

# 4<sup>th</sup> Quarter 2018 Earnings Results

January 29, 2019

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# “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,” “expects,” “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. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. 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).

# Consolidated Strong earnings performance

	4Q '18	2018
Reported EPS	\$0.47	\$3.76
<i>Includes ~\$0.22 in 4Q '18 and ~\$0.84 in 2018 due to the net impact of tax reform and ASC 606*</i>		
Special items:		
Oath goodwill impairment	\$1.09	\$1.10
Early debt redemption costs	n/a	\$0.13
Product realignment charges	n/a	\$0.12
Acquisition and integration related charges	\$0.03	\$0.10
Severance, pension and benefits charges	\$0.03	\$0.01
Wireless legal entity restructuring	(\$0.50)	(\$0.50)
Adjusted EPS**	\$1.12	\$4.71
<i>Includes ~\$0.22 in 4Q '18 and ~\$0.84 in 2018 due to the net impact of tax reform and ASC 606*</i>		

Note: Amounts may not add due to rounding.

\* ASC 606 – Revenue Recognition Standard adopted on January 1, 2018.

\*\* Non-GAAP measure. Adjusted for special items.

# Supplemental Information

## Impact of ASC 606\*

(\$ in millions)

	4Q '18	2018	ASC 606 Impact		w/o ASC 606 Impact	
			4Q '18	2018	4Q '18	2018
<b>Consolidated</b>						
Total revenue	\$34,281	\$130,863	(\$161)	(\$425)	\$34,120	\$130,438
Y/Y Growth	1.0%	3.8%			0.5%	3.5%
Adjusted EBITDA**	\$11,585	\$47,410	(\$603)	(1,851)	\$10,982	\$45,559
Adjusted EBITDA Margin**	33.8%	36.2%			32.2%	34.9%
<b>Wireless</b>						
Service revenue	\$15,898	\$63,020	\$285	\$1,202	\$16,183	\$64,222
Y/Y Growth	0.1%	(0.2%)			1.9%	1.7%
Total revenue	\$24,412	\$91,734	(\$143)	(\$414)	\$24,269	\$91,320
Y/Y Growth	2.7%	4.8%			2.1%	4.4%
Segment EBITDA***	\$10,381	\$42,556	(\$550)	(\$1,682)	\$9,831	\$40,874
Segment EBITDA Margin***	42.5%	46.4%			40.5%	44.8%
<b>Wireline</b>						
Total revenue	\$7,373	\$29,760	(\$20)	(\$38)	\$7,353	\$29,722
Y/Y Growth	(3.2%)	(3.0%)			(3.5%)	(3.1%)
Segment EBITDA***	\$1,298	\$5,908	(\$55)	(\$193)	\$1,243	\$5,715
Segment EBITDA Margin***	17.6%	19.9%			16.9%	19.2%

\* ASC 606 – Revenue Recognition Standard adopted on January 1, 2018.

\*\* Non-GAAP measure. Adjusted for special items.

\*\*\* Non-GAAP measure.

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# 2018 Summary

*Delivered solid financials, strengthened balance sheet, and returned value to shareholders*

*Strong wireless profitability and customer retention*

*Continued network leadership, performance and technology development*

*Successfully executed a number of 5G firsts*

- *First over the air data transmission on 5G NR*
- *Completed first 5G data session on a smartphone*
- *First to commercially deploy 5G with our 5G home product*

*Announced Verizon 2.0*

# Consolidated Delivering strong financial results

4Q '18 total revenue of \$34.3B, up 1.0% Y/Y

- Excluding impact of ASC 606, total revenue of \$34.1B, up 0.5% Y/Y in 4Q '18

4Q '18 Adjusted EBITDA of \$11.6B\*

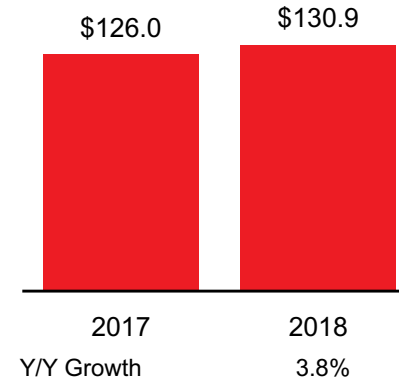
- Excluding impact of ASC 606, 4Q '18 Adjusted EBITDA of \$11.0B, up \$0.3B Y/Y\*

