Non-GAAP Reconciliations

As of September 30, 2023

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 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, asset rationalization, business transformation costs and non-strategic business shutdown. Severance charges recorded during 2023 and 2022 relate to involuntary separations under our existing plans. Severance charges recorded during 2021 relate to voluntary separations under our existing plans. Asset rationalization relates to certain real estate and non-strategic assets that we have made a decision to cease use of as part of our transformation initiatives in 2023. Business transformation costs recorded during 2023 primarily relate to costs incurred in connection with strategic partnership initiatives in our managed network support services for certain Verizon Business customers. Non-strategic business shutdown relates to the shutdown of our BlueJeans business offering in 2023.

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, business transformation costs, non-strategic business shutdown and severance, pension and benefits charges.

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 effect 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 Dividend Payout Ratio and Free Cash Flow Forecast

Free cash flow and free cash flow forecast are non-GAAP financial measures that reflect an additional way of viewing our liquidity that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our cash flows. We believe they are more conservative measures of cash flow since capital expenditures are necessary for ongoing operations. Free cash flow and free cash flow forecast have limitations due to the fact that they do not represent the residual cash flow available for discretionary expenditures. For example, free cash flow and free cash flow forecast do not incorporate payments made or expected to be 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 and free cash flow forecast as complements 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. Free cash flow forecast is calculated by subtracting capital expenditures forecast (including capitalized software) from forecasted net cash provided by operating activities.

Free cash flow dividend payout ratio is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating Verizon’s cash available for return to shareholders. We believe this is a more conservative measure of our ability to fund our dividend payments to shareholders. Free cash flow dividend payout ratio has limitations consistent with free cash flow as discussed above.

Free cash flow dividend payout ratio is calculated by dividing dividends paid to shareholders by free cash flow.

Consolidated Operating Expenses Excluding Depreciation and Amortization and Special Items

Consolidated operating expenses excluding depreciation and amortization and special items 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 and special items is used by investors to more accurately compare a company’s operating expenses to those of its competitors by eliminating impacts caused by differences in depreciation and amortization policies. In addition, the exclusion of the effects of special items allows for better comparability of our financial results from period to period.

Consolidated operating expenses excluding depreciation and amortization and special items is calculated by excluding from consolidated operating expenses the effects of depreciation and amortization expense and the following special items: business transformation costs and non-strategic business shutdown.

Non-GAAP Reconciliations - Consolidated

Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

(dollars in millions)

	2021	2022				2023		
Unaudited	4Q	1Q	2Q	3Q	4Q	1Q	2Q	**3Q**
Consolidated Net Income	$4,737	$4,711	$5,315	$5,024	$ 6,698	$ 5,018	$ 4,766	**$ 4,884**
Add:								
Provision for income taxes	1,407	1,372	1,542	1,496	2,113	1,482	1,346	**1,308**
Interest expense	739	786	785	937	1,105	1,207	1,285	**1,433**
Depreciation and amortization expense (1)	4,051	4,236	4,321	4,324	4,218	4,318	4,359	**4,431**
Consolidated EBITDA	$10,934	$11,105	$11,963	$11,781	$14,134	$12,025	$11,756	**$12,056**
Add/(subtract):								
Other (income) expense, net (2)	$ 860	$ 924	$ (49)	$ 439	$(2,687)	$ (114)	$ (210)	**$ (170)**
Equity in losses (earnings) of unconsolidated businesses (3)	(135)	3	(41)	(2)	(4)	(9)	33	**18**
Severance charges	106	—	—	—	304	—	237	**—**
Asset rationalization	—	—	—	—	—	—	155	**—**
Business transformation costs	—	—	—	—	—	—	—	**176**
Non-strategic business shutdown	—	—	—	—	—	—	—	**158**
Consolidated Adjusted EBITDA	$11,765	$12,032	$11,873	$12,218	$11,747	$11,902	$11,971	**$12,238**
Consolidated Operating Revenues				$34,241	$35,251	$32,912	$32,596	**$33,336**
Consolidated Net Income Margin				14.7 %	19.0 %	15.2 %	14.6 %	**14.7 %**
Consolidated Adjusted EBITDA Margin				35.7 %	33.3 %	36.2 %	36.7 %	**36.7 %**
Consolidated Adjusted EBITDA - Quarter over quarter change								**$ 267**
Consolidated Adjusted EBITDA - Year over year change %								**0.2 %**
Consolidated Adjusted EBITDA Margin - Year over year change								**100 bps**

(1) Includes Amortization of acquisition-related intangible assets and a portion of the Non-strategic business shutdown, where applicable.

