Non-GAAP Reconciliations

As of March 31, 2021

verizon

Definitions - Non-GAAP Measures

Non-GAAP Measures

Verizon's Financial and Operating Information includes financial information prepared in conformity with generally accepted accounting principles in the United States (GAAP) as well as non-GAAP financial information. It is management's intent to provide non-GAAP financial information to enhance the understanding of Verizon's GAAP financial information and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. We believe that providing these non-GAAP measures in addition to the GAAP measures allows management, investors and other users of our financial information to more fully and accurately assess both consolidated and segment performance. The non-GAAP financial information presented may be determined or calculated differently by other companies and may not be directly comparable to that of other companies.

EBITDA and EBITDA Margin Related Non-GAAP Measures

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), Segment EBITDA and Segment EBITDA Margin are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information as they are a widely accepted financial measures used in evaluating the profitability of a company and with its competitors.

Consolidated EBITDA is calculated by adding back interest, taxes and depreciation and amortization expense to net income.

Segment EBITDA is calculated by adding back segment depreciation and amortization expense to segment operating income. Segment EBITDA Margin is calculated by dividing Segment EBITDA by segment total operating revenues.

Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin Related Non-GAAP Measures

Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin are non-GAAP financial measures that we believe provide relevant and useful information to management, investors and other users of our financial information in evaluating the effectiveness of our operations and underlying business trends in a manner that is consistent with management's evaluation of business performance. We believe that Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin are used by investors to compare a company's operating performance to its competitors by minimizing impacts caused by differences in capital structure, taxes and depreciation policies. Further, the exclusion of non-operational items and special items enables comparability to prior period performance and trend analysis.

Consolidated Adjusted EBITDA is calculated by excluding from Consolidated EBITDA the effect of the following non-operational items: equity in losses and earnings of unconsolidated businesses and other income and expense, net, and the following special items: impairment charges, severance charges, loss on spectrum licenses, and net gain/loss from dispositions of assets and businesses. The impairment charges relate to goodwill impairment charges recognized as a result of the Company's annual goodwill impairment testing of its media business, Verizon Media, and the impairment charge of an investment in a media joint venture. Severance charges recorded during 2020 and 2019 relate to voluntary separations under our existing plans and headcount reduction initiatives respectively. Loss on spectrum licenses relates to the reclassification of certain spectrum licenses to assets held for sale at fair value in connection with spectrum sale transactions in 2021 and Auction 103 in 2020. Net gain/loss from dispositions of assets and businesses relates to the sale of Huffington Post in 2020 and the sale of various real estate properties and businesses in 2019.

Consolidated Adjusted EBITDA Margin is calculated by dividing Consolidated Adjusted EBITDA by Consolidated Operating Revenues.

Adjusted Earnings per Common Share (Adjusted EPS) and Adjusted EPS Forecast

Adjusted EPS and Adjusted EPS Forecast are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating our operating results and understanding our operating trends without the effect of special items which could vary from period to period. We believe excluding special items provides more comparable assessment of our financial results from period to period.

Adjusted EPS is calculated by excluding from the calculation of reported EPS the effect of the following special items: loss on spectrum licenses and net pension remeasurement charge.

We have not provided a reconciliation for our Adjusted EPS Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2021.

Adjusted Effective Income Tax Rate Attributable to Verizon Forecast (Adjusted ETR Forecast)

Adjusted ETR Forecast is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in assessing our effective income tax rate without the effect of special items which could vary from period to period. Adjusted ETR Forecast is calculated by dividing the Provision for income taxes by Net Income attributable to Verizon before tax after adjusting for the impact of special items.

We have not provided a reconciliation for our Adjusted ETR Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2021.

Definitions - Non-GAAP Measures

Net Unsecured Debt, Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio and Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio Forecast

Net Unsecured Debt, Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio and Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio Forecast are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating Verizon's ability to service its unsecured debt from continuing operations.

Net Unsecured Debt is calculated by subtracting secured debt and cash and cash equivalents from the sum of debt maturing within one year and long-term debt. Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio is calculated by dividing Net Unsecured Debt by Consolidated Adjusted EBITDA. For purposes of Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio, Consolidated Adjusted EBITDA is calculated for the last twelve months.

We have not provided a reconciliation for our Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2021.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that reflects an additional way of viewing our liquidity that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. We believe it is a more conservative measure of cash flow since capital expenditures are necessary for ongoing operations. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on finance lease obligations or cash payments for acquisitions of businesses or wireless licenses. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows.

Free cash flow is calculated by subtracting capital expenditures (including capitalized software) from net cash provided by operating activities.

Non-GAAP Reconciliations - Consolidated

Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

(dollars in millions)

