

Non-GAAP Reconciliations

As of September 30, 2021



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.

Consolidated Operating Revenues Excluding Divested Media Business

Consolidated Operating Revenues Excluding Divested Media Business is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our revenue growth and trends on a comparable basis following the sale of Verizon Media (divested Media business) on September 1, 2021.

Consolidated Operating Revenues Excluding Divested Media Business is calculated by subtracting operating revenues of the divested Media business from consolidated operating revenues.

Consolidated Service and Other Revenues Excluding Divested Media Business

Consolidated Service and Other Revenues Excluding Divested Media Business is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our revenue growth and trends on a comparable basis following the sale of Verizon Media (divested Media business) on September 1, 2021.

Consolidated Service and Other Revenues Excluding Divested Media Business is calculated by subtracting service and other revenues of the divested Media business from consolidated service and other revenues.

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 disposition of business. The impairment charges relate to goodwill impairment charges recognized as a result of the Company's annual goodwill impairment testing of its former media business, Verizon Media. Severance charges recorded during both 2021 and 2020 relate to voluntary separations under our existing plans. Severance charges recorded during 2019 relate to headcount reduction initiatives. Loss on spectrum licenses relates to the sale of certain wireless licenses in 2021 and Auction 103 in 2020. Net gain/loss from disposition of business relates to the sale of Verizon Media in 2021 and the sale of Huffington Post in 2020.

Consolidated Adjusted EBITDA Margin is calculated by dividing Consolidated Adjusted EBITDA by consolidated operating revenues.

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

Net Unsecured Debt and Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio 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, including cash and cash equivalents held for sale where applicable, 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.

Definitions - Non-GAAP Measures

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: severance, pension and benefits charges, and net gain from sale of Verizon Media (Media). Pension and benefits charges relate to actuarial gains/losses resulting from the re-measurements of pension and other postretirement benefits.

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.

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 Operating Revenues Excluding Divested Media Business

		(dollars in millions)	
		3 Mos. Ended 9/30/20	3 Mos. Ended 9/30/21
Unaudited			
Consolidated Operating Revenues	\$	31,543	\$ 32,915
Less Operating revenues from divested Media business		1,625	1,348
Consolidated Operating Revenues Excluding Divested Media Business	\$	29,918	\$ 31,567
Year over year change %			5.5 %

Consolidated Service and Other Revenues Excluding Divested Media Business

		(dollars in millions)	
		3 Mos. Ended 9/30/20	3 Mos. Ended 9/30/21
Unaudited			
Consolidated Service and Other Revenues	\$	27,431	\$ 27,565
Less Service and other revenues from divested Media business		1,625	1,348
Consolidated Service and Other Revenues Excluding Divested Media Business	\$	25,806	\$ 26,217
Year over year change %			1.6 %

Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

		(dollars in millions)							
		2019		2020			2021		
Unaudited		4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Consolidated Net Income	\$	5,217	\$ 4,287	\$ 4,839	\$ 4,504	\$ 4,718	\$ 5,378	\$ 5,949	\$ 6,554
Add/(subtract):									
Provision (benefit) for income taxes		(1,505)	1,389	1,348	1,347	1,535	1,700	1,875	1,820
Interest expense ⁽¹⁾		1,159	1,034	1,089	1,044	1,080	1,101	844	801
Depreciation and amortization expense		4,105	4,150	4,181	4,192	4,197	4,174	4,020	3,961
Consolidated EBITDA	\$	8,976	\$ 10,860	\$ 11,457	\$ 11,087	\$ 11,530	\$ 12,353	\$ 12,688	\$ 13,136
Add/(subtract):									
Other (income) expense, net ⁽²⁾	\$	1,773	\$ (143)	\$ 72	\$ 774	\$ (164)	\$ (401)	\$ (502)	\$ (269)
Equity in losses (earnings) of unconsolidated businesses ⁽³⁾		(5)	12	13	9	11	(8)	(1)	(1)
Impairment charges		186	—	—	—	—	—	—	—
Severance charges		204	—	—	—	221	—	—	103
Loss on spectrum licenses		—	1,195	—	—	—	223	—	—
Net (gain) loss from disposition of business		—	—	—	—	126	—	—	(706)
Consolidated Adjusted EBITDA	\$	11,134	\$ 11,924	\$ 11,542	\$ 11,870	\$ 11,724	\$ 12,167	\$ 12,185	\$ 12,263
Consolidated Operating Revenues					\$ 31,543	\$ 34,692	\$ 32,867	\$ 33,764	\$ 32,915
Consolidated Adjusted EBITDA Margin					37.6 %	33.8 %	37.0 %	36.1 %	37.3 %
Consolidated Adjusted EBITDA - Year Over Year Change %									3.3 %

(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.

