

Financial and Operating Information

As of March 31, 2023

verizon

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Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

	2021		2022				2023		
Unaudited	Full Year	1Q	2Q	3Q	4Q	Full Year	1Q	Year to date	
Operating Revenues									
Service revenues and other	\$ 110,449	\$ 27,218	\$ 27,115	\$ 27,666	\$ 27,626	\$ 109,625	\$ 27,152	\$ 27,152	
Wireless equipment revenues	23,164	6,336	6,674	6,575	7,625	27,210	5,760	5,760	
Total Operating Revenues	133,613	33,554	33,789	34,241	35,251	136,835	32,912	32,912	
Operating Expenses									
Cost of services	31,234	7,227	6,932	7,293	7,185	28,637	7,078	7,078	
Cost of wireless equipment	25,067	7,123	7,488	7,308	8,577	30,496	6,426	6,426	
Selling, general and administrative expense	28,658	7,172	7,496	7,422	8,046	30,136	7,506	7,506	
Depreciation and amortization expense	16,206	4,236	4,321	4,324	4,218	17,099	4,318	4,318	
Total Operating Expenses	101,165	25,758	26,237	26,347	28,026	106,368	25,328	25,328	
Operating Income	32,448	7,796	7,552	7,894	7,225	30,467	7,584	7,584	
Equity in earnings (losses) of unconsolidated businesses	145	(3)	41	2	4	44	9	9	
Other income (expense), net	312	(924)	49	(439)	2,687	1,373	114	114	
Interest expense	(3,485)	(786)	(785)	(937)	(1,105)	(3,613)	(1,207)	(1,207)	
Income Before Provision For Income Taxes	29,420	6,083	6,857	6,520	8,811	28,271	6,500	6,500	
Provision for income taxes	(6,802)	(1,372)	(1,542)	(1,496)	(2,113)	(6,523)	(1,482)	(1,482)	
Net Income	\$ 22,618	\$ 4,711	\$ 5,315	\$ 5,024	\$ 6,698	\$ 21,748	\$ 5,018	\$ 5,018	
Net income attributable to noncontrolling interests	\$ 553	\$ 131	\$ 116	\$ 124	\$ 121	\$ 492	\$ 109	\$ 109	
Net income attributable to Verizon	22,065	4,580	5,199	4,900	6,577	21,256	4,909	4,909	
Net Income	\$ 22,618	\$ 4,711	\$ 5,315	\$ 5,024	\$ 6,698	\$ 21,748	\$ 5,018	\$ 5,018	
Basic Earnings Per Common Share									
Net income attributable to Verizon	\$ 5.32	\$ 1.09	\$ 1.24	\$ 1.17	\$ 1.56	\$ 5.06	\$ 1.17	\$ 1.17	
Weighted-average shares outstanding (in millions)	4,148	4,201	4,201	4,202	4,204	4,202	4,207	4,207	
Diluted Earnings Per Common Share ⁽¹⁾									
Net income attributable to Verizon	\$ 5.32	\$ 1.09	\$ 1.24	\$ 1.17	\$ 1.56	\$ 5.06	\$ 1.17	\$ 1.17	
Weighted-average shares outstanding (in millions)	4,150	4,202	4,202	4,204	4,207	4,204	4,211	4,211	

Footnotes:

(1) Diluted Earnings per Common Share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represents the only potential dilution.

EPS may not add due to rounding.

