



# **4<sup>th</sup> Quarter 2008 Earnings Conference Call**

**January 27, 2009**

# “Safe Harbor” Statement



**NOTE: This presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. 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 could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: the effects of adverse conditions in the U.S. and international economies; the effects of competition in our markets; materially adverse changes in labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by us or by companies in which we have substantial investments; the effect of material changes in available technology; any disruption of our suppliers' provisioning of critical products or services; significant increases in benefit plan costs or lower investment returns on plan assets; the impact of natural or man-made disasters or existing or future litigation and any resulting financial impact not covered by insurance; technology substitution; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets impacting the cost, including interest rates, and/or availability of financing; any changes in the regulatory environments in which we operate, including any loss of or inability to renew wireless licenses, and the final results of federal and state regulatory proceedings and judicial review of those results; the timing, scope and financial impact of our deployment of fiber-to-the-premises broadband technology; changes in our 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; our ability to successfully integrate Alltel Corporation into Verizon Wireless's business and achieve anticipated benefits of the acquisition; and the inability to implement our business strategies.**

Throughout this presentation, results shown are adjusted for special items. Results reflect the reclassifications of revenues, expenses and operating income in the Wireline segment following the completion, on March 31, 2008, of the spin-off of our local exchange and related business assets in Maine, New Hampshire and Vermont. Reconciliations to generally accepted accounting principles (GAAP) for non-GAAP financial measures included in this presentation can be found on our website at [www.verizon.com/investor](http://www.verizon.com/investor).

# 2008 Overview



- **Delivered earnings, cash flow & dividend growth**
- **Continued investing to drive innovation**
- **Gained market share and scale**
- **Increased revenue and ARPU**
- **Improved revenue mix**
- **Well positioned to compete in 2009**

**Delivered EPS & dividend growth in a challenging environment**

# 4Q '08 Overview



## 4Q'08 Revenue Growth

+4.6% Consolidated Verizon  
+12.3% Wireless  
+36.8% Broadband & Video  
+8.4% VZB Strategic Services

## 4Q'08 Customer Growth

+1.4M Wireless net adds  
(excluding divestitures)  
+303K FiOS TV net adds  
+282K FiOS Internet net adds  
(460)K Retail residence  
primary lines

- Revenue growth in all strategic areas
- Quality wireless growth
- Record FiOS net adds
- Business cyclicality
- Opportunities to improve efficiency