Non-GAAP Reconciliations - Consolidated

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except per share amounts)

Unaudited				3 Mos. Ended 9/30/20				3 Mos. Ended 9/30/21
	Pre-tax	Tax	After-Tax		Pre-tax	Tax	After-Tax	
EPS				\$ 1.05				\$ 1.55
Severance, pension and benefits charges	\$ 1,092	\$ (279)	\$ 813	0.20	\$ 247	\$ (63)	\$ 184	0.04
Net gain from sale of Media	—	—	—	—	(706)	(30)	(736)	(0.18)
	\$ 1,092	\$ (279)	\$ 813	\$ 0.20	\$ (459)	\$ (93)	\$ (552)	\$ (0.13)
Adjusted EPS				\$ 1.25				\$ 1.41
Year over year change %								12.8 %

Note: Adjusted EPS may not add due to rounding.

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	6/30/21	9/30/21
Debt maturing within one year	\$ 10,777	\$ 11,175	\$ 6,651	\$ 5,770	\$ 5,889	\$ 8,802	\$ 7,023	\$ 7,623
Long-term debt	100,712	106,561	106,190	109,790	123,173	149,700	144,894	143,352
Total Debt	111,489	117,736	112,841	115,560	129,062	158,502	151,917	150,975
Less Secured debt	12,369	12,989	10,607	10,092	10,604	10,876	10,315	9,425
Unsecured Debt	99,120	104,747	102,234	105,468	118,458	147,626	141,602	141,550
Less Cash and cash equivalents ⁽¹⁾	2,594	7,047	7,882	8,983	22,171	10,205	4,757	9,936
Net Unsecured Debt	\$ 96,526	\$ 97,700	\$ 94,352	\$ 96,485	\$ 96,287	\$ 137,421	\$ 136,845	\$ 131,614
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio				2.1x	2.0x	2.9x	2.9x	2.7x
Unsecured Debt - Quarter over quarter change								\$ (52)
Net Unsecured Debt - Quarter over quarter change								\$ (5,231)

(1) Includes Cash and cash equivalents held for sale, where applicable.

Free Cash Flow

(dollars in millions)

Unaudited	9 Mos. Ended 9/30/20	9 Mos. Ended 9/30/21
Net Cash Provided by Operating Activities	\$ 32,472	\$ 31,162
Capital expenditures (including capitalized software)	(14,168)	(13,861)
Free Cash Flow	\$ 18,304	\$ 17,301
Year over year change %		(5.5)%

Non-GAAP Reconciliations - Segments

Segment EBITDA and Segment EBITDA Margin

Consumer

	(dollars in millions)						
	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended
Unaudited	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21	9/30/21
Operating Income	\$ 7,282	\$ 7,064	\$ 7,437	\$ 7,073	\$ 7,519	\$ 7,497	\$ 7,590
Add Depreciation and amortization expense	2,820	2,849	2,862	2,864	2,861	2,900	2,918
Segment EBITDA	\$ 10,102	\$ 9,913	\$ 10,299	\$ 9,937	\$ 10,380	\$ 10,397	\$ 10,508
Total operating revenues	\$ 21,765	\$ 21,113	\$ 21,736	\$ 23,919	\$ 22,798	\$ 23,477	\$ 23,328
Operating Income Margin	33.5 %	33.5 %	34.2 %	29.6 %	33.0 %	31.9 %	32.5 %
Segment EBITDA Margin	46.4 %	47.0 %	47.4 %	41.5 %	45.5 %	44.3 %	45.0 %
Segment EBITDA - Year over year change %							2.0 %

Business

	(dollars in millions)						
	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended
Unaudited	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21	9/30/21
Operating Income	\$ 954	\$ 946	\$ 923	\$ 950	\$ 899	\$ 856	\$ 886
Add Depreciation and amortization expense	1,014	1,014	1,027	1,031	1,013	1,015	1,018
Segment EBITDA	\$ 1,968	\$ 1,960	\$ 1,950	\$ 1,981	\$ 1,912	\$ 1,871	\$ 1,904
Total operating revenues	\$ 7,681	\$ 7,482	\$ 7,749	\$ 8,050	\$ 7,781	\$ 7,762	\$ 7,689
Operating Income Margin	12.4 %	12.6 %	11.9 %	11.8 %	11.6 %	11.0 %	11.5%
Segment EBITDA Margin	25.6 %	26.2 %	25.2 %	24.6 %	24.6 %	24.1 %	24.8%
Segment EBITDA - Year over year change %							(2.4)%