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	3/31/23
Assets						
Current assets						
Cash and cash equivalents	\$ 2,921	\$ 1,661	\$ 1,857	\$ 2,082	\$ 2,605	\$ 2,234
Accounts receivable	24,742	24,474	24,740	24,475	25,332	23,748
Less Allowance for credit losses	896	859	831	805	826	892
Accounts receivable, net	23,846	23,615	23,909	23,670	24,506	22,856
Inventories	3,055	3,659	3,646	3,133	2,388	2,381
Prepaid expenses and other	6,906	6,645	8,087	10,861	8,358	8,251
Total current assets	36,728	35,580	37,499	39,746	37,857	35,722
Property, plant and equipment	289,897	292,568	296,700	300,870	307,689	310,519
Less Accumulated depreciation	190,201	192,725	195,390	197,866	200,255	203,532
Property, plant and equipment, net	99,696	99,843	101,310	103,004	107,434	106,987
Investments in unconsolidated businesses	1,061	1,074	1,113	1,083	1,071	1,052
Wireless licenses	147,619	148,083	148,724	149,292	149,796	150,485
Goodwill	28,603	28,629	28,638	28,548	28,671	28,674
Other intangible assets, net	11,677	11,432	11,286	11,196	11,461	11,246
Operating lease right-of-use assets	27,883	27,494	27,098	26,588	26,130	25,947
Other assets	13,329	13,581	14,479	15,633	17,260	17,603
Total assets	\$ 366,596	\$ 365,716	\$ 370,147	\$ 375,090	\$ 379,680	\$ 377,716
Liabilities and Equity						
Current liabilities						
Debt maturing within one year	\$ 7,443	\$ 13,421	\$ 12,873	\$ 14,995	\$ 9,963	\$ 12,081
Accounts payable and accrued liabilities	24,833	18,169	20,956	22,235	23,977	19,273
Current operating lease liabilities	3,859	3,847	3,912	3,961	4,134	4,177
Other current liabilities	11,025	11,148	11,483	11,950	12,097	12,237
Total current liabilities	47,160	46,585	49,224	53,141	50,171	47,768
Long-term debt	143,425	139,961	136,184	132,912	140,676	140,772
Employee benefit obligations	15,410	15,104	15,125	15,912	12,974	12,750
Deferred income taxes	40,685	41,341	42,154	42,094	43,441	43,667
Non-current operating lease liabilities	23,203	22,932	22,597	22,175	21,558	21,303
Other liabilities	13,513	14,618	17,506	20,073	18,397	17,237
Total long-term liabilities	236,236	233,956	233,566	233,166	237,046	235,729
Equity						
Common stock	429	429	429	429	429	429
Additional paid in capital	13,861	13,874	13,872	13,467	13,420	13,523
Retained earnings	71,993	73,891	76,401	78,545	82,380	84,543
Accumulated other comprehensive loss	(927)	(906)	(1,320)	(1,700)	(1,865)	(2,177)
Common stock in treasury, at cost	(4,104)	(4,023)	(4,020)	(4,015)	(4,013)	(3,832)
Deferred compensation – employee stock ownership plans and other	538	497	654	742	793	397
Noncontrolling interests	1,410	1,413	1,341	1,315	1,319	1,336
Total equity	83,200	85,175	87,357	88,783	92,463	94,219
Total liabilities and equity	\$ 366,596	\$ 365,716	\$ 370,147	\$ 375,090	\$ 379,680	\$ 377,716

Consolidated - Selected Financial and Operating Statistics

(dollars in millions)

Unaudited	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	3/31/23
Total debt	\$ 150,868	\$ 153,382	\$ 149,057	\$ 147,907	\$ 150,639	\$ 152,853
Unsecured debt	\$ 136,666	\$ 137,280	\$ 132,485	\$ 131,397	\$ 130,631	\$ 132,018
Net unsecured debt ⁽¹⁾	\$ 133,745	\$ 135,619	\$ 130,628	\$ 129,315	\$ 128,026	\$ 129,784
Unsecured debt / Consolidated Net Income (LTM)		6.3x	6.2x	6.6x	6.0x	6.0x
Net unsecured debt / Consolidated Adjusted EBITDA ⁽¹⁾⁽²⁾		2.8x	2.7x	2.7x	2.7x	2.7x
Common shares outstanding end of period (in millions)	4,198	4,200	4,200	4,200	4,200	4,204
Total employees ('000)	118.4	118.5	119.4	119.5	117.1	115.5
Quarterly cash dividends declared per common share	\$ 0.6400	\$ 0.6400	\$ 0.6400	\$ 0.6525	\$ 0.6525	\$ 0.6525

Footnotes:

(1) Non-GAAP financial measure.

