

# 3rd Quarter 2016 Earnings Results

**Fran Shammo**  
**Chief Financial Officer**

**October 20, 2016**



# “Safe Harbor” Statement

NOTE: In this presentation we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words “anticipates,” “believes,” “estimates,” “hopes” or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors, along with those discussed in our filings with the Securities and Exchange Commission (the “SEC”), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: adverse conditions in the U.S. and international economies; the effects of competition in the markets in which we operate; material changes in technology or technology substitution; disruption of our key suppliers’ provisioning of products or services; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks; breaches of network or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance; our high level of indebtedness; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing; material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact; significant increases in benefit plan costs or lower investment returns on plan assets; changes in tax laws or treaties, or in their interpretation; changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; the inability to implement our business strategies; and the inability to realize the expected benefits of strategic transactions.

**As required by SEC rules, we have provided a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP measures in materials on our website at [www.verizon.com/about/investors](http://www.verizon.com/about/investors).**

# Important Additional Information and Where to Find It

On September 9, 2016, Yahoo! Inc. ("Yahoo") filed with the Securities and Exchange Commission (the "SEC") a preliminary proxy statement regarding the proposed sale of Yahoo's operating business to Verizon Communications Inc. ("Verizon") and related transactions, and the definitive version of which will be sent or provided to Yahoo stockholders.

**BEFORE MAKING ANY VOTING DECISION, YAHOO'S STOCKHOLDERS ARE STRONGLY ADVISED TO READ YAHOO'S PROXY STATEMENT IN ITS ENTIRETY (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO WHEN THEY BECOME AVAILABLE) AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTIONS OR INCORPORATED BY REFERENCE THEREIN BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS.**

Investors and stockholders can obtain a free copy of Yahoo's proxy statement, any amendments or supplements to the proxy statement, and other documents filed by Yahoo with the SEC in connection with the proposed transactions for no charge at the SEC's website at [www.sec.gov](http://www.sec.gov), on the Investor Relations page of Yahoo's website [investor.yahoo.net](http://investor.yahoo.net) or by writing to Investor Relations, Yahoo! Inc., 701 First Avenue, Sunnyvale, CA 94089.

Yahoo and its directors and executive officers, as well as Verizon and its directors and executive officers, may be deemed participants in the solicitation of proxies from Yahoo's investors and stockholders in connection with the proposed transactions. Information concerning the ownership of Yahoo securities by Yahoo's directors and executive officers is included in their SEC filings on Forms 3, 4 and 5, and additional information is also available in Yahoo's annual report on Form 10-K for the year ended December 31, 2015, as amended, and Yahoo's proxy statement for its 2016 annual meeting of stockholders filed with the SEC on May 23, 2016. Information about Verizon's directors and executive officers is set forth in Verizon's annual report on Form 10-K for the year ended December 31, 2015 and Verizon's proxy statement for its 2016 annual meeting of stockholders filed with the SEC on March 21, 2016. Information regarding Yahoo's directors, executive officers and other persons who may, under the rules of the SEC, be considered participants in the solicitation of proxies in connection with the proposed transactions, including their respective interests by security holdings or otherwise, also will be set forth in the definitive proxy statement relating to the proposed transactions when it is filed with the SEC. These documents may be obtained free of charge from the sources indicated above.

## Consolidated Earnings Summary

	3Q '16
Reported EPS	\$0.89
Add: Pension remeasurement and severance	\$0.12
Adjusted EPS*	\$1.01

\* Adjusted for non-operational items

Note: Amounts may not add due to rounding

**Strong earnings performance**

## 3Q '16 Overview

Executing in a highly competitive market

Positioning for future growth

Delivering strong financials, financial flexibility and dividends

**Transforming in challenging environment**

# Consolidated Operating & Financial Summary

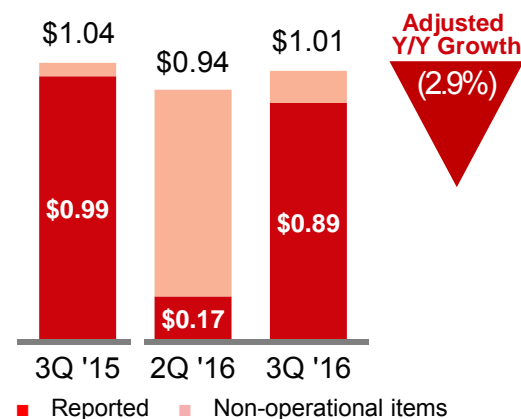
3Q '16 Total revenue excluding  
divested Wireline properties  
down 2.9% Y/Y