	2019			2020				2021
Unaudited	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Consolidated Net Income	$ 4,074	$ 5,337	$ 5,217	$ 4,287	$ 4,839	$ 4,504	$ 4,718	**$ 5,378**
Add/(subtract):								
Provision (benefit) for income taxes	1,236	1,586	(1,505)	1,389	1,348	1,347	1,535	**1,700**
Interest expense [(1)]	1,215	1,146	1,159	1,034	1,089	1,044	1,080	**1,101**
Depreciation and amortization expense	4,232	4,114	4,105	4,150	4,181	4,192	4,197	**4,174**
Consolidated EBITDA	$ 10,757	$ 12,183	$ 8,976	$ 10,860	$ 11,457	$ 11,087	$ 11,530	**$ 12,353**
Add/(subtract):								
Other (income) expense, net [(2)]	$ 1,312	$ 110	$ 1,773	$ (143)	$ 72	$ 774	$ (164)	**$ (401)**
Equity in losses (earnings) of unconsolidated businesses [(3)]	13	1	(5)	12	13	9	11	**(8)**
Impairment charges	—	—	186	—	—	—	—	**—**
Severance charges	—	—	204	—	—	—	221	**—**
Loss on spectrum licenses	—	—	—	1,195	—	—	—	**223**
Net (gain) loss from dispositions of assets and businesses	—	(261)	—	—	—	—	126	**—**
Consolidated Adjusted EBITDA	$ 12,082	$ 12,033	$ 11,134	$ 11,924	$ 11,542	$ 11,870	$ 11,724	**$ 12,167**
Consolidated Operating Revenues				$ 31,610	$ 30,447	$ 31,543	$ 34,692	**$ 32,867**
Consolidated Adjusted EBITDA Margin				37.7 %	37.9 %	37.6 %	33.8 %	**37.0 %**
Consolidated Adjusted EBITDA - Year Over Year Change %								**2.0 %**

(1) Includes Early debt redemption costs, where applicable.

(2) Includes Pension and benefits mark-to-market adjustments and Early debt redemption costs, where applicable.

(3) Includes impairment charges, where applicable.

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except per share amounts)

Unaudited	Pre-tax	Tax	After-Tax	3 Mos. Ended 3/31/20	Pre-tax	Tax	After-Tax	3 Mos. Ended 3/31/21
EPS				$ 1.00				**$ 1.27**
Loss on spectrum licenses	1,195	(281)	914	0.22	223	(56)	167	**0.04**
Net pension remeasurement charge	$ 182	$ (47)	$ 135	0.03	$ —	$ —	$ —	**—**
	$ 1,377	$ (328)	$ 1,049	$ 0.25	$ 223	$ (56)	$ 167	**$ 0.04**
Adjusted EPS				$ 1.26				**$ 1.31**
Year over year change %								**4.0 %**

Note:
Adjusted EPS may not add due to rounding.

Non-GAAP Reconciliations - Consolidated

Net Unsecured Debt and Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	**3/31/21**
Debt maturing within one year	$ 10,777	$ 11,175	$ 6,651	$ 5,770	$ 5,889	**$ 8,802**
Long-term debt	100,712	106,561	106,190	109,790	123,173	**149,700**
Total Debt	111,489	117,736	112,841	115,560	129,062	**158,502**
Less Secured debt	12,369	12,989	10,607	10,092	10,604	**10,876**
Unsecured Debt	99,120	104,747	102,234	105,468	118,458	**147,626**
Less Cash and cash equivalents	2,594	7,047	7,882	8,983	22,171	**10,205**
Net Unsecured Debt	$ 96,526	$ 97,700	$ 94,352	$ 96,485	$ 96,287	**$ 137,421**
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio		2.1x	2.0x	2.1x	2.0x	**2.9x**

Free Cash Flow

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/20	**3 Mos. Ended 3/31/21**
Net Cash Provided by Operating Activities	$ 8,824	**$ 9,694**
Capital expenditures (including capitalized software)	(5,274)	**(4,494)**
Free Cash Flow	$ 3,550	**$ 5,200**
Year over year change %		46.5 %

Non-GAAP Reconciliations - Segments

Segment EBITDA and Segment EBITDA Margin

Consumer

(dollars in millions)

Unaudited	3 Months Ended 3/31/20	3 Months Ended 6/30/20	3 Months Ended 9/30/20	3 Months Ended 12/31/20	**3 Months Ended 3/31/21**
Operating Income	$ 7,282	$ 7,064	$ 7,437	$ 7,073	**$ 7,519**
Add Depreciation and amortization expense	2,820	2,849	2,862	2,864	**2,861**
Segment EBITDA	$ 10,102	$ 9,913	$ 10,299	$ 9,937	**$ 10,380**
Total operating revenues	$ 21,765	$ 21,113	$ 21,736	$ 23,919	**$ 22,798**
Operating Income Margin	33.5 %	33.5 %	34.2 %	29.6 %	**33.0 %**
Segment EBITDA Margin	46.4 %	47.0 %	47.4 %	41.5 %	**45.5 %**
Segment EBITDA - Year over year change					**2.8 %**
Segment EBITDA Margin - Year over year change					**(90) bps**

Business

(dollars in millions)

Unaudited	3 Months Ended 3/31/20	3 Months Ended 6/30/20	3 Months Ended 9/30/20	3 Months Ended 12/31/20	**3 Months Ended 3/31/21**
Operating Income	$ 954	$ 946	$ 923	$ 950	**$ 899**
Add Depreciation and amortization expense	1,014	1,014	1,027	1,031	**1,013**
Segment EBITDA	$ 1,968	$ 1,960	$ 1,950	$ 1,981	**$ 1,912**
Total operating revenues	$ 7,681	$ 7,482	$ 7,749	$ 8,050	**$ 7,781**
Operating Income Margin	12.4 %	12.6 %	11.9 %	11.8 %	**11.6 %**
Segment EBITDA Margin	25.6 %	26.2 %	25.2 %	24.6 %	**24.6 %**
Segment EBITDA - Year over year change					**(2.8)%**
Segment EBITDA Margin - Year over year change					**(100) bps**