(2) Consolidated Adjusted EBITDA excludes the effects of non-operational items and special items.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/21	3 Mos. Ended 3/31/22	6 Mos. Ended 6/30/22	9 Mos. Ended 9/30/22	12 Mos. Ended 12/31/22	3 Mos. Ended 3/31/23
Cash Flows from Operating Activities						
Net Income	\$ 22,618	\$ 4,711	\$ 10,026	\$ 15,050	\$ 21,748	\$ 5,018
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization expense	16,206	4,236	8,557	12,881	17,099	4,318
Employee retirement benefits	(3,391)	(210)	(121)	479	(2,046)	54
Deferred income taxes	4,264	627	1,514	1,595	2,973	331
Provision for expected credit losses	789	328	665	1,048	1,611	530
Equity in losses (earnings) of unconsolidated businesses, net of dividends received	36	7	(18)	(13)	(10)	10
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(890)	(3,492)	(1,959)	(458)	(456)	(774)
Other, net	(93)	614	(999)	(2,383)	(3,778)	(1,198)
Net cash provided by operating activities	39,539	6,821	17,665	28,199	37,141	8,289
Cash Flows from Investing Activities						
Capital expenditures (including capitalized software)	(20,286)	(5,821)	(10,491)	(15,811)	(23,087)	(5,958)
Cash received (paid) related to acquisitions of businesses, net of cash acquired	(4,065)	—	247	248	248	—
Acquisitions of wireless licenses	(47,596)	(1,838)	(2,275)	(2,890)	(3,653)	(598)
Collateral repayments (payments) related to derivative contracts, net	(21)	(277)	(2,075)	(4,857)	(2,265)	367
Proceeds from disposition of business	4,122	—	—	33	33	—
Other, net	693	(59)	(62)	(43)	62	79
Net cash used in investing activities	(67,153)	(7,995)	(14,656)	(23,320)	(28,662)	(6,110)
Cash Flows from Financing Activities						
Proceeds from long-term borrowings	33,034	3,604	3,617	4,605	7,074	504
Proceeds from asset-backed long-term borrowings	8,383	3,545	5,053	5,939	10,732	1,754
Net proceeds from short-term commercial paper	—	3,791	2,560	4,514	106	342
Repayments of long-term borrowings and finance lease obligations	(14,063)	(6,556)	(7,405)	(8,001)	(8,616)	(1,325)
Repayments of asset-backed long-term borrowings	(4,800)	(1,650)	(2,695)	(3,647)	(4,948)	(931)
Dividends paid	(10,445)	(2,654)	(5,378)	(8,066)	(10,805)	(2,744)
Other, net	(3,832)	165	411	(797)	(2,072)	17
Net cash provided by (used in) financing activities	8,277	245	(3,837)	(5,453)	(8,529)	(2,383)
Decrease in cash, cash equivalents and restricted cash	(19,337)	(929)	(828)	(574)	(50)	(204)
Cash, cash equivalents and restricted cash, beginning of period	23,498	4,161	4,161	4,161	4,161	4,111
Cash, cash equivalents and restricted cash, end of period	\$ 4,161	\$ 3,232	\$ 3,333	\$ 3,587	\$ 4,111	\$ 3,907

Footnotes:

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

Consumer - Selected Financial Results

(dollars in millions)

Unaudited	2022				2023
	1Q	2Q	3Q	4Q	1Q
Operating Revenues					
Service	\$ 18,126	\$ 18,149	\$ 18,421	\$ 18,443	\$ 18,456
Wireless equipment	5,374	5,708	5,558	6,528	4,878
Other	1,792	1,747	1,861	1,799	1,523
Total Operating Revenues	25,292	25,604	25,840	26,770	24,857
Operating Expenses					
Cost of services	4,446	4,284	4,566	4,450	4,432
Cost of wireless equipment	5,813	6,221	5,963	7,137	5,191
Selling, general and administrative expense	4,552	4,738	4,730	5,044	4,921
Depreciation and amortization expense	3,162	3,211	3,232	3,111	3,214
Total Operating Expenses	17,973	18,454	18,491	19,742	17,758
Operating Income	\$ 7,319	\$ 7,150	\$ 7,349	\$ 7,028	\$ 7,099
Operating Income Margin	28.9 %	27.9 %	28.4 %	26.3 %	28.6 %
Segment EBITDA⁽¹⁾	\$ 10,481	\$ 10,361	\$ 10,581	\$ 10,139	\$ 10,313
Segment EBITDA Margin⁽¹⁾	41.4 %	40.5 %	40.9 %	37.9 %	41.5 %

Footnotes:

(1) Non-GAAP financial measure.

The segment financial results and metrics above exclude the effects of special items (other than the effects of acquisition-related intangible asset amortization), which the Company's chief operating decision maker does not consider in assessing segment performance.

Certain intersegment transactions with corporate entities have not been eliminated.

