

# 2Q 2019 Earnings Results

August 1, 2019

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# “Safe Harbor” Statement

NOTE: In this presentation 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.

**As required by SEC rules, we have provided a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP measures in materials on our website at [www.verizon.com/about/investors](http://www.verizon.com/about/investors).**

# Consolidated: Earnings Summary

## 2Q 2019

	2Q '18	1Q '19	2Q '19
Reported EPS	\$1.00	\$1.22	\$0.95
Special items:			
Early debt redemption costs	—	—	\$0.28
Pension remeasurement credit	—	(\$0.02)	—
Product realignment charges	\$0.12	—	—
Severance charges	\$0.06	—	—
Acquisition and integration-related charges	\$0.02	—	—
Adjusted EPS*	\$1.20	\$1.20	\$1.23

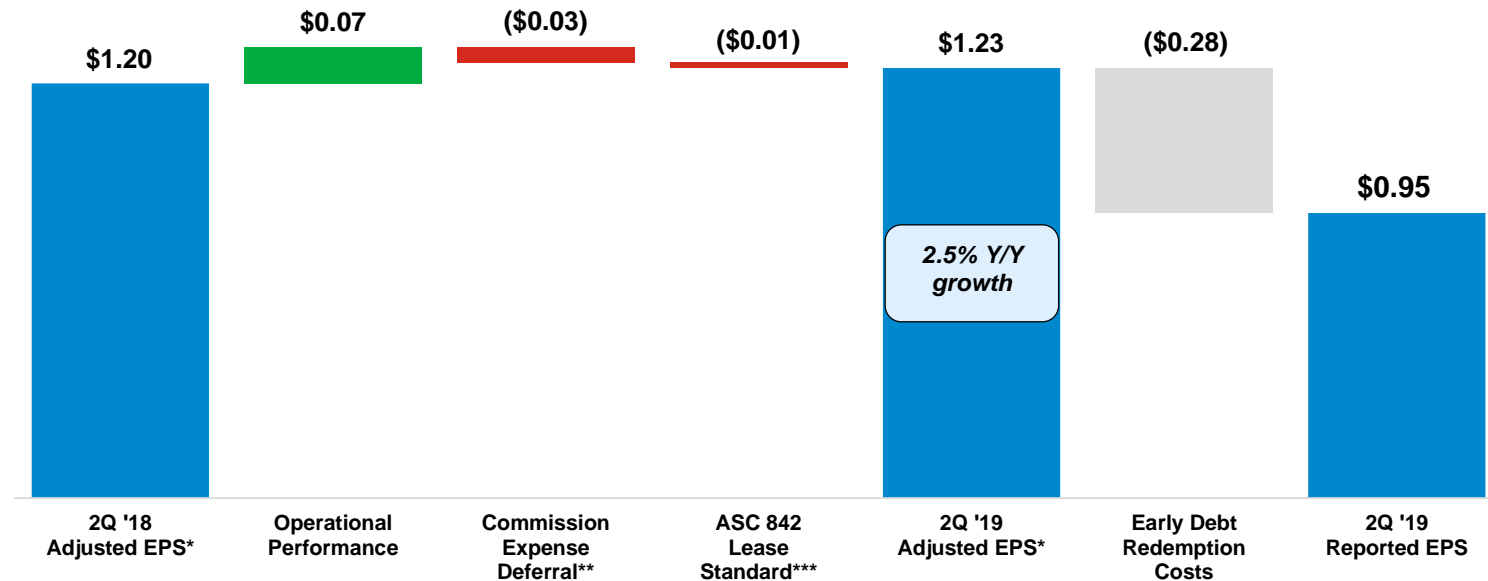
Note: Amounts may not add due to rounding.

\* Non-GAAP measure.

**Year-over-year and sequential increase in adjusted EPS**

# Consolidated: Adjusted EPS

2Q 2019



\* Non-GAAP measure.

\*\* ASC 606 – Revenue Recognition Standard adopted on January 1, 2018.

\*\*\* ASC 842 – Lease Accounting Standard adopted on January 1, 2019.

