Non-GAAP Reconciliations

As of September 30, 2024

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. 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 earnings and losses of unconsolidated businesses and other income and expense, net, and the following special items: severance charges, asset and business rationalization, legacy legal matter, Verizon Business Group ("Verizon Business") goodwill impairment, legal settlement, business transformation costs and non-strategic business shutdown. Severance charges recorded during 2024 relate to separations under our voluntary separation program for select U.S.-based management employees as well as other headcount reduction initiatives. Severance charges recorded during 2023 and 2022 primarily relate to involuntary separations under our existing plans. Asset and business rationalization recorded during 2024 predominately relates to the decision to cease use of certain real estate assets and exit non-strategic portions of certain businesses, as part of our continued transformation initiatives. Asset rationalization recorded during the second quarter of 2023 relates to certain real estate and non-strategic assets that we made a decision to cease use of as part of our transformation initiatives. Asset rationalization recorded during the fourth quarter of 2023 primarily relates to Verizon Business network assets that we made a decision to cease use of as part of our transformation initiatives. Legacy legal matter recorded during 2024 relates to a litigation matter associated with a legacy contract for the production of telephone directories in Costa Rica by a subsidiary of Verizon. Verizon Business goodwill impairment relates to an impairment charge recognized in the fourth quarter of 2023 as a result of Verizon's annual goodwill impairment test. Legal settlement recorded during 2023 relates to the settlement of a litigation matter regarding certain administrative fees. 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 Growth Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2024.

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. We have not provided a reconciliation for our Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio target because we cannot, without unreasonable effort, predict the timeline for achieving the target or the special items that could arise in future periods.

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, severance charges, asset and business rationalization, business transformation costs and non-strategic business shutdown.

Definitions - Non-GAAP Measures

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 2024.

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 2024.

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 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 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 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. 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: severance charges, asset and business rationalization, 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)

	2022	2023				**2024**		
Unaudited	4Q	1Q	2Q	3Q	4Q	1Q	2Q	**3Q**
Consolidated Net Income (Loss)	$ 6,698	$ 5,018	$ 4,766	$ 4,884	$ (2,573)	$ 4,722	$ 4,702	**$ 3,411**
Add:								
Provision for income taxes	2,113	1,482	1,346	1,308	756	1,353	1,332	**891**
Interest expense	1,105	1,207	1,285	1,433	1,599	1,635	1,698	**1,672**
Depreciation and amortization expense(1)	4,218	4,318	4,359	4,431	4,516	4,445	4,483	**4,458**
Consolidated EBITDA	$ 14,134	$12,025	$11,756	$12,056	$ 4,298	$12,155	$12,215	**$10,432**
Add/(subtract):								
Other (income) expense, net(2)	$ (2,687)	$ (114)	$ (210)	$ (170)	$ 807	$ (198)	$ 72	**$ (72)**
Equity in (earnings) losses of unconsolidated businesses	(4)	(9)	33	18	11	9	14	**24**
Severance charges	304	—	237	—	296	—	—	**1,733**
Asset and business rationalization	—	—	155	—	325	—	—	**374**
Legacy legal matter	—	—	—	—	—	106	—	**—**
Verizon Business Group goodwill impairment	—	—	—	—	5,841	—	—	**—**
Legal settlement	—	—	—	—	100	—	—	**—**
Business transformation costs	—	—	—	176	—	—	—	**—**
Non-strategic business shutdown	—	—	—	158	—	—	—	**—**
Consolidated Adjusted EBITDA	$ 11,747	$11,902	$11,971	$12,238	$11,678	$12,072	$12,301	**$12,491**
Consolidated Operating Revenues				$33,336				**$33,330**
Consolidated Net Income Margin				14.7 %				**10.2 %**
Consolidated Adjusted EBITDA Margin				36.7 %				**37.5 %**
Consolidated Adjusted EBITDA - Year over year change %								**2.1 %**

Footnotes:

(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, where applicable.