Consumer - Selected Operating Statistics

Unaudited	2022				2023
	1Q	2Q	3Q	4Q	1Q
Connections ('000):					
Wireless retail postpaid ⁽¹⁾	91,414	91,475	91,478	91,856	92,192
Wireless retail prepaid ⁽¹⁾	23,772	23,138	23,076	22,664	22,331
Total wireless retail	115,186	114,613	114,554	114,520	114,523
Wireless retail postpaid phones ⁽¹⁾	75,422	75,197	74,997	74,857	74,611
Fios video	3,495	3,409	3,314	3,234	3,160
Fios internet	6,596	6,626	6,684	6,740	6,803
Fixed wireless access (FWA) broadband	216	384	621	884	1,140
Wireline broadband	6,925	6,938	6,976	7,016	7,062
Total broadband	7,141	7,322	7,597	7,900	8,202
Gross Additions ('000):					
Wireless retail postpaid	2,481	2,622	3,045	3,889	3,210
Net Additions Detail ('000):					
Wireless retail postpaid ⁽¹⁾	(126)	84	28	979	321
Wireless retail prepaid ⁽¹⁾	(80)	(229)	39	(175)	(351)
Total wireless retail	(206)	(145)	67	804	(30)
Wireless retail postpaid phones ⁽¹⁾	(292)	(215)	(189)	41	(263)
Fios video	(78)	(86)	(95)	(80)	(74)
Fios internet	55	30	58	56	63
FWA broadband	112	168	234	262	256
Wireline broadband	37	13	38	40	46
Total broadband	149	181	272	302	302
Churn Rate: ⁽¹⁾					
Wireless retail postpaid	0.95 %	0.93 %	1.10 %	1.06 %	1.05 %
Wireless retail postpaid phones	0.77 %	0.75 %	0.88 %	0.86 %	0.84 %
Wireless retail prepaid	3.69 %	3.90 %	3.90 %	4.90 %	4.31 %
Wireless retail	1.51 %	1.53 %	1.66 %	1.83 %	1.69 %
Revenue Statistics (in millions):					
Wireless service revenue	\$ 15,217	\$ 15,236	\$ 15,517	\$ 15,539	\$ 15,599
Fios revenues	\$ 2,911	\$ 2,895	\$ 2,902	\$ 2,914	\$ 2,889
Other Wireless Statistics:					
Wireless retail postpaid ARPA ⁽²⁾	\$ 123.96	\$ 124.16	\$ 127.76	\$ 128.02	\$ 130.06
Wireless retail postpaid upgrade rate	4.8 %	5.6 %	5.1 %	5.6 %	4.0 %
Wireless retail postpaid accounts ('000) ⁽³⁾	33,514	33,386	33,251	33,183	33,034
Wireless retail postpaid connections per account ⁽³⁾	2.73	2.74	2.75	2.77	2.79
Wireless retail prepaid ARPU ⁽⁴⁾	\$ 30.89	\$ 31.26	\$ 31.18	\$ 31.53	\$ 30.71

Footnotes:

- (1) The number of wireless retail connections as of December 31, 2022 reflects a decline in our customer base related to the shutdown of our 3G network in the fourth quarter of 2022 of approximately 576,000 wireless retail postpaid connections, including 180,000 wireless retail postpaid phone connections, and 237,000 wireless retail prepaid connections. In addition, the shutdown of our competitors' 3G network in the second and third quarter of 2022 resulted in a reduction to our customer base of 402,000 wireless retail prepaid connections and 102,000 wireless retail prepaid connections as of June 30, 2022 and September 30, 2022, respectively. The impact of the 3G network shutdowns has been excluded for purposes of calculating wireless retail net additions and wireless churn for the respective periods.
- (2) Wireless retail postpaid ARPA - average service revenue per account from retail postpaid accounts.
- (3) Statistics presented as of end of period.
- (4) Wireless retail prepaid ARPU - average service revenue per unit from retail prepaid connections.

Where applicable, the operating results reflect certain adjustments, including those related to migration activity among different types of devices and plans, customer profile changes, and adjustments in connection with mergers, acquisitions and divestitures.

Certain intersegment transactions with corporate entities have not been eliminated.

