Non-GAAP Reconciliations

As of June 30, 2022

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 widely accepted financial measures used in evaluating the profitability of a company and its operating performance in relation to 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 total segment operating revenues.

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA Growth Forecast

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA Growth Forecast 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, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA Growth Forecast 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 and amortization 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: severance charges, loss on spectrum licenses, and net gain/loss from dispositions of businesses. Severance charges recorded during both 2021 and 2020 relate to voluntary separations under our existing plans. Loss on spectrum licenses relates to the sale of certain wireless licenses in 2021. Net gain/loss from dispositions of businesses 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.

We have not provided a reconciliation for our Consolidated Adjusted EBITDA Growth Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2022.

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.

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: amortization of acquisition-related intangible assets, net pension remeasurement charges (credits), and early debt redemption costs.

We exclude the amortization of acquisition-related intangible assets because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions we consummate. While we have a history of significant acquisition activity, we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and related amortization term are unique to each acquisition and can vary significantly from acquisition to acquisition. Exclusion of this amortization expense facilitates more consistent comparisons of operating results over time between our newly acquired and long-held businesses, and with both acquisitive and non-acquisitive peer companies. We believe that it is important for investors to understand that our non-GAAP financial measure adjusts for the intangible asset amortization but does not adjust the revenue that is generated in part from the use of such intangible assets.

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 2022.

Definitions - Non-GAAP Measures

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 2022.

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)

	2020		2021				2022	
Unaudited	3Q	4Q	1Q	2Q	3Q	4Q	1Q	**2Q**
Consolidated Net Income	$ 4,504	$ 4,718	$ 5,378	$ 5,949	$ 6,554	$ 4,737	$ 4,711	**$ 5,315**
Add:								
Provision for income taxes	1,347	1,535	1,700	1,875	1,820	1,407	1,372	**1,542**
Interest expense (1)	1,044	1,080	1,101	844	801	739	786	**785**
Depreciation and amortization expense (2)	4,192	4,197	4,174	4,020	3,961	4,051	4,236	**4,321**
Consolidated EBITDA	$ 11,087	$ 11,530	$12,353	$12,688	$13,136	$10,934	$11,105	**$11,963**
Add/(subtract):								
Other (income) expense, net (3)	$ 774	$ (164)	$ (401)	$ (502)	$ (269)	$ 860	$ 924	**$ (49)**
Equity in losses (earnings) of unconsolidated businesses (4)	9	11	(8)	(1)	(1)	(135)	3	**(41)**
Severance charges	—	221	—	—	103	106	—	**—**
Loss on spectrum licenses	—	—	223	—	—	—	—	**—**
Net (gain) loss from dispositions of businesses	—	126	—	—	(706)	—	—	**—**
Consolidated Adjusted EBITDA	$ 11,870	$ 11,724	$12,167	$12,185	$12,263	$11,765	$12,032	**$11,873**
Consolidated Operating Revenues			$32,867	$33,764	$32,915	$34,067	$33,554	**$33,789**
Consolidated Adjusted EBITDA Margin			37.0 %	36.1 %	37.3 %	34.5 %	35.9 %	**35.1 %**
Consolidated Adjusted EBITDA - Year Over Year Change %								**(2.6)%**

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

(2) Includes Amortization of acquisition-related intangible assets.

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

(4) Includes Net gain from disposition of assets, where applicable.

Non-GAAP Reconciliations - Consolidated

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except per share amounts)

Unaudited	Pre-tax	Tax	After-Tax	3 Mos. Ended 6/30/21	Pre-tax	Tax	After-Tax	**3 Mos. Ended 6/30/22**
EPS				$ 1.40				**$ 1.24**
Amortization of acquisition-related intangible assets	$ 126	$ (31)	$ 95	0.02	$ 237	$ (62)	$ 175	**0.04**
Net pension remeasurement charge (credit)	(1,314)	334	(980)	(0.24)	198	(51)	147	**0.03**
Early debt redemption costs	1,132	(288)	844	0.20	—	—	—	**—**
	$ (56)	$ 15	$ (41)	$ (0.01)	$ 435	$ (113)	$ 322	**$ 0.08**
Adjusted EPS				$ 1.39				**$ 1.31**
Year over year change %								**(5.8)%**

Footnotes:

Adjusted EPS may not add due to rounding.