(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

Consolidated EBITDA and Consolidated Adjusted EBITDA (LTM)

(dollars in millions)

Unaudited	Twelve Months Ended 9/30/22	Twelve Months Ended 12/31/22	Twelve Months Ended 3/31/23	Twelve Months Ended 6/30/23	**Twelve Months Ended 9/30/23**
Consolidated Net Income	$ 19,787	$ 21,748	$ 22,055	$ 21,506	**$ 21,366**
Add:					
Provision for income taxes	5,817	6,523	6,633	6,437	**6,249**
Interest expense	3,247	3,613	4,034	4,534	**5,030**
Depreciation and amortization expense (1)	16,932	17,099	17,181	17,219	**17,326**
Consolidated EBITDA	$ 45,783	$ 48,983	$ 49,903	$ 49,696	**$ 49,971**
Add/(subtract):					
Other (income) expense, net (2)	$ 2,174	$ (1,373)	$ (2,411)	$ (2,572)	**$ (3,181)**
Equity in losses (earnings) of unconsolidated businesses (3)	(175)	(44)	(56)	18	**38**
Severance charges	106	304	304	541	**541**
Asset rationalization	—	—	—	155	**155**
Business transformation costs	—	—	—	—	**176**
Non-strategic business shutdown	—	—	—	—	**158**
Consolidated Adjusted EBITDA	$ 47,888	$ 47,870	$ 47,740	$ 47,838	**$ 47,858**

(1) Includes Amortization of acquisition-related intangible assets and a portion of the Non-strategic business shutdown, where applicable.

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

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

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	6/30/23	**9/30/23**
Debt maturing within one year	$ 7,443	$ 13,421	$ 12,873	$ 14,995	$ 9,963	$ 12,081	$ 14,827	**$ 12,950**
Long-term debt	143,425	139,961	136,184	132,912	140,676	140,772	137,871	**134,441**
Total Debt	150,868	153,382	149,057	147,907	150,639	152,853	152,698	**147,391**
Less Secured debt	14,202	16,102	16,572	16,510	20,008	20,835	21,342	**20,951**
Unsecured Debt	136,666	137,280	132,485	131,397	130,631	132,018	131,356	**126,440**
Less Cash and cash equivalents	2,921	1,661	1,857	2,082	2,605	2,234	4,803	**4,210**
Net Unsecured Debt	$ 133,745	$ 135,619	$ 130,628	$ 129,315	$ 128,026	$ 129,784	$ 126,553	**$ 122,230**
Consolidated Net Income (LTM)				$ 19,787	$ 21,748	$ 22,055	$ 21,506	**$ 21,366**
Unsecured Debt to Consolidated Net Income Ratio				6.6x	6.0x	6.0x	6.1x	**5.9x**
Consolidated Adjusted EBITDA (LTM)				$ 47,888	$ 47,870	$ 47,740	$ 47,838	**$ 47,858**
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio				2.7x	2.7x	2.7x	2.6x	**2.6x**
Net Unsecured Debt - Quarter over quarter change								**$ (4,323)**
Net Unsecured Debt - Year over year change								**$ (7,085)**
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**

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 9/30/22	Pre-tax	Tax	After-Tax	**3 Mos. Ended 9/30/23**
EPS				$ 1.17				**$ 1.13**
Amortization of acquisition-related intangible assets	$ 236	$ (58)	$ 178	0.04	$ 224	$ (56)	$ 168	**0.04**
Business transformation costs	—	—	—	—	176	(45)	131	**0.03**
Non-strategic business shutdown	—	—	—	—	179	(83)	96	**0.02**
Severance, pension and benefits charges	645	(162)	483	0.11	—	—	—	**—**
	$ 881	$ (220)	$ 661	$ 0.16	$ 579	$ (184)	$ 395	**$ 0.09**
Adjusted EPS				$ 1.32				**$ 1.22**
Year over year change %								**(7.6)%**

Footnote:
Adjusted EPS may not add due to rounding.