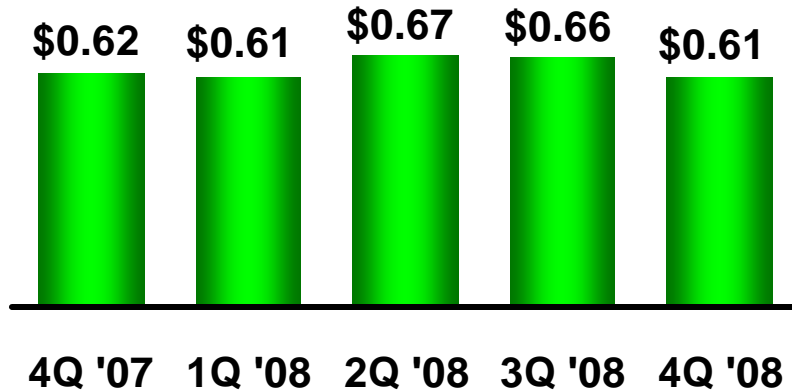
**Competing well in the marketplace**

Consolidated

# Revenue and Profitability



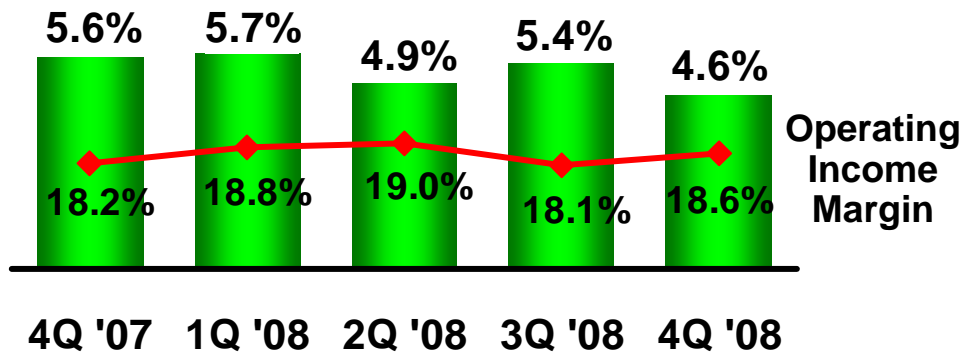
## Earnings Per Share



## 2008

- 7.6% EPS growth
- 7.0% Dividend increase
- 5.1% Revenue growth
- 9.2% Operating income growth

## Revenue Growth



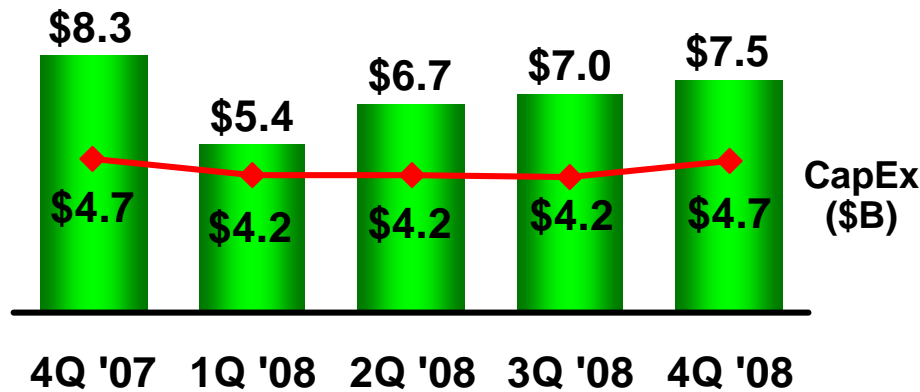
**Delivered solid results in 2008**

Consolidated

# Cash Flow & Balance Sheet



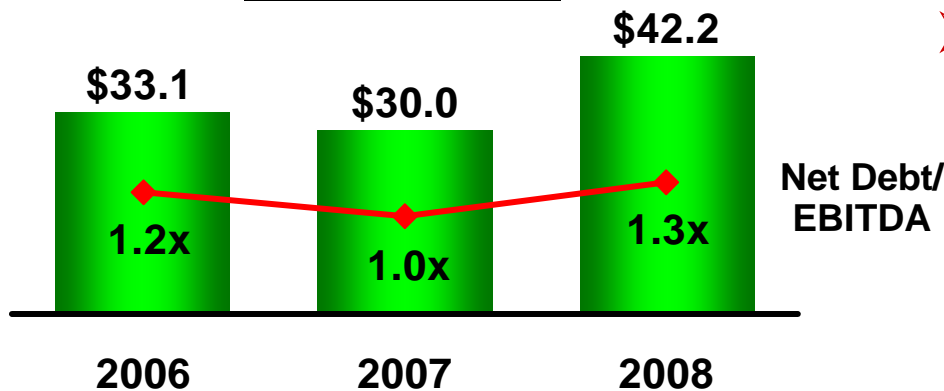
## Cash Flow From Continuing Operations (\$B)



## 2008

- \$26.6B Cash flow from continuing operations
- \$17.2B Capital expenditures
- Capex/Revenue improves 120 bps
- CFFO less capex up 7.0%

## Net Debt (\$B)



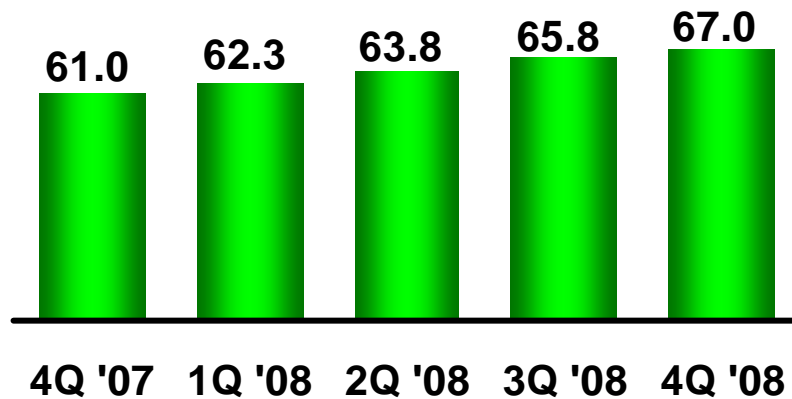
Investing and delivered cash to shareholders of \$6.4B