3Q '16 Adjusted EBITDA of  
\$11.3B\*

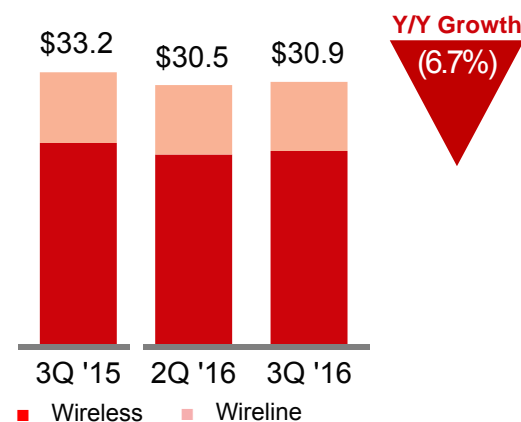
3Q '16 Adjusted EBITDA margin  
of 36.5%\*

\* Adjusted for non-operational items

## Adjusted EPS\*



## Total Revenue (\$B)



**Strong financial performance**

# Consolidated Cash Flow Summary

(\$ in billions)	1Q '16	2Q '16	3Q '16	2016 YTD
<b>Cash flow from operations</b>	\$7.4	\$5.4	\$4.8	\$17.6
<b>Capital expenditures</b>	\$3.4	\$3.9	\$4.1	\$11.4
<b>Free cash flow</b>	\$4.0	\$1.5	\$0.7	\$6.2
<b>Asset-backed long-term borrowings</b>	—	—	\$2.6	\$2.6
<b>Dividends paid</b>	\$2.3	\$2.3	\$2.3	\$6.9
<b>Total debt</b>	\$109.9	\$99.7	\$106.6	\$106.6
<b>Net debt to adjusted EBITDA*</b>	2.4x	2.2x	2.3x	2.3x

\* Adjusted for non-operational items and the impact of divested Wireline properties

Note: Amounts may not add due to rounding

**Consistent capital allocation**

## Wireless Revenue & Profitability

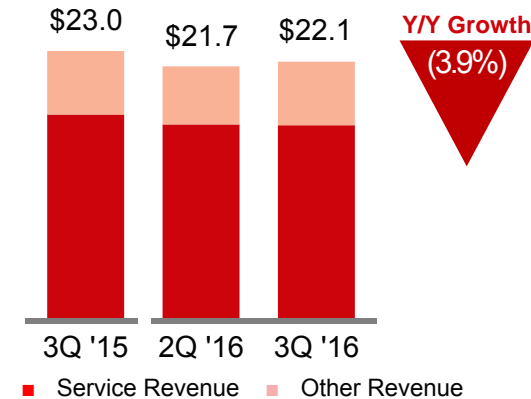
Service revenue plus device payment plan billings up 2.3% Y/Y in 3Q '16

3Q '16 segment EBITDA margin on total revenue of 44.9% up 170 bps Y/Y

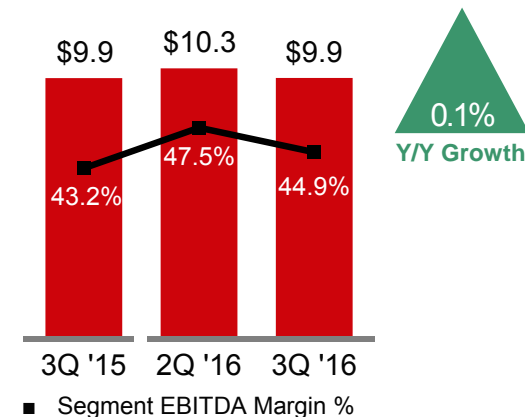
60% of postpaid phone base on unsubsidized pricing

3Q '16 phone activations on device payment plans were 70%; about 40% of postpaid phone base on device payment plans

