS, excluding the impact of the lease accounting standard.

- Low single-digit percentage growth in full-year consolidated revenues on a GAAP reported basis.

- Cash taxes to be $2 billion to $3 billion higher than in 2018 due to benefits that were realized in 2018 that are not expected to repeat in 2019.

- Capital spending for 2019 to be in the range of $17 billion to $18 billion, including the expanded commercial launch of 5G.

- Adjusted effective income tax rate (non-GAAP) for full-year 2019 to be at the lower end of its previously disclosed range of 24 percent 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 revenues of $130.9 billion in 2018. The company operates America's most awarded wireless network and the nation's premier all-fiber network, and delivers integrated solutions to businesses worldwide. With brands like Yahoo, TechCrunch and HuffPost, the company's media group helps consumers stay informed and entertained, communicate and transact, while creating new ways for advertisers and partners to connect. Verizon's corporate responsibility prioritizes the environmental, social and governance issues most relevant to its business and impact to society.

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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.