4Q '18 Adjusted EBITDA margin of 33.8%\*

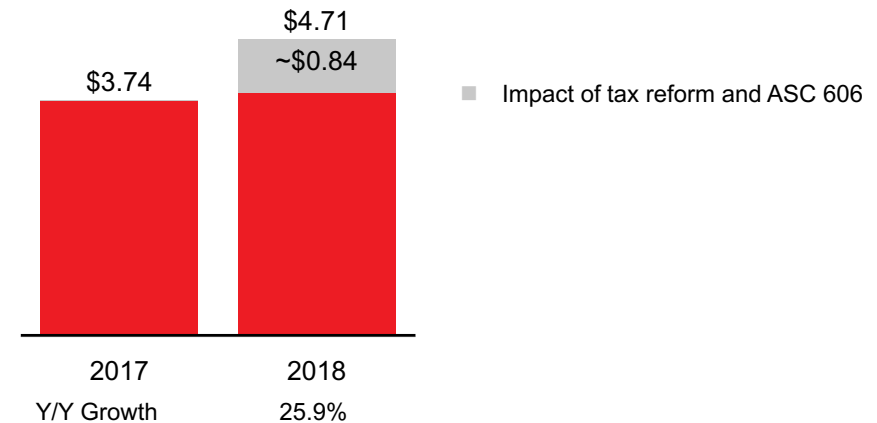
- Excluding impact of ASC 606, 4Q '18 Adjusted EBITDA margin of 32.2%\*

\* Non-GAAP measure. Adjusted for special items.

## Total Revenue (\$B)



## Adjusted EPS\*



# Consolidated Significant balance sheet strengthening

<i>(\$ in billions)</i>	2017	2018
<b>Cash flow from operations</b>	\$24.3	<b>\$34.3</b>
<b>Capital expenditures</b>	\$17.2	<b>\$16.7</b>
<b>Free cash flow*</b>	\$7.1	<b>\$17.7</b>
<b>Dividends paid</b>	\$9.5	<b>\$9.8</b>
<b>Total debt</b>	\$117.1	<b>\$113.1</b>
<i>Total asset-backed borrowings</i>	\$8.9	<b>\$10.1</b>
<b>Net debt to adjusted EBITDA**</b>	2.6x	<b>2.3x</b>

Note: Amounts may not add due to rounding.

\* Non-GAAP measure.

\*\* Non-GAAP measure. Adjusted for special items.

# Wireless Network leadership driving customer demand

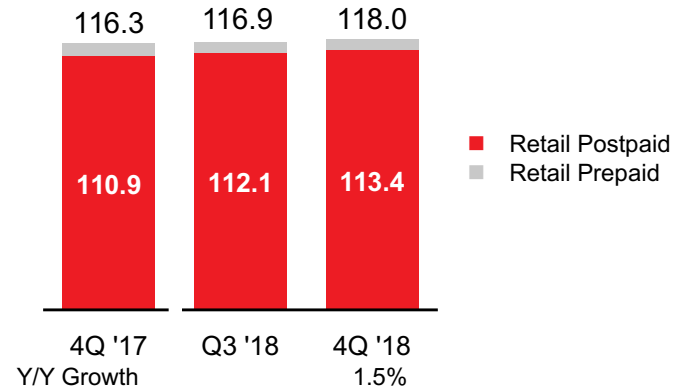
873K postpaid smartphone net adds in 4Q '18