### Total Revenue (\$B)



### Segment EBITDA (\$B)



**High-quality customer base drives profitability**



## Wireless Net Adds/Churn/ Connections

442K retail postpaid net adds in 3Q '16\*

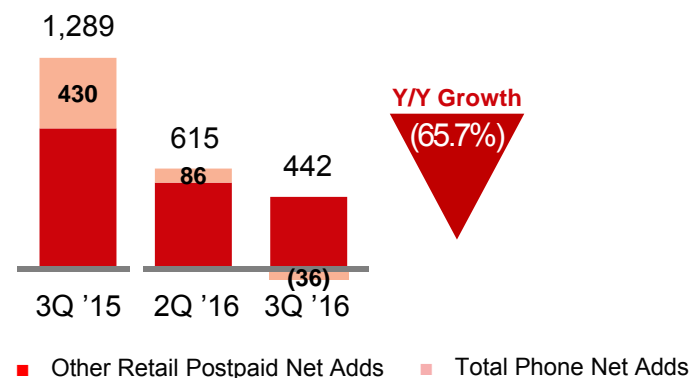
- 357K new 4G LTE smartphones
- Retail postpaid churn of 1.04%

Retail postpaid phone churn less than 0.9% in 3Q '16

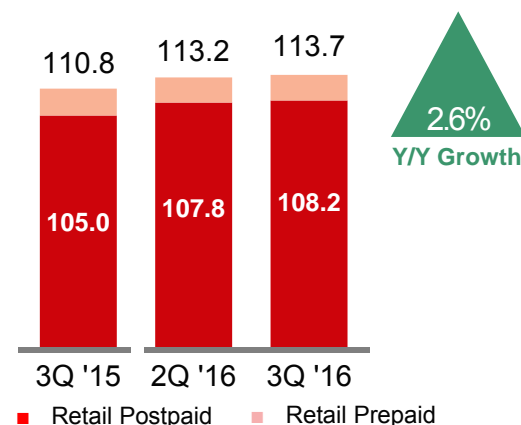
Retail postpaid connections growth of 3.0% Y/Y in 3Q '16