Free Cash Flow and Free Cash Flow Dividend Payout Ratio

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/22	**3 Mos. Ended 9/30/23**	9 Mos. Ended 9/30/22	**9 Mos. Ended 9/30/23**
Net Cash Provided by Operating Activities	$ 10,534	**$ 10,778**	$ 28,199	**$ 28,798**
Capital expenditures (including capitalized software)	(5,320)	**(4,094)**	(15,811)	**(14,164)**
Free Cash Flow	$ 5,214	**$ 6,684**	$ 12,388	**$ 14,634**
Dividends Paid			$ 8,066	**$ 8,231**
Net Cash Provided by Operating Activities Dividend Payout Ratio			**28.6 %**	**28.6 %**
Free Cash Flow Dividend Payout Ratio			**65.1 %**	**56.2 %**
Free Cash Flow for 9 Mos. Ended 9/30/23 - Year over year change				**$ 2,246**
Free Cash Flow for 9 Mos. Ended 9/30/23 - Year over year change %				**18.1 %**
Free Cash Flow Dividend Payout Ratio for 9 Mos. Ended 9/30/23 - Year over year change				**(8.9)%**

Free Cash Flow Forecast Full Year 2023

(dollars in millions)

Unaudited	Original Forecast	**Revised Forecast**
Net Cash Provided by Operating Activities Forecast	$ 35,250 - 36,250	**$ 36,250 - 37,250**
Capital expenditures forecast (including capitalized software)	(18,250 - 19,250)	**(18,250 - 19,250)**
Free Cash Flow Forecast	$ 17,000	**$ 18,000**
Free Cash Flow Forecast Full Year 2023 change		**$ 1,000**

Consolidated Operating Expenses Excluding Depreciation and Amortization and Special Items

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/22	**3 Mos. Ended 9/30/23**
Consolidated Operating Expenses	$ 26,347	**$ 25,863**
Depreciation and amortization expense (1)	4,324	**4,431**
Business transformation costs	—	**176**
Non-strategic business shutdown	—	**158**
Consolidated Operating Expenses Excluding Depreciation and Amortization and Special Items	$ 22,023	**$ 21,098**
Year over year change %		**(4.2)%**

(1) Includes Amortization of acquisition-related intangible assets and a portion of the Non-strategic business shutdown, where applicable.

Non-GAAP Reconciliations - Segments

Segment EBITDA and Segment EBITDA Margin

Consumer

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/22	3 Mos. Ended 6/30/22	3 Mos. Ended 9/30/22	3 Mos. Ended 12/31/22	3 Mos. Ended 3/31/23	3 Mos. Ended 6/30/23	**3 Mos. Ended 9/30/23**
Operating Income	$ 7,319	$ 7,150	$ 7,349	$ 7,028	$ 7,099	$ 7,330	**$ 7,547**
Add Depreciation and amortization expense	3,162	3,211	3,232	3,111	3,214	3,247	**3,272**
Segment EBITDA	$ 10,481	$ 10,361	$ 10,581	$ 10,139	$ 10,313	$ 10,577	**$ 10,819**
Total operating revenues	$ 25,292	$ 25,604	$ 25,840	$ 26,770	$ 24,857	$ 24,558	**$ 25,257**
Operating Income Margin	28.9 %	27.9 %	28.4 %	26.3 %	28.6 %	29.8 %	**29.9 %**
Segment EBITDA Margin	41.4 %	40.5 %	40.9 %	37.9 %	41.5 %	43.1 %	**42.8 %**
Segment EBITDA - Year over year change %							**2.2 %**

Business

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/22	3 Mos. Ended 6/30/22	3 Mos. Ended 9/30/22	3 Mos. Ended 12/31/22	3 Mos. Ended 3/31/23	3 Mos. Ended 6/30/23	**3 Mos. Ended 9/30/23**
Operating Income	$ 673	$ 675	$ 698	$ 585	$ 551	$ 533	**$ 539**
Add Depreciation and amortization expense	1,061	1,074	1,079	1,098	1,094	1,103	**1,127**
Segment EBITDA	$ 1,734	$ 1,749	$ 1,777	$ 1,683	$ 1,645	$ 1,636	**$ 1,666**
Total operating revenues	$ 7,709	$ 7,626	$ 7,837	$ 7,900	$ 7,494	$ 7,483	**$ 7,527**
Operating Income Margin	8.7 %	8.9 %	8.9 %	7.4 %	7.4 %	7.1 %	**7.2 %**
Segment EBITDA Margin	22.5 %	22.9 %	22.7 %	21.3 %	22.0 %	21.9 %	**22.1 %**
Segment EBITDA - Year over year change %							**(6.2)%**