Business - Selected Financial Results

(dollars in millions)

Unaudited	2022				2023
	1Q	2Q	3Q	4Q	1Q
Operating Revenues					
Enterprise and Public Sector	\$ 3,978	\$ 3,867	\$ 3,940	\$ 3,908	\$ 3,787
Business Markets and SaaS	3,076	3,130	3,236	3,330	3,104
Wholesale	655	629	661	662	603
Total Operating Revenues	7,709	7,626	7,837	7,900	7,494
Operating Expenses					
Cost of services	2,606	2,559	2,653	2,665	2,582
Cost of wireless equipment	1,310	1,268	1,344	1,440	1,234
Selling, general and administrative expense	2,059	2,050	2,063	2,112	2,033
Depreciation and amortization expense	1,061	1,074	1,079	1,098	1,094
Total Operating Expenses	7,036	6,951	7,139	7,315	6,943
Operating Income	\$ 673	\$ 675	\$ 698	\$ 585	\$ 551
Operating Income Margin	8.7 %	8.9 %	8.9 %	7.4 %	7.4 %
Segment EBITDA⁽¹⁾	\$ 1,734	\$ 1,749	\$ 1,777	\$ 1,683	\$ 1,645
Segment EBITDA Margin⁽¹⁾	22.5 %	22.9 %	22.7 %	21.3 %	22.0 %

Footnotes:

(1) Non-GAAP financial measure.

Our Business segment's wireless and wireline products and services are organized by the primary customer groups targeted by these offerings. During the first quarter of 2023, Verizon reorganized the customer groups within its Business segment. Previously, this segment was comprised of four customer groups: Small and Medium Business, Global Enterprise, Public Sector and Other, and Wholesale. Following the reorganization, there are now three customer groups: Enterprise and Public Sector, Business Markets and SaaS, and Wholesale. Enterprise and Public Sector combines the customers previously included in Global Enterprise and Public Sector and Other (excluding BlueJeans and Connect customers) as well as the commercial wireline customers previously included in Small and Medium Business. Business Markets and SaaS combines the customers previously included in Small and Medium Business (excluding commercial wireline customers), the BlueJeans customers previously included in Global Enterprise and Public Sector and Other, and the Connect customers previously included in Public Sector and Other. The Wholesale customer group remained unchanged. Prior period operating revenue results within the Business segment have been recast for these reorganized customer groups. There was no change to the composition of our reportable segments and total segment results, nor the determination of segment profit.

The segment financial results and metrics above exclude the effects of special items (other than the effects of acquisition-related intangible asset amortization), which the Company's chief operating decision maker does not consider in assessing segment performance.

Certain intersegment transactions with corporate entities have not been eliminated.

Business - Selected Operating Statistics

Unaudited	2022				2023
	1Q	2Q	3Q	4Q	1Q
Connections ('000):					
Wireless retail postpaid ⁽¹⁾	27,809	28,208	28,584	28,733	28,820
Wireless retail postpaid phones ⁽¹⁾	17,353	17,586	17,795	17,782	17,703
Fios video	71	70	69	67	65
Fios internet	361	367	370	373	377
FWA broadband	217	316	442	568	726
Wireline broadband	475	474	471	468	466
Total broadband	692	790	913	1,036	1,192
Gross Additions ('000):					
Wireless retail postpaid	1,502	1,582	1,566	1,644	1,607
Net Additions Detail ('000):					
Wireless retail postpaid ⁽¹⁾	395	430	360	455	312
Wireless retail postpaid phones ⁽¹⁾	256	227	197	176	136
Fios video	—	(1)	(1)	(2)	(2)
Fios internet	5	6	3	3	4
FWA broadband	82	88	108	117	137
Wireline broadband	(2)	(1)	(3)	(3)	(2)
Total broadband	80	87	105	114	135
Churn Rate: ⁽¹⁾					
Wireless retail postpaid	1.34 %	1.37 %	1.42 %	1.38 %	1.50 %
Wireless retail postpaid phones	1.06 %	1.07 %	1.10 %	1.06 %	1.16 %
Revenue Statistics (in millions):					
Wireless service revenue	\$ 3,125	\$ 3,182	\$ 3,273	\$ 3,265	\$ 3,290
Fios revenues	\$ 295	\$ 298	\$ 304	\$ 304	\$ 307
Other Operating Statistics:					
Wireless retail postpaid upgrade rate	3.4 %	3.1 %	3.3 %	3.6 %	2.8 %

Footnotes:

(1) The number of wireless retail connections as of December 31, 2022 reflects a decline in our customer base related to the shutdown of our 3G network in the fourth quarter of 2022 of approximately 333,000 wireless retail postpaid connections, including 212,000 wireless retail postpaid phone connections. The impact of the 3G network shutdown has been excluded for purposes of calculating wireless retail net additions and wireless churn for the respective periods.

