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News Release

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Verizon reports wireless customer gains and strong loyalty in 2Q

2Q 2017 highlights

- $1.07 in earnings per share (EPS), compared with 17 cents in 2Q 2016; adjusted EPS (non-GAAP), excluding special items, of 96 cents in 2Q 2017, compared with 94 cents in 2Q 2016.
- Wireless: 614,000 retail postpaid net additions, including 590,000 postpaid smartphone net adds; retail postpaid churn of 0.94 percent, with strong customer loyalty demonstrated by retail postpaid phone churn of 0.70 percent -- less than 0.90 percent for the ninth consecutive quarter.
- Wireline: Fios total revenue growth of 4.4 percent.

NEW YORK – Strong operating results at Verizon Wireless highlighted second-quarter 2017 performance at Verizon Communications Inc. (NYSE, Nasdaq: VZ), which today reported EPS of $1.07 in the quarter.

This compares with 17 cents per share in second-quarter 2016. Second-quarter 2017 EPS was 96 cents on an adjusted basis (non-GAAP), excluding a net gain from the sale of certain data centers and severance charges and acquisition and integration-related charges primarily associated with Verizon's acquisition of Yahoo's operating business.

This compares with 94 cents per share in second-quarter 2016 adjusted earnings (non-GAAP), which included impacts from a work stoppage and excluded special items related to pension and benefit re-measurement, a gain on the sale of local landline businesses, early debt redemption and tender offers.

"Verizon reignited its growth engine in the quarter, both adding and retaining wireless customers while scaling our media business and continuing to invest in our superior networks," said Chairman and CEO Lowell McAdam. "With record customer loyalty and a clean sweep of third-party network quality results, we're leading the way to provide customers with next-generation broadband, smart cities, telematics, media and Internet of Things services."

Consolidated results

Total consolidated operating revenues in second-quarter 2017 were $30.5 billion, in line with second-quarter 2016. On a comparable basis excluding divestitures and acquisitions (non-GAAP), consolidated revenues declined 2.0 percent.

Net income was $4.5 billion in second-quarter 2017. EBITDA (non-GAAP, earnings before interest, taxes, depreciation and amortization) totaled $12.4 billion. Consolidated operating income margin was 26.9 percent. Consolidated EBITDA margin (non-GAAP) was 40.6 percent -- 37.2 percent, excluding special items (non-GAAP) -- in second-quarter 2017, compared with 28.0 percent in second-quarter 2016.

Cash flow from operations totaled $9.9 billion during first-half 2017, including a net after-tax impact of $2.1 billion in discretionary pension contributions.

Capital expenditures totaled $7.0 billion through first-half 2017, in line with first-half 2016.

In Verizon's media business, AOL's revenues net of traffic acquisition costs were consistent with last year's second-quarter results. Verizon's Oath subsidiary, launched at the June 13 close of the company's acquisition of Yahoo's operating business, houses AOL and Yahoo brands serving about 1 billion unique monthly users globally and representing about $7 billion in annual revenues. Oath expects to realize more than $1 billion in cumulative operating expense synergies through 2020.

Total telematics revenues were approximately $220 million in second-quarter 2017. Organically, IoT revenues (non-GAAP), which include telematics, increased approximately 20 percent year over year.

Wireless results

- Building on momentum since the launch of Verizon Unlimited in mid-February, Verizon reported a net increase of 614,000 retail postpaid connections in second-quarter 2017. Net phone additions of 358,000 included 590,000 smartphones in the quarter, compared with 86,000 net phone additions, including 336,000 smartphones, in second-quarter 2016.

- Verizon's retail postpaid connections base grew 1.2 percent year over year to 109.1 million, and retail prepaid connections grew 1.4 percent to 5.4 million.

- Total retail postpaid churn was 0.94 percent in second-quarter 2017, consistent year over year despite increased churn in tablets. Retail postpaid phone churn was not only less than 0.90 percent for the ninth consecutive quarter, but it also established a new low in the LTE era at 0.70 percent.

- Total revenues were $21.3 billion in second-quarter 2017, a decline of 1.9 percent compared with second-quarter 2016.