Wireless

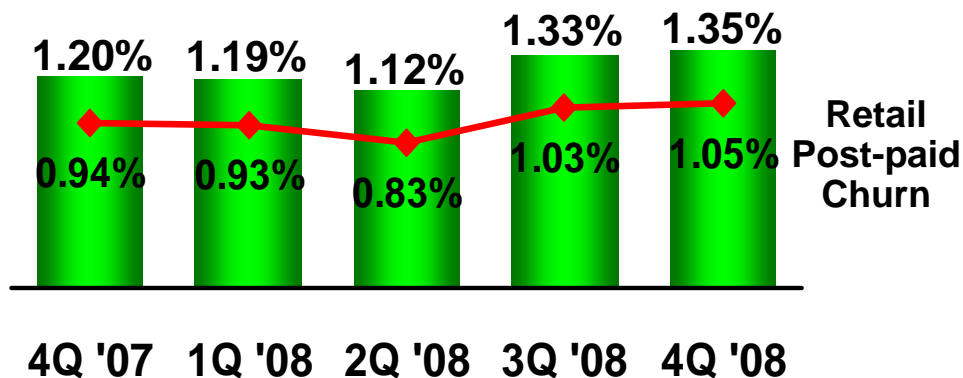
# Customer Growth



## Retail Post-paid Customers (M)



## Total Churn



- 72.1M Total customers
- Subscriber growth
  - ✓ 1.4M total net adds
  - ✓ 93% retail post-paid
- Retail data customers increase 17%
- Approved 29 Open Development devices

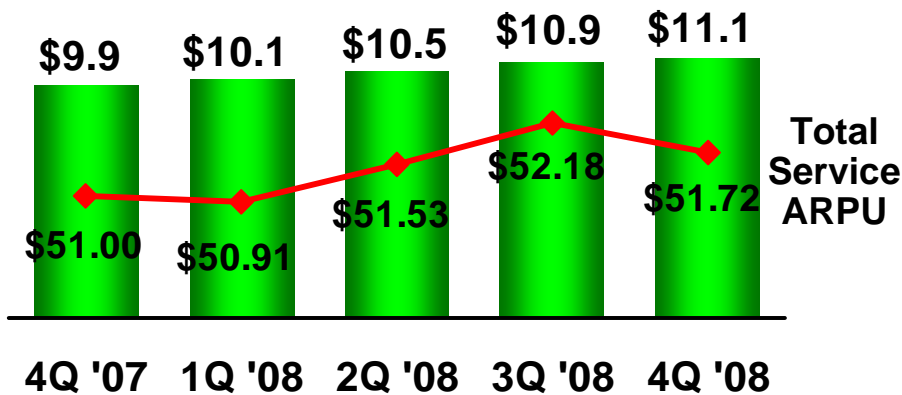
**Continuing high-quality customer growth**