Where applicable, the operating results reflect certain adjustments, including those related to migration activity among different types of devices and plans, customer profile changes, and adjustments in connection with mergers, acquisitions and divestitures.

Certain intersegment transactions with corporate entities have not been eliminated.

Supplemental Information - Total Wireless Operating and Financial Statistics

The following supplemental schedule contains certain financial and operating metrics which reflect an aggregation of our Consumer and Business segments' wireless results.

Unaudited	2022				2023
	1Q	2Q	3Q	4Q	1Q
Connections ('000) ⁽¹⁾					
Retail postpaid	119,223	119,683	120,062	120,589	121,012
Retail prepaid	23,772	23,138	23,076	22,664	22,331
Total retail	142,995	142,821	143,138	143,253	143,343
Retail postpaid phones	92,775	92,783	92,792	92,639	92,314
Net Additions Detail ('000) ⁽¹⁾					
Retail postpaid phones	(36)	12	8	217	(127)
Retail postpaid	269	514	388	1,434	633
Retail prepaid	(80)	(229)	39	(175)	(351)
Total retail	189	285	427	1,259	282
Account Statistics					
Retail postpaid accounts ('000) ⁽²⁾	35,224	35,132	35,034	35,002	34,877
Retail postpaid connections per account ⁽²⁾	3.38	3.41	3.43	3.45	3.47
Retail postpaid ARPA ⁽³⁾	\$ 144.87	\$ 145.50	\$ 149.82	\$ 149.95	\$ 152.27
Retail prepaid ARPU ⁽⁴⁾	\$ 30.89	\$ 31.26	\$ 31.18	\$ 31.53	\$ 30.71
Churn Detail ⁽¹⁾					
Retail postpaid phone	0.83 %	0.81 %	0.92 %	0.89 %	0.90 %
Retail postpaid	1.04 %	1.03 %	1.17 %	1.14 %	1.15 %
Retail prepaid	3.69 %	3.90 %	3.90 %	4.90 %	4.31 %
Retail	1.48 %	1.50 %	1.62 %	1.74 %	1.65 %
Retail Postpaid Connection Statistics					
Upgrade rate	4.5 %	5.0 %	4.7 %	5.1 %	3.7 %
Revenue Statistics (in millions) ⁽⁵⁾					
Wireless service	\$ 18,342	\$ 18,418	\$ 18,790	\$ 18,804	\$ 18,889
Wireless equipment	6,336	6,674	6,575	7,625	5,760
Wireless other	1,818	1,800	1,922	1,851	1,515
Total Wireless	\$ 26,496	\$ 26,892	\$ 27,287	\$ 28,280	\$ 26,164

Footnotes:

- (1) The number of wireless retail connections as of December 31, 2022 reflects a decline in our customer base related to the shutdown of our 3G network in the fourth quarter of 2022 of approximately 909,000 wireless retail postpaid connections (576,000 Consumer and 333,000 Business connections), including 392,000 wireless retail postpaid phone connections (180,000 Consumer and 212,000 Business connections), and 237,000 wireless retail prepaid connections. In addition, the shutdown of our competitors' 3G network in the second and third quarter of 2022 resulted in a reduction to our customer base of 402,000 wireless retail prepaid connections and 102,000 wireless retail prepaid connections as of June 30, 2022 and September 30, 2022, respectively. The impact of the 3G network shutdowns has been excluded for purposes of calculating wireless retail net additions and wireless churn for the respective periods.
- (2) Statistics presented as of end of period.
- (3) Wireless retail postpaid ARPA - average service revenue per account from retail postpaid accounts.
- (4) Wireless retail prepaid ARPU - average service revenue per unit from retail prepaid connections.
- (5) Intersegment transactions between Consumer or Business segment with corporate entities have not been eliminated.

Where applicable, the operating results reflect certain adjustments, including those related to migration activity among different types of devices and plans, customer profile changes, and adjustments in connection with mergers, acquisitions and divestitures.

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 Forecast

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA 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 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 and net gain from disposition of business. Severance charges recorded during 2022 and 2021 relate to involuntary and voluntary separations, respectively, under our existing plans. Net gain from disposition of business relates to the sale of Verizon Media in 2021.

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 Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2023.

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, 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 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 2023.

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 2023.

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.