653K phone net adds in 4Q '18

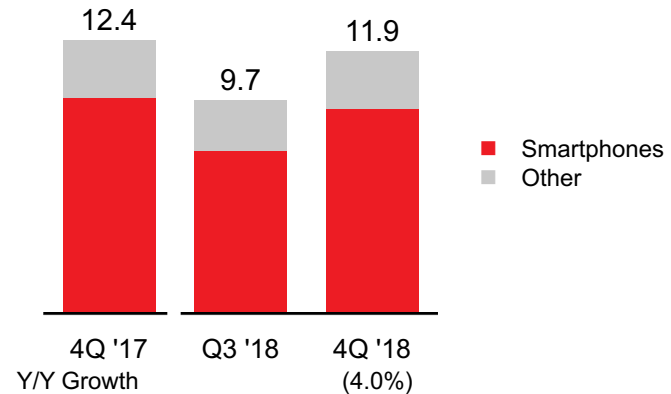
1,220K retail postpaid net adds in 4Q '18\*

4Q '18 retail postpaid phone churn of 0.82%

## Retail Connections (M)



## Retail Postpaid Device Activations (M)



\* Excludes acquisitions and adjustments.



# Wireless

## Solid performance in competitive environment

4Q '18 total revenue of \$24.4B

- Excluding impact of ASC 606, total revenue of \$24.3B, up 2.1% Y/Y

Service revenue of \$15.9B, up 0.1% Y/Y in 4Q '18

- Excluding impact of ASC 606, service revenue of \$16.2B, up 1.9% Y/Y

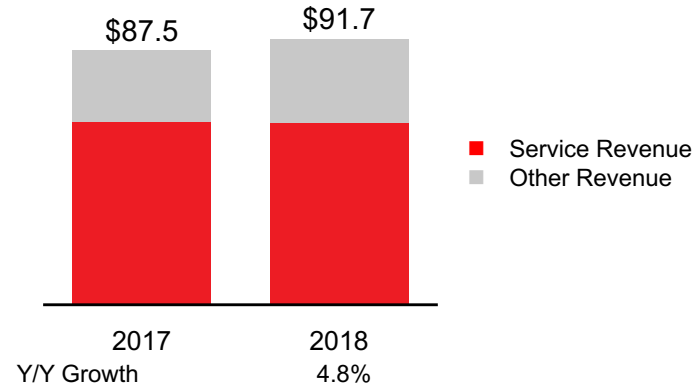
4Q '18 segment EBITDA margin on total revenue of 42.5%\*

- Excluding impact of ASC 606, segment EBITDA of \$9.8B and segment EBITDA margin of 40.5%, up 70 bps Y/Y\*

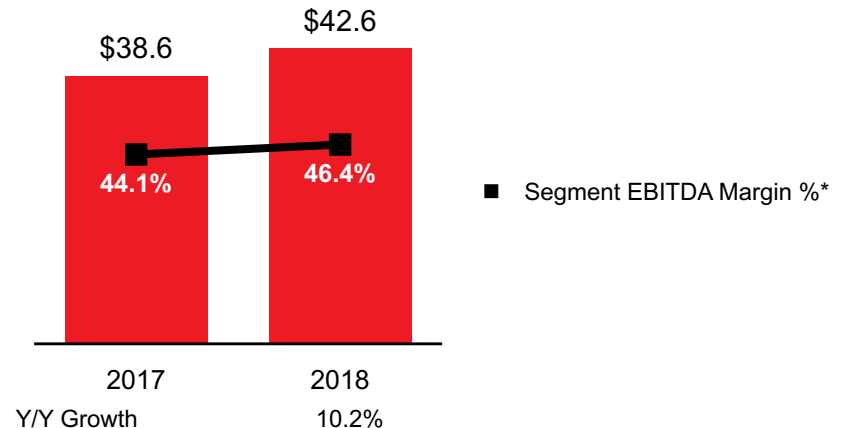
~48% of postpaid phone base on device payment plans in 4Q '18

\* Non-GAAP measure.