## Wireless

# Revenue Growth



### Total Service Revenue (\$B)



➤ **12.0% Service revenue growth**

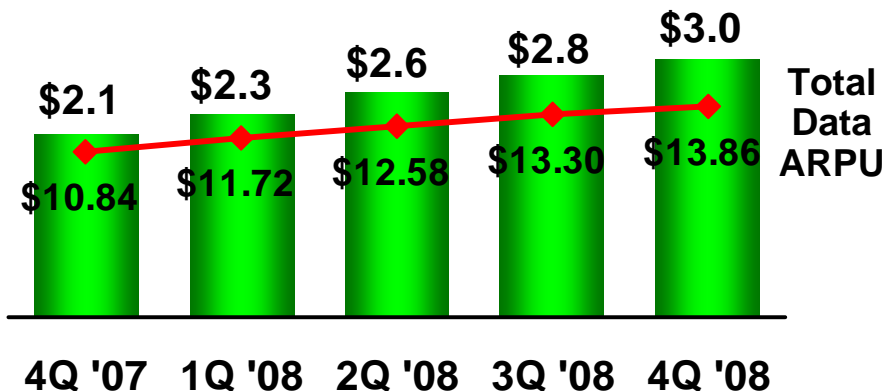
➤ **1.4% ARPU accretion**

➤ **Growing data contribution**

✓ 41.4% data revenue growth

✓ 26.8% of service revenue

### Total Data Revenue (\$B)



➤ **Non-messaging data revenue up 52%**

✓ >50% of total data revenue

✓ Relatively low penetration

**Wireless value proposition remains strong**



**Wireless**

# Verizon Wireless + Alltel

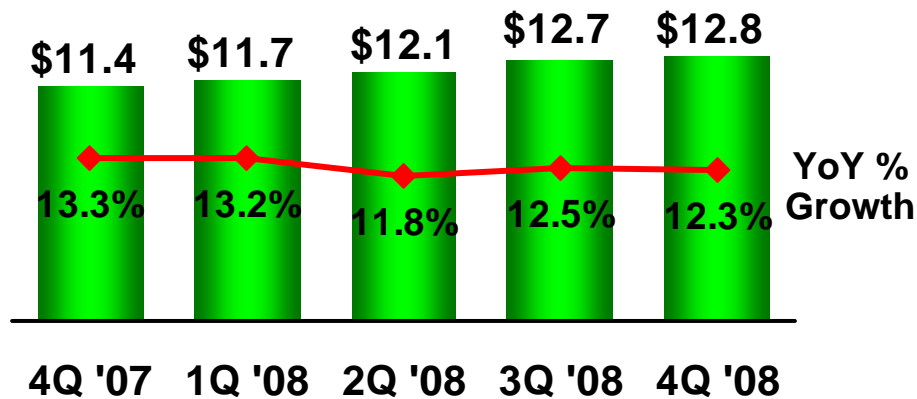
The Verizon logo, featuring the word "verizon" in a bold, lowercase sans-serif font, with a red checkmark-like shape above the "i" and "z".

- **Verizon combined revenue\* 55% wireless**
- **290M covered population**
- **>80M subscribers**
- **Compelling long-term strategic benefits**
  - ✓ **\$9B+ net present value of expected synergies**
  - ✓ **Cash flow positive**
  - ✓ **Earnings accretive**

\* Verizon Wireless and Alltel total revenues are combined for illustrative purposes only as if the acquisition occurred as of January 1, 2008, eliminating historical roaming activity only between Verizon Wireless and Alltel through 3Q08

**Verizon Wireless → #1 wireless service provider in the U. S.**

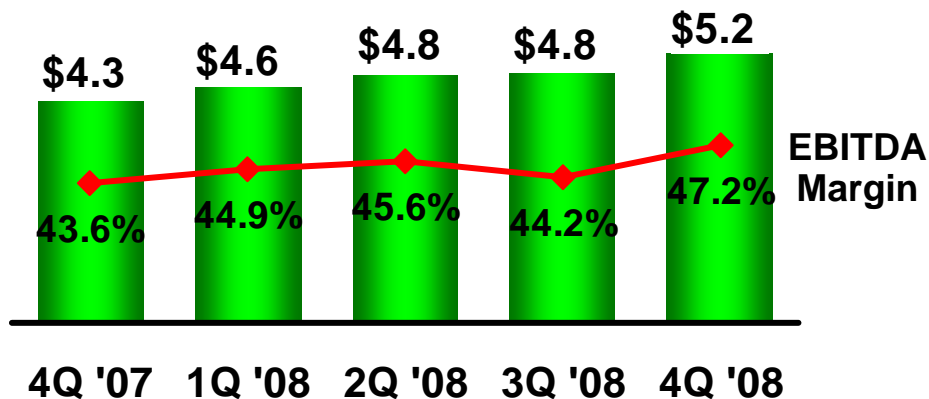
## Total Revenue (\$B)