- Verizon's unsubsidized service pricing now penetrates roughly 75 percent of its postpaid base. As the company adds new accounts and customers step up to unlimited plans, mitigating lost overage revenues, Verizon believes its service-revenue trend has flattened and expects an improving trend in the second half.

- The percentage of phone activations on device payment plans was about 77 percent in second-quarter 2017, compared with about 76 percent in first-quarter 2017. Verizon expects this rate to remain consistent in third-quarter 2017. Approximately 49 percent of postpaid phone customers had a device payment plan at the end of second-quarter 2017.

- Verizon swept the lead of third-party network performance surveys for 4G in the quarter. As expected, the introduction of Verizon Unlimited increased LTE network usage year over year.

- Segment operating income in second-quarter 2017 was $7.4 billion, and segment operating income margin on total revenues was 34.8 percent. Segment EBITDA (non-GAAP) totaled $9.8 billion in second-quarter 2017, a year-over-year decrease of 5.3 percent. Segment EBITDA margin on total revenues (non-GAAP) was 45.8 percent, compared with 47.5 percent in second-quarter 2016.

Wireline results

- Total wireline revenues increased 1.2 percent, to $7.8 billion, comparing second-quarter 2017 with second-quarter 2016. On a comparable basis, excluding revenues from newly acquired XO Communications and from newly divested data centers (non-GAAP), total wireline revenues declined 2.8 percent year over year.

- Total Fios revenues grew 4.4 percent, to $2.9 billion, comparing second-quarter 2017 with second-quarter 2016. There's a growing shift in wireline revenues attributed to fiber-based products. Organic revenues from fiber-based products grew more than 3 percent.

- In second-quarter 2017, Verizon added a net of 49,000 Fios Internet connections and lost a net of 15,000 Fios Video connections. At the end of the quarter, Verizon had 5.7 million Fios Internet connections and 4.7 million Fios Video connections, year-over-year increases of 4.4 percent and 0.6 percent, respectively.

- Verizon's emphasis on delivering value to all business customers was recognized in a leading third-party study, as the company won the large enterprise business award for the second consecutive year. In the second quarter, Verizon Enterprise Solutions (VES) released its 10th annual Data Breach Investigations Report, which combines analysis of the biggest cybersecurity issues with key industry-specific insights. VES also introduced Visual Interactive Calling and Software Defined Perimeter products. Supporting the public safety community, VES convened 40 technology companies at Operation Convergent Response, demonstrating new tech capabilities for first responders through live crisis simulations.

- Wireline operating income was $68 million in second-quarter 2017, compared with a loss of $524 million in second-quarter 2016 (impacted by a work stoppage). Segment operating income margin was 0.9 percent in second-quarter 2017. Segment EBITDA (non-GAAP) was $1.6 billion in second-quarter 2017. Segment EBITDA margin (non-GAAP) was 20.8 percent in second-quarter 2017, compared with 13.3 percent in second-quarter 2016, and down from 22.0 percent in first-quarter 2017 due to the impact of the data center transaction.

- During second-quarter 2017, Verizon announced fiber purchase agreements with Corning and Prysmian to extend the company's network lead and position the company to deliver new multiuse fiber services, including 5G, while complementing small-cell deployment. In June, Verizon and the city of Sacramento, Calif., announced a partnership to develop and deploy smart-city services. Verizon has begun previously announced pre-commercial 5G fixed-wireless broadband trials in 8 of 11 cities.

Outlook and forward-looking items

Verizon expects the following:

- Full-year 2017 consolidated revenues, on an organic basis, to be fairly consistent with 2016, with improvement in wireless service revenue and equipment revenue trends; also, full-year 2017 consolidated adjusted EPS trends to be similar to consolidated revenue trends;

- Consolidated capital spending for 2017 to be in the range of $16.8 billion to $17.5 billion; and

- The 2017 effective tax rate to be at the low end of the range of 34 percent to 36 percent, excluding impacts from potential tax reform.

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, has a diverse workforce of 163,400 and generated nearly $126 billion in 2016 revenues. Verizon 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 houses more than 50 media and technology brands that engage about 1 billion people around the world.

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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,” “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. 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.