Consolidated Operating Expenses Excluding Depreciation and Amortization

Consolidated operating expenses excluding depreciation and amortization is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our operating expenses and underlying operating trends in a manner that is consistent with management's evaluation of operating performance. We believe that consolidated operating expenses excluding depreciation and amortization is used by investors to compare a company's operating expenses to its competitors by eliminating impacts caused by differences in depreciation and amortization policies.

Consolidated operating expenses excluding depreciation and amortization is calculated by excluding from consolidated operating expenses the effect of depreciation and amortization expense.

Non-GAAP Reconciliations - Consolidated

Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

(dollars in millions)

Unaudited	2021			2022			2023	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Consolidated Net Income	\$ 5,949	\$ 6,554	\$ 4,737	\$ 4,711	\$ 5,315	\$ 5,024	\$ 6,698	\$ 5,018
Add:								
Provision for income taxes	1,875	1,820	1,407	1,372	1,542	1,496	2,113	1,482
Interest expense	844	801	739	786	785	937	1,105	1,207
Depreciation and amortization expense ⁽¹⁾	4,020	3,961	4,051	4,236	4,321	4,324	4,218	4,318
Consolidated EBITDA	\$ 12,688	\$ 13,136	\$ 10,934	\$ 11,105	\$ 11,963	\$ 11,781	\$ 14,134	\$ 12,025
Add/(subtract):								
Other (income) expense, net ⁽²⁾	\$ (502)	\$ (269)	\$ 860	\$ 924	\$ (49)	\$ 439	\$(2,687)	\$ (114)
Equity in losses (earnings) of unconsolidated businesses ⁽³⁾	(1)	(1)	(135)	3	(41)	(2)	(4)	(9)
Severance charges	—	103	106	—	—	—	304	—
Net gain from disposition of business	—	(706)	—	—	—	—	—	—
Consolidated Adjusted EBITDA	\$ 12,185	\$ 12,263	\$ 11,765	\$ 12,032	\$ 11,873	\$ 12,218	\$ 11,747	\$ 11,902
Consolidated Operating Revenues				\$ 33,554	\$ 33,789	\$ 34,241	\$ 35,251	\$ 32,912
Consolidated Adjusted EBITDA Margin				35.9 %	35.1 %	35.7 %	33.3 %	36.2 %
Consolidated Adjusted EBITDA - Year Over Year Change %								(1.1)%

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

(2) Includes Pension and benefits remeasurement adjustments and Early debt redemption costs, where applicable.

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

Consolidated EBITDA and Consolidated Adjusted EBITDA (LTM)

(dollars in millions)

Unaudited	Twelve Months Ended		Twelve Months Ended		Twelve Months Ended		Twelve Months Ended		Twelve Months Ended	
	3/31/22		6/30/22		9/30/22		12/31/22		3/31/23	
Consolidated Net Income	\$ 21,951	\$ 21,317	\$ 19,787	\$ 21,748	\$ 22,055					
Add:										
Provision for income taxes	6,474	6,141	5,817	6,523	6,633					
Interest expense	3,170	3,111	3,247	3,613	4,034					
Depreciation and amortization expense ⁽¹⁾	16,268	16,569	16,932	17,099	17,181					
Consolidated EBITDA	\$ 47,863	\$ 47,138	\$ 45,783	\$ 48,983	\$ 49,903					
Add/(subtract):										
Other (income) expense, net ⁽²⁾	\$ 1,013	\$ 1,466	\$ 2,174	\$ (1,373)	\$ (2,411)					
Equity in losses (earnings) of unconsolidated businesses ⁽³⁾	(134)	(174)	(175)	(44)	(56)					
Severance charges	209	209	106	304	304					
Net gain from disposition of business	(706)	(706)	—	—	—					
Consolidated Adjusted EBITDA	\$ 48,245	\$ 47,933	\$ 47,888	\$ 47,870	\$ 47,740					

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

(2) Includes Pension and benefits remeasurement adjustments and Early debt redemption costs, where applicable.