## 2008

- Double-digit revenue growth
- 5.8M organic net additions
- 1.2% service ARPU growth
- 44.2% total data revenue growth
- 45.5% EBITDA service margin
- 13.2% Capex/total revenue
- \$12.9B EBITDA less capex, up 23%

## EBITDA (\$B)

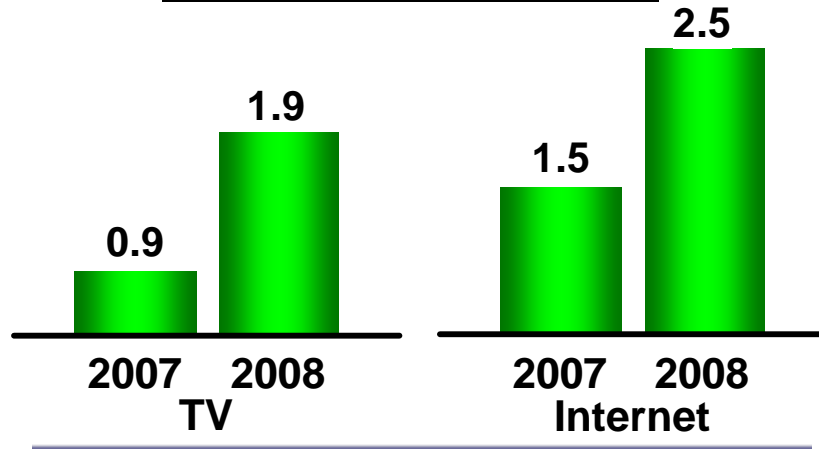


**Balancing growth & profitability**

# Customer Growth



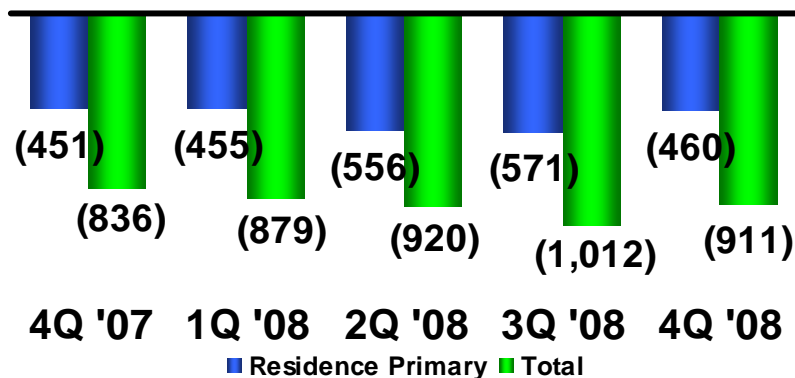
FiOS Customers (M)



- **FiOS TV**
  - ✓ 303K net adds
  - ✓ 21% penetration
  - ✓ +1.1M TV open for sale 4Q08

- **Broadband**
  - ✓ 282K FiOS Internet net adds
  - ✓ 25% penetration
  - ✓ (68)K DSL net adds
  - ✓ 8.7M Broadband customers

Access Line Loss (000)