**Strong earnings performance**

# 2Q 2019 Overview



## CORE

- Strong 2Q results – wireless service revenue growth and solid EBITDA
- Growth in net adds and strong customer loyalty
- Disciplined capital allocation – strong cash flow



## NETWORK

- VZ network continues to top 3<sup>rd</sup> party tests; strengthened mmWave position
- Nine cities launched on mobile 5G Ultra Wideband; expansion of 5G device portfolio
- Fiber deployment across 60+ markets out of footprint

## 2.0 TRANSFORMATIONS

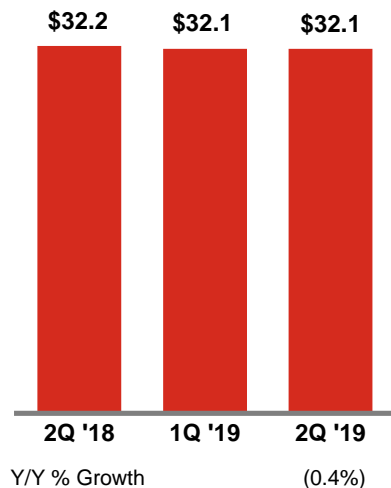
- First quarter in 2.0 customer-centric operating model
- Expanding ecosystem partnerships (YouTube TV, NBA)
- Workforce transformation concluded

Transformation to Verizon 2.0 from a position of strength

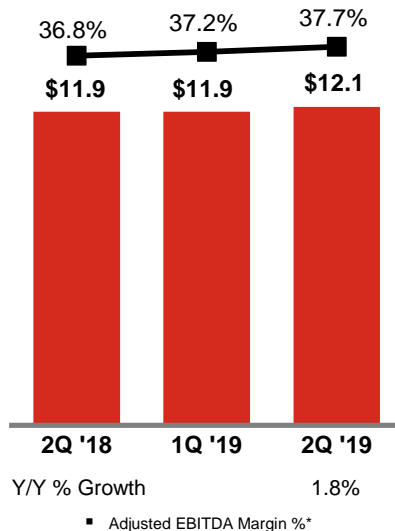
# Consolidated: Financial Summary

## 2Q 2019

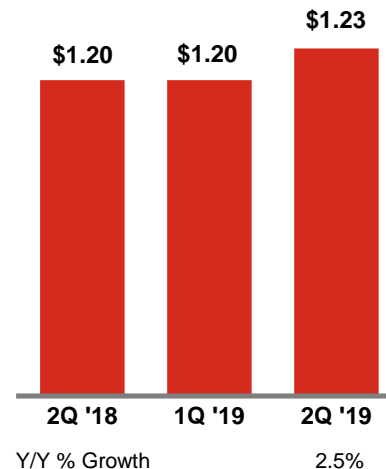
### Total Revenue (\$B)



### Adjusted EBITDA (\$B)\*



### Adjusted EPS\*



\* Non-GAAP measure.

**EPS growth driven by ~\$200M Y/Y increase in adjusted EBITDA**

# Consumer: Financial

## 2Q 2019

Total revenue of \$22.0B

Wireless service revenue of \$13.5B

- Up 2.5% Y/Y
- Up 0.7% Q/Q

Fios revenue grew 1.2%

Segment EBITDA margin on total revenue of 46.5%\*

### Total Revenue (\$B)

	2Q '18	1Q '19	2Q '19
Total Revenue	\$22.0	\$22.1	\$22.0
Wireline	\$3.2	\$3.1	\$3.1
Wireless	\$18.8	\$19.0	\$18.9
Y/Y % Growth	3.4%	2.4%	—

### Segment EBITDA\* (\$B)

	2Q '18	1Q '19	2Q '19
Segment EBITDA	\$10.1	\$10.1	\$10.2
Segment EBITDA Margin %*	45.7%	45.8%	46.5%
Y/Y % Growth	6.6%	2.4%	1.6%

\* Non-GAAP measure.