Non-GAAP Reconciliations - Consolidated

Consolidated EBITDA and Consolidated Adjusted EBITDA (LTM)

(dollars in millions)

Unaudited	12 Mos. Ended 9/30/23	12 Mos. Ended 12/31/23	12 Mos. Ended 3/31/24	12 Mos. Ended 6/30/24	**12 Mos. Ended 9/30/24**
Consolidated Net Income	$ 21,366	$ 12,095	$ 11,799	$ 11,735	**$ 10,262**
Add:					
Provision for income taxes	6,249	4,892	4,763	4,749	**4,332**
Interest expense	5,030	5,524	5,952	6,365	**6,604**
Depreciation and amortization expense[1]	17,326	17,624	17,751	17,875	**17,902**
Consolidated EBITDA	$ 49,971	$ 40,135	$ 40,265	$ 40,724	**$ 39,100**
Add/(subtract):					
Other (income) expense, net[2]	$ (3,181)	$ 313	$ 229	$ 511	**$ 609**
Equity in losses of unconsolidated businesses	38	53	71	52	**58**
Severance charges	541	533	533	296	**2,029**
Asset and business rationalization	155	480	480	325	**699**
Legacy legal matter	—	—	106	106	**106**
Verizon Business Group goodwill impairment	—	5,841	5,841	5,841	**5,841**
Legal settlement	—	100	100	100	**100**
Business transformation costs	176	176	176	176	**—**
Non-strategic business shutdown	158	158	158	158	**—**
Consolidated Adjusted EBITDA	$ 47,858	$ 47,789	$ 47,959	$ 48,289	**$ 48,542**

Footnotes:

(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, where applicable.

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

(dollars in millions)

Unaudited	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24	**9/30/24**
Debt maturing within one year	$ 9,963	$ 12,081	$ 14,827	$ 12,950	$ 12,973	$ 15,594	$ 23,255	**$ 21,763**
Long-term debt	140,676	140,772	137,871	134,441	137,701	136,104	126,022	**128,878**
Total Debt	150,639	152,853	152,698	147,391	150,674	151,698	149,277	**150,641**
Less Secured debt	20,008	20,835	21,342	20,951	22,183	23,290	24,015	**24,272**
Unsecured Debt	130,631	132,018	131,356	126,440	128,491	128,408	125,262	**126,369**
Less Cash and cash equivalents	2,605	2,234	4,803	4,210	2,065	2,365	2,432	**4,987**
Net Unsecured Debt	$ 128,026	$ 129,784	$ 126,553	$ 122,230	$ 126,426	$ 126,043	$ 122,830	**$ 121,382**
Consolidated Net Income (LTM)				$ 21,366	$ 12,095	$ 11,799	$ 11,735	**$ 10,262**
Unsecured Debt to Consolidated Net Income Ratio				5.9x	10.6x	10.9x	10.7x	**12.3x**
Consolidated Adjusted EBITDA (LTM)				$ 47,858	$ 47,789	$ 47,959	$ 48,289	**$ 48,542**
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio				2.6x	2.6x	2.6x	2.5x	**2.5x**
Net Unsecured Debt - Quarter over quarter change								**$ (1,448)**
Net Unsecured Debt - Year over year change								**$ (848)**
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								**(0.1x)**

Non-GAAP Reconciliations - Consolidated

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except per share amounts)

Unaudited	3 Mos. Ended 9/30/23 Pre-tax	Tax	After-Tax		3 Mos. Ended 9/30/24 Pre-tax	Tax	After-Tax	
EPS				$ 1.13				**$ 0.78**
Amortization of acquisition-related intangible assets	$ 224	$ (56)	$ 168	0.04	$ 186	$ (46)	$ 140	**0.03**
Severance charges	—	—	—	—	1,733	(429)	1,304	**0.31**
Asset and business rationalization	—	—	—	—	374	(90)	284	**0.07**
Business transformation costs	176	(45)	131	0.03	—	—	—	**—**
Non-strategic business shutdown	179	(83)	96	0.02	—	—	—	**—**
	$ 579	$ (184)	$ 395	$ 0.09	$ 2,293	$ (565)	$ 1,728	**$ 0.41**
Adjusted EPS				$ 1.22				**$ 1.19**
Year over year change %								**(2.5)%**

Footnote:
Adjusted EPS may not add due to rounding.