\* Excludes acquisitions and adjustments

### Retail Postpaid Net Adds\* (000)



### Retail Connections (M)



**Growing retail postpaid connections base**

## Wireless Devices / 4G LTE

Smartphone penetration of 86%,  
up from 82% a year ago

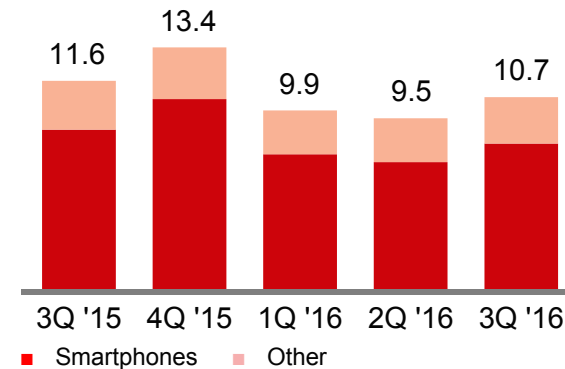
Added 1.7M 4G LTE devices in  
3Q '16

- About 97% of smartphones  
are 4G LTE

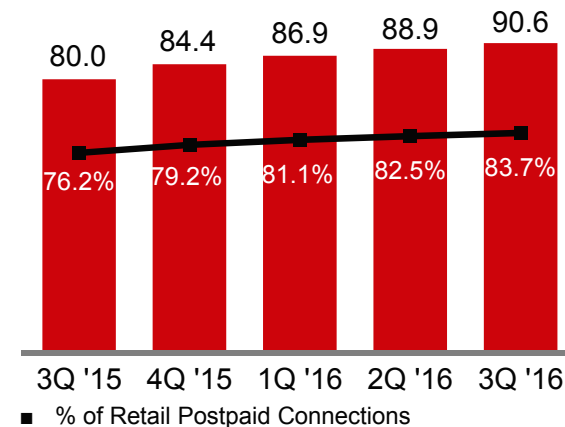
4G LTE devices up 13% Y/Y in  
3Q '16

4G LTE network usage increased  
about 45% Y/Y in 3Q '16

### Retail Postpaid Device Activations (M)



### 4G LTE Devices (M)



**LTE driving increased data and video usage**

## Wireline Mass Markets

Fios consumer revenue growth of 4.2% Y/Y in 3Q '16

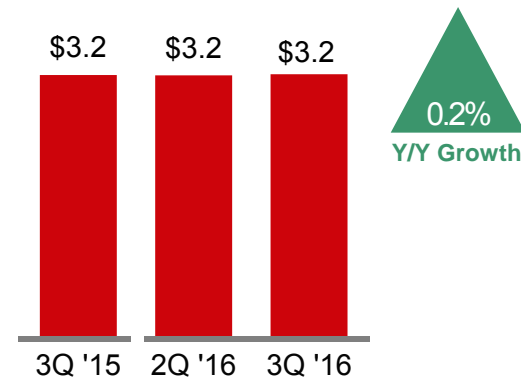
Fios Internet subscribers

- 90K net adds
- 40.4% penetration

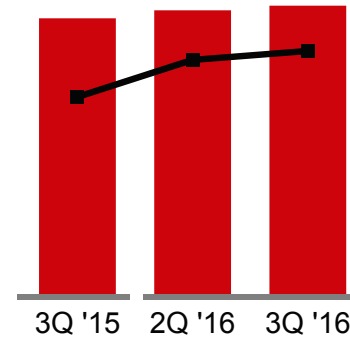
Fios Video subscribers

- 36K net adds
- 34.5% penetration

### Consumer Revenue (\$B)



### Consumer Fios Internet Subscribers



■ Quantum subscribers % of consumer Fios Internet subscribers

**Fios driving consumer growth**

## Wireline Revenue & Profitability

Total Fios revenue grew 4.4%  
Y/Y in 3Q '16

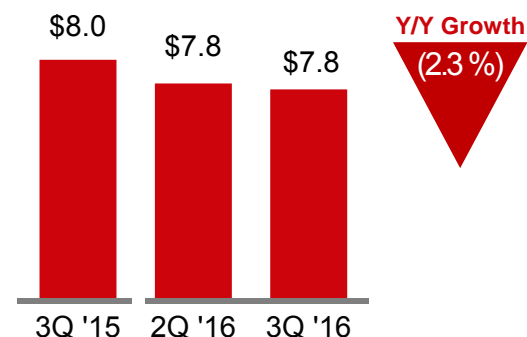
Global Enterprise revenue  
down 3.4% Y/Y in 3Q '16

Global Wholesale revenue  
down 3.9% Y/Y in 3Q '16

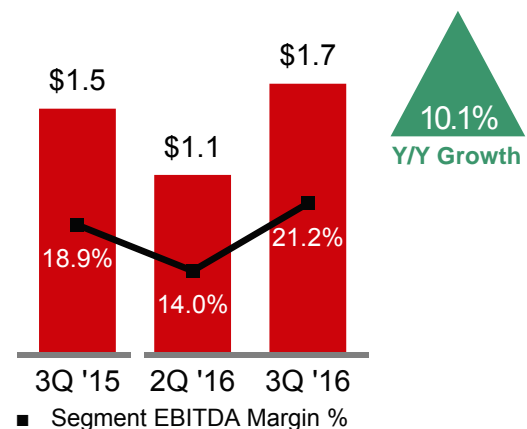
3Q '16 segment EBITDA of  
\$1.7B, up 10.1% Y/Y

3Q '16 segment EBITDA  
margin of 21.2%, up 230 bps  
Y/Y

### Total Revenue (\$B)



### Segment EBITDA (\$B)



Wireline profitability improving

# Strategic Positioning for Growth

## Network Leadership

LTE Advanced deployment  
Network cloud architecture and densification  
5G wireless technology: fixed and mobile

**5G**

verizon  
**LTE**  
advanced

## Content

Unique digital content  
go90 average daily usage over 30 minutes per user  
Less than 20% of traffic served on our network



## Digital Media Technology

AOL net revenue growth  
Leading data analytical tools  
Yahoo acquisition announced

**Aol.**

**YAHOO!**

## IoT

3Q '16 total IoT revenue of \$217M  
Investment in telematics

- Telogis transaction closed
- Fleetmatics acquisition announced

ThingSpace platform expansion

- Sensity Systems transaction closed

 **Telogis**  
A Verizon Company

 **Fleetmatics**

**ThingSpace**

 **sensity**

**Positioning for future**

**verizon**

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# Summary

Executing in competitive environment

Consistently investing in networks and platforms

Positioning for the future

Delivering strong financials and improving the balance sheet

Returning value to shareholders

**Confident in ability to perform and transform**

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