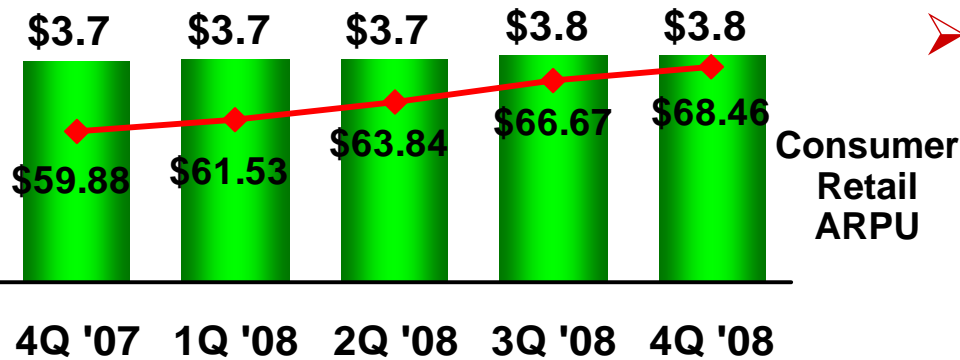
- **FiOS triple play coverage growing**

## Broadband and video customer growth

# Consumer Revenue



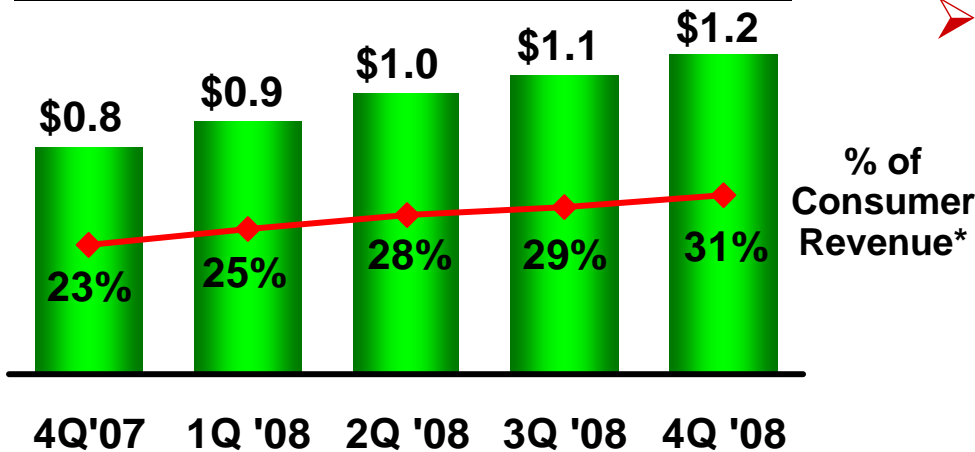
Consumer Revenue\* (\$B)



**Consumer revenue and ARPU growing**

- ✓ 2.9% growth in consumer revenue
- ✓ 14.3% increase in consumer ARPU

Broadband/Video Revenue (\$B)