Total Revenue (\$B)



Segment EBITDA (\$B)\*



# Wireline

## Broadband driving Fios revenue growth

4Q '18 total Wireline revenue excluding impact of ASC 606 of \$7.4B, down 3.5% Y/Y

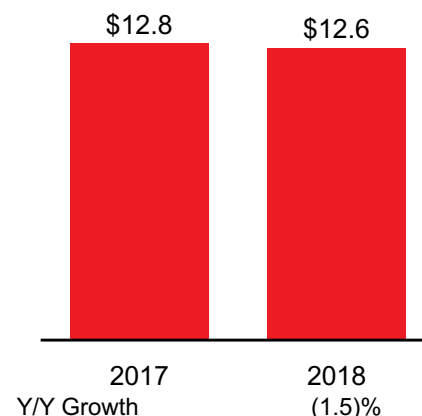
- Consumer Markets revenue excluding impact of ASC 606 of \$3.2B, down 1.0% Y/Y in 4Q '18
- Total Fios revenue excluding impact of ASC 606 grew 2.5% Y/Y in 4Q '18
- 54K Fios Internet net adds in 4Q '18
- 46K Fios Video net losses in 4Q '18

4Q '18 segment EBITDA margin of 17.6%\*

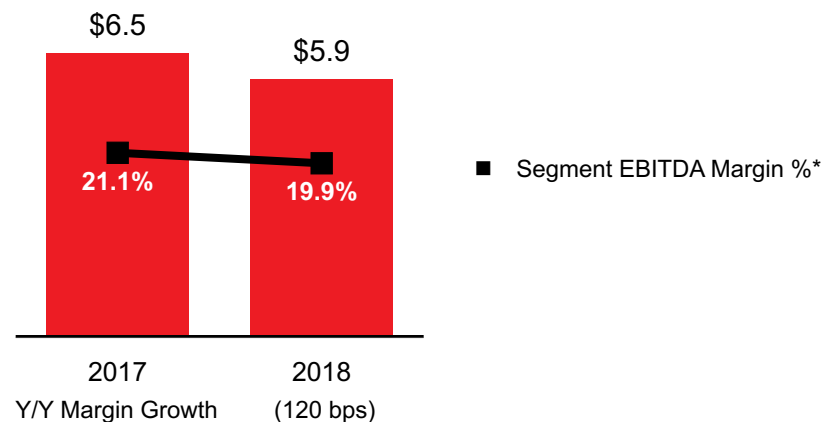
- Excluding impact of ASC 606, segment EBITDA margin of 16.9%\*

\* Non-GAAP measure.

### Consumer Markets Revenue (\$B)



### Segment EBITDA (\$B)\*



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# Media and IoT

## Positioning for future growth

### Verizon Media Group

#### Financial results

4Q '18 revenue of \$2.1B, down 5.8% Y/Y

- Sequential increase of \$0.2B

#### Key initiatives

- Completed supply and demand platform integrations
- Focus on super channels



Sports



News







Finance



Entertainment

# Confident in 2019 strategic priorities

 <b>CUSTOMER</b>	Customer centric operating model
 <b>FINANCIALS</b>	Deliver revenue growth and profitability; execute on process improvement initiatives
<b>5G<sup>v</sup></b> <b>5G</b>	Extend 5G leadership
 <b>EMPLOYEES</b>	Activate Verizon 2.0 in 2Q '19
 <b>SOCIETY</b>	Execute on framework for responsible business practices

# 4Q '18 Supplemental Information

# Selected metrics

<b>Wireless</b>	<b>4Q '18</b>	<b>2018</b>
Retail postpaid upgrade rate (%)	6.3%	5.3%
Postpaid gross adds (M)	4.9	16.4
Postpaid smartphone net adds (000)	873	2,001
Postpaid phone net adds (000)	653	1,122
Postpaid tablet net adds/(losses) (000)	11	(181)
<b>Wireline</b>		
Fios consumer revenue growth rate Y/Y (%)	2.0%*	1.5%*

\* Excludes impact of ASC 606.

**verizon**<sup>v</sup>