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

Non-GAAP Reconciliations - Consolidated

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

(dollars in millions)

Unaudited	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	3/31/23
Debt maturing within one year	\$ 7,443	\$ 13,421	\$ 12,873	\$ 14,995	\$ 9,963	\$ 12,081
Long-term debt	143,425	139,961	136,184	132,912	140,676	140,772
Total Debt	150,868	153,382	149,057	147,907	150,639	152,853
Less Secured debt	14,202	16,102	16,572	16,510	20,008	20,835
Unsecured Debt	136,666	137,280	132,485	131,397	130,631	132,018
Less Cash and cash equivalents	2,921	1,661	1,857	2,082	2,605	2,234
Net Unsecured Debt	\$ 133,745	\$ 135,619	\$ 130,628	\$ 129,315	\$ 128,026	\$ 129,784
Consolidated Net Income (LTM)		\$ 21,951	\$ 21,317	\$ 19,787	\$ 21,748	\$ 22,055
Unsecured Debt to Consolidated Net Income Ratio		6.3x	6.2x	6.6x	6.0x	6.0x
Consolidated Adjusted EBITDA (LTM)		\$ 48,245	\$ 47,933	\$ 47,888	\$ 47,870	\$ 47,740
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio		2.8x	2.7x	2.7x	2.7x	2.7x
Net Unsecured Debt - Quarter over quarter change						\$ 1,758
Net Unsecured Debt - Year over year change						\$ (5,835)
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio - Quarter over quarter change						—x
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio - Year over year change						(0.1)x

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except per share amounts)

Unaudited	3 Mos. Ended 3/31/22				3 Mos. Ended 3/31/23			
	Pre-tax	Tax	After-Tax		Pre-tax	Tax	After-Tax	
EPS				\$ 1.09				\$ 1.17
Amortization of acquisition-related intangible assets	\$ 238	\$ (60)	\$ 178	0.04	\$ 208	\$ (53)	\$ 155	0.04
Early debt redemption costs	1,241	(316)	925	0.22	—	—	—	—
	\$ 1,479	\$ (376)	\$ 1,103	\$ 0.26	\$ 208	\$ (53)	\$ 155	\$ 0.04
Adjusted EPS				\$ 1.35				\$ 1.20
Year over year change %								(11.1)%

Footnote:

Adjusted EPS may not add due to rounding.

Non-GAAP Reconciliations - Consolidated

Free Cash Flow

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/22	3 Mos. Ended 3/31/23
Net Cash Provided by Operating Activities	\$ 6,821	\$ 8,289
Capital expenditures (including capitalized software)	(5,821)	(5,958)
Free Cash Flow	\$ 1,000	\$ 2,331
Year over year change		\$ 1,331

Consolidated Operating Expenses Excluding Depreciation and Amortization

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/22	3 Mos. Ended 3/31/23
Consolidated Operating Expenses	\$ 25,758	\$ 25,328
Depreciation and amortization expense ⁽¹⁾	4,236	4,318
Consolidated Operating Expenses Excluding Depreciation and Amortization	\$ 21,522	\$ 21,010
Year over year change %		(2.4)%

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

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
Unaudited	3/31/22	6/30/22	9/30/22	12/31/22	3/31/23
Operating Income	\$ 7,319	\$ 7,150	\$ 7,349	\$ 7,028	\$ 7,099
Add Depreciation and amortization expense	3,162	3,211	3,232	3,111	3,214
Segment EBITDA	\$ 10,481	\$ 10,361	\$ 10,581	\$ 10,139	\$ 10,313
Total operating revenues	\$ 25,292	\$ 25,604	\$ 25,840	\$ 26,770	\$ 24,857
Operating Income Margin	28.9 %	27.9 %	28.4 %	26.3 %	28.6 %
Segment EBITDA Margin	41.4 %	40.5 %	40.9 %	37.9 %	41.5 %
Segment EBITDA - Year over year change %					(1.6)%

Business

	(dollars in millions)				
	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended	3 Mos. Ended
Unaudited	3/31/22	6/30/22	9/30/22	12/31/22	3/31/23
Operating Income	\$ 673	\$ 675	\$ 698	\$ 585	\$ 551
Add Depreciation and amortization expense	1,061	1,074	1,079	1,098	1,094
Segment EBITDA	\$ 1,734	\$ 1,749	\$ 1,777	\$ 1,683	\$ 1,645
Total operating revenues	\$ 7,709	\$ 7,626	\$ 7,837	\$ 7,900	\$ 7,494
Operating Income Margin	8.7 %	8.9 %	8.9 %	7.4 %	7.4 %
Segment EBITDA Margin	22.5 %	22.9 %	22.7 %	21.3 %	22.0 %
Segment EBITDA - Year over year change %					(5.1)%