**Broadband and video driving growth**

- ✓ Revenue up 42%
- ✓ FiOS ARPU \$133+

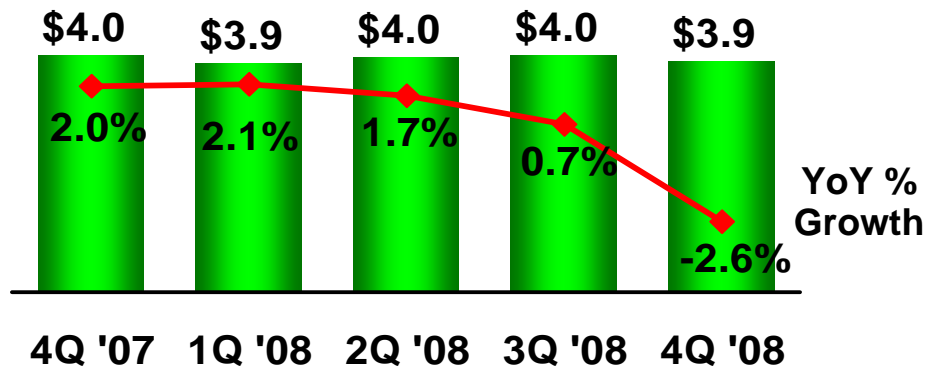
\* Legacy Verizon

**Broadband and video driving revenue & ARPU growth**

# VZ Business Revenue

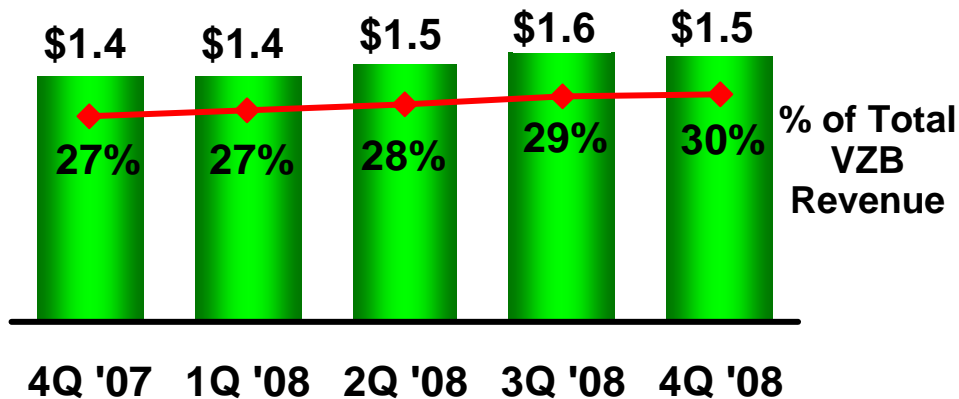


## Global Enterprise Revenue\* (\$B)



- (2.3)% Total VZB revenue
  - ✓ (2.2)% Enterprise Business
  - ✓ (0.6)% Wholesale
  - ✓ (4.5)% International and Other

## Strategic Services Revenue (\$B)



- Strategic services
  - ✓ 8.4% revenue growth
  - ✓ 30% of total VZB revenue

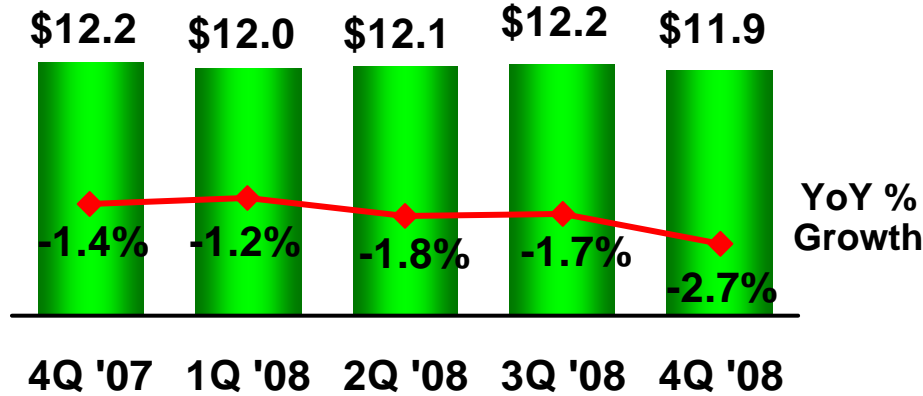
\* Retail domestic & retail int'l

**Disciplined approach & focus on product mix**

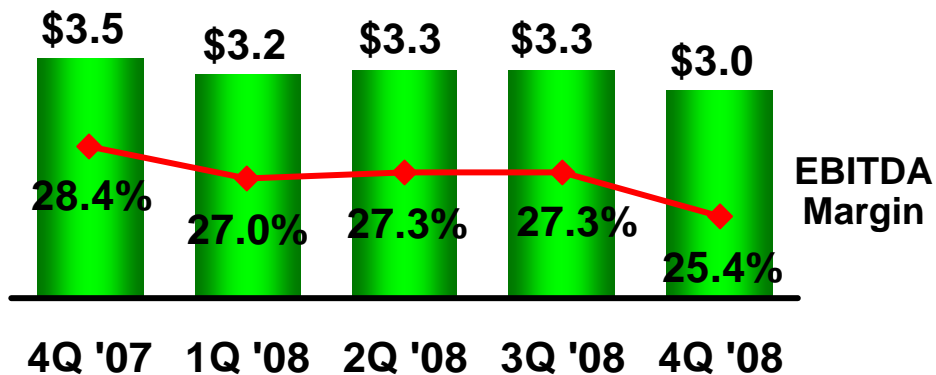
# Summary



## Total Revenue (\$B)



## EBITDA (\$B)



## 2008

- Broadband & video growth
- 1.7% Consumer revenue growth
- FiOS EBITDA positive for 2008
- 16.1% VZB Strategic services revenue growth
- Capex declines

**Improved competitive position**

# Summary



- Revenue, earnings and cash flow growth for 2008
- Investments driving strategic volumes growth
- Improving capital efficiency
- Strong financial position
- Attractive dividend & consistency of annual dividend increase model

**Verizon positioned to compete – in any environment**