Certain amounts have been reclassified to conform to the current period presentation.

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

(dollars in millions)

Unaudited	12/31/20	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22	**6/30/22**
Debt maturing within one year	$ 5,889	$ 8,802	$ 7,023	$ 7,623	$ 7,443	$ 13,421	**$ 12,873**
Long-term debt	123,173	149,700	144,894	143,352	143,425	139,961	**136,184**
Total Debt	129,062	158,502	151,917	150,975	150,868	153,382	**149,057**
Less Secured debt	10,604	10,876	10,315	9,425	14,202	16,102	**16,572**
Unsecured Debt	118,458	147,626	141,602	141,550	136,666	137,280	**132,485**
Less Cash and cash equivalents [1]	22,171	10,205	4,757	9,936	2,921	1,661	**1,857**
Net Unsecured Debt	$ 96,287	$ 137,421	$ 136,845	$ 131,614	$ 133,745	$ 135,619	**$ 130,628**
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio			2.9x	2.7x	2.8x	2.8x	**2.7x**
Net Unsecured Debt - Quarter over quarter change							**$ (4,991)**

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

Free Cash Flow

(dollars in millions)

Unaudited	6 Mos. Ended 6/30/21	**6 Mos. Ended 6/30/22**
Net Cash Provided by Operating Activities	$ 20,438	**$ 17,665**
Capital expenditures (including capitalized software)	(8,716)	**(10,491)**
Free Cash Flow	$ 11,722	**$ 7,174**
Year over year change %		**(38.8)%**

Non-GAAP Reconciliations - Segments

Segment EBITDA and Segment EBITDA Margin

Consumer

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/21	3 Mos. Ended 6/30/21	3 Mos. Ended 9/30/21	3 Mos. Ended 12/31/21	3 Mos. Ended 3/31/22	**3 Mos. Ended 6/30/22**
Operating Income	$ 7,519	$ 7,497	$ 7,590	$ 7,349	$ 7,319	**$ 7,150**
Add Depreciation and amortization expense	2,861	2,900	2,918	3,000	3,162	**3,211**
Segment EBITDA	$ 10,380	$ 10,397	$ 10,508	$ 10,349	$ 10,481	**$ 10,361**
Total operating revenues	$ 22,798	$ 23,477	$ 23,328	$ 25,697	$ 25,292	**$ 25,604**
Operating Income Margin	33.0 %	31.9 %	32.5 %	28.6 %	28.9 %	**27.9 %**
Segment EBITDA Margin	45.5 %	44.3 %	45.0 %	40.3 %	41.4 %	**40.5 %**
Segment EBITDA - Year over year change %						**(0.3)%**

Business

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/21	3 Mos. Ended 6/30/21	3 Mos. Ended 9/30/21	3 Mos. Ended 12/31/21	3 Mos. Ended 3/31/22	**3 Mos. Ended 6/30/22**
Operating Income	$ 899	$ 856	$ 886	$ 796	$ 673	**$ 675**
Add Depreciation and amortization expense	1,013	1,015	1,018	1,038	1,061	**1,074**
Segment EBITDA	$ 1,912	$ 1,871	$ 1,904	$ 1,834	$ 1,734	**$ 1,749**
Total operating revenues	$ 7,781	$ 7,762	$ 7,689	$ 7,810	$ 7,709	**$ 7,626**
Operating Income Margin	11.6 %	11.0 %	11.5 %	10.2 %	8.7 %	**8.9 %**
Segment EBITDA Margin	24.6 %	24.1 %	24.8 %	23.5 %	22.5 %	**22.9 %**
Segment EBITDA - Year over year change %						**(6.5)%**