**Wireless service revenue growth driving strong EBITDA performance**

# Consumer: Key Metrics

## 2Q 2019

6.6M Postpaid device activations

- Gross adds of 2.7M, up 4.1%
- 2Q'19 upgrade rate of 4.3% vs 5.1% in 2Q '18

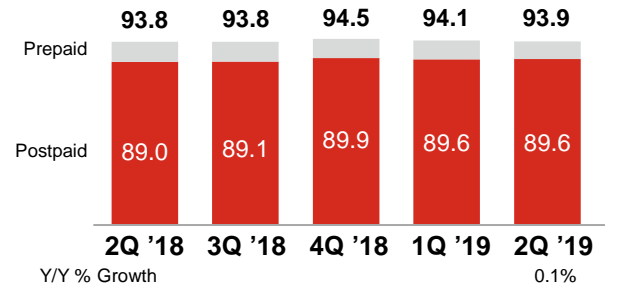
209K Postpaid smartphone net adds

126K Retail postpaid net adds\*

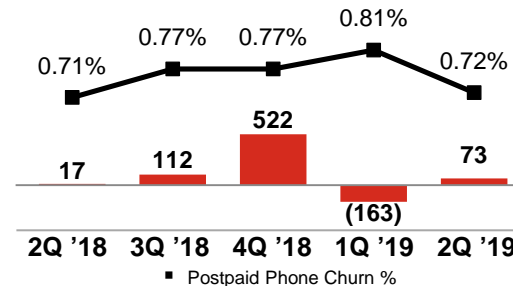
28K Fios Internet net adds

52K Fios Video net losses

### Wireless Retail Connections (M)



### Wireless Postpaid Phone Net Adds (K)



\* Excludes acquisitions and adjustments.

**Consumer wireless volumes higher year-over-year**



# Business: Financial

## 2Q 2019

Total revenue of \$7.8B

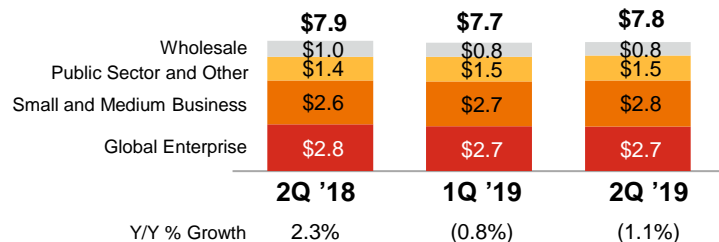
Wireless service revenue of \$2.8B, up 6.1% Y/Y

Wireless revenue up 5.6%

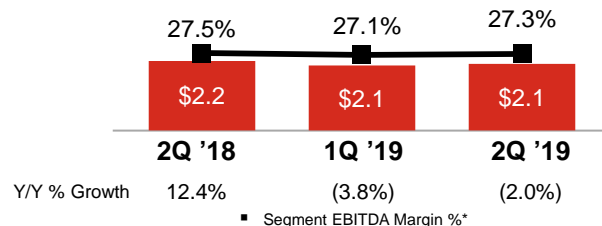
Wireline revenue down 7.6%

Segment EBITDA margin on total revenue of 27.3%\*

### Total Revenue (\$B)



### Segment EBITDA\* (\$B)



Note: Amounts may not add due to rounding.

\* Non-GAAP measure.

**Strong growth in wireless service revenue offsetting secular wireline pressures**

# Business: Key Metrics

## 2Q 2019

2.2M Postpaid device activations

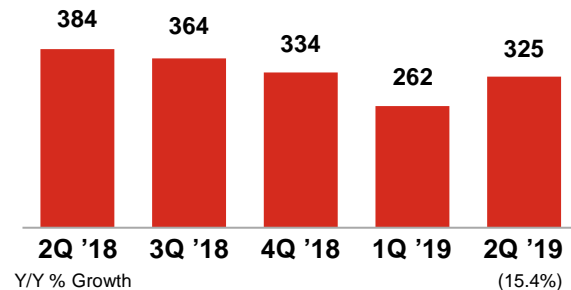
- Upgrade rate of 4.2%

24.2M Retail connections

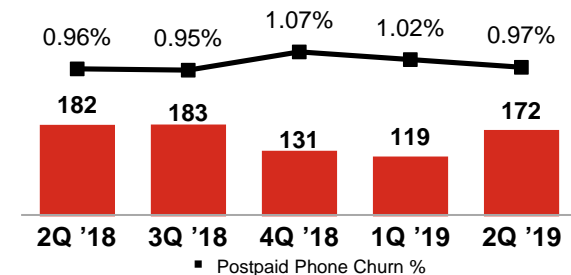
325K Wireless postpaid net adds

172K Wireless postpaid phone net adds

### Wireless Retail Postpaid Net Adds (K)



### Wireless Retail Postpaid Phone Net Adds (K)



**Continued strong trends in Business wireless volumes**

# Verizon Media Group

2Q 2019

Revenue of \$1.8B

- Down 2.9% Y/Y
- Up 4.4% Q/Q


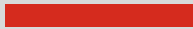







Focus on Super Channels:

- Launched Yahoo Finance Premium
- Launched HuffPost Plus



Improving trends in the business

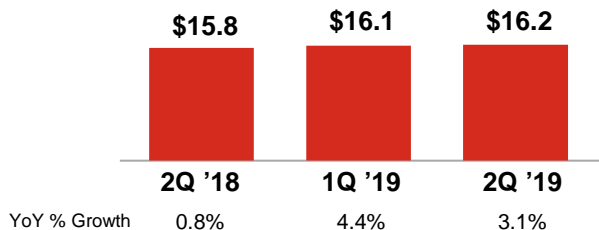
# VZ 2.0 to VZ 1.0 Reconciliation: 2Q '19

		Consumer Revenue (\$B)				
		VZ 2.0				VZ 1.0*
		\$22.0	(\$3.1)	\$3.8	NM	\$22.7
						
		Total Consumer	Consumer Wireline	Business Wireless	Eliminations	Total Wireless
EBITDA*		\$10.2				\$10.9
Margin %*		46.5%				48.2%
		Business Revenue (\$B)				
		\$7.8	(\$3.8)	(\$0.2)	\$3.1	\$7.1
						
		Total Business	Business Wireless	VZ Connect	Consumer Wireline	Total Wireline
EBITDA*		\$2.1				\$1.4
Margin %*		27.3%				19.3%

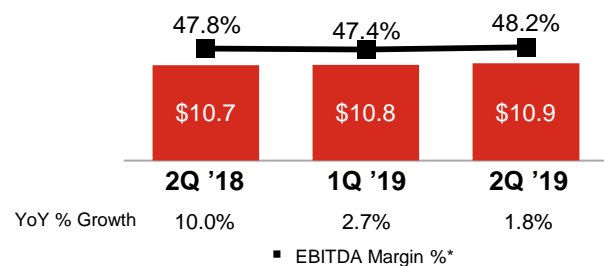
\* Non-GAAP measure.

# Verizon 1.0: Total Wireless

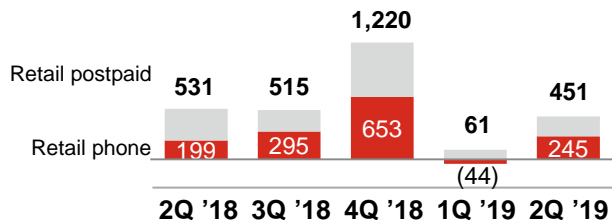
## Service Revenue\* (\$B)



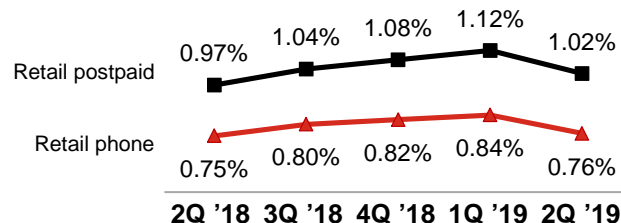
## EBITDA\* (\$B)



## Net Adds (K)



## Churn



\* Non-GAAP measure.



# Consolidated: Cash Flow Summary

(\$ in billions)	1H '18	1H '19
Cash flow from operations	\$16.4	\$15.8
Capital expenditures	\$7.8	\$8.0
Free cash flow*	\$8.6	\$7.9
Dividends paid	\$4.8	\$5.0
Total debt	\$114.6	\$113.4
Unsecured Debt	\$106.0	\$102.1
Net unsecured debt to adjusted EBITDA*	2.3x	2.1x

Note: Amounts may not add due to rounding.

\* Non-GAAP measure.

**Strong cash generation supports capital allocation goals**

# 2Q 2019 Summary



## FINANCIALS

- Delivered strong growth in wireless service revenue and EBITDA
- Strong cash flow generation driven by disciplined capital allocation

2.0

- Customer-driven go-to-market strategy supported by Verizon 2.0 realignment
- Seamless transition to new structure



## NETWORK

- Capitalizing on first-mover advantage in 5G
- Recognition of unparalleled network leadership by third-party data

**Strong progress on 2019 strategic priorities**