Free Cash Flow

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/23	**3 Mos. Ended 9/30/24**	9 Mos. Ended 9/30/23	**9 Mos. Ended 9/30/24**
Net Cash Provided by Operating Activities	$ 10,778	$ 9,911	$ 28,798	**$ 26,480**
Capital expenditures (including capitalized software)	(4,094)	(3,948)	(14,164)	**(12,019)**
Free Cash Flow	$ 6,684	$ 5,963	$ 14,634	**$ 14,461**

Consolidated Operating Expenses Excluding Depreciation and Amortization and Special Items

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/23	**3 Mos. Ended 9/30/24**
Consolidated Operating Expenses	$ 25,863	**$ 27,404**
Depreciation and amortization expense[(1)]	4,431	**4,458**
Severance charges	—	**1,733**
Asset and business rationalization	—	**374**
Business transformation costs	176	**—**
Non-strategic business shutdown	158	**—**
Consolidated Operating Expenses Excluding Depreciation and Amortization and Special Items	$ 21,098	**$ 20,839**
Year over year change %		**(1.2)%**

Footnote:
(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 3/31/23	3 Mos. Ended 6/30/23	3 Mos. Ended 9/30/23	3 Mos. Ended 12/31/23	3 Mos. Ended 3/31/24	3 Mos. Ended 6/30/24	**3 Mos. Ended 9/30/24**
Operating Income	$ 7,099	$ 7,330	$ 7,547	$ 7,035	$ 7,372	$ 7,604	**$ 7,604**
Add Depreciation and amortization expense	3,214	3,247	3,272	3,344	3,309	3,394	**3,411**
Segment EBITDA	$ 10,313	$ 10,577	$ 10,819	$ 10,379	$ 10,681	$ 10,998	**$ 11,015**
Total operating revenues	$ 24,857	$ 24,558	$ 25,257	$ 26,954	$ 25,057	$ 24,927	**$ 25,360**
Operating Income Margin	28.6 %	29.8 %	29.9 %	26.1 %	29.4 %	30.5 %	**30.0 %**
Segment EBITDA Margin	41.5 %	43.1 %	42.8 %	38.5 %	42.6 %	44.1 %	**43.4 %**
Segment EBITDA - Year over year change %							**1.8 %**

Business

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/23	3 Mos. Ended 6/30/23	3 Mos. Ended 9/30/23	3 Mos. Ended 12/31/23	3 Mos. Ended 3/31/24	3 Mos. Ended 6/30/24	**3 Mos. Ended 9/30/24**
Operating Income	$ 551	$ 533	$ 539	$ 443	$ 399	$ 500	**$ 565**
Add Depreciation and amortization expense	1,094	1,103	1,127	1,164	1,128	1,078	**1,040**
Segment EBITDA	$ 1,645	$ 1,636	$ 1,666	$ 1,607	$ 1,527	$ 1,578	**$ 1,605**
Total operating revenues	$ 7,494	$ 7,483	$ 7,527	$ 7,618	$ 7,376	$ 7,300	**$ 7,351**
Operating Income Margin	7.4 %	7.1 %	7.2 %	5.8 %	5.4 %	6.8 %	**7.7 %**
Segment EBITDA Margin	22.0 %	21.9 %	22.1 %	21.1 %	20.7 %	21.6 %	**21.8 %**
Segment EBITDA - Year over year change %							**(3.7)%**