



## News Release

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## Verizon reports 3Q results marked by revenue growth momentum

### Sequential improvement in Verizon Consumer postpaid phone gross additions

### Fifth consecutive quarter that Verizon Business reported more than 150,000 postpaid phone net additions

### 3Q 2022 highlights

#### Consolidated:

- \$1.17 in earnings per share (EPS), compared with \$1.55 in third-quarter 2021; adjusted EPS<sup>1</sup>, excluding special items, of \$1.32, compared with \$1.42 in third-quarter 2021<sup>2</sup>.
- Total revenue of \$34.2 billion, an increase of 4.0 percent from third-quarter 2021.
- Net income of \$5.0 billion, a decrease of 23.3 percent from third-quarter 2021, and adjusted EBITDA<sup>1</sup> of \$12.2 billion, down 0.4 percent year over year.

#### Total Wireless:

- Total wireless service revenue of \$18.8 billion, a 10.0 percent increase year over year.
- Total retail postpaid churn of 1.17 percent, and retail postpaid phone churn of 0.92 percent.
- Postpaid phone net additions of 8,000.

#### Total Broadband:

- Total broadband net additions of 377,000, including 342,000 fixed wireless net additions, reflecting a strong demand for reliable and high-value broadband offerings. Total broadband net additions increased 109,000 from second-quarter 2022, and fixed wireless net additions increased 86,000 from second-quarter 2022.

- More than 40 million households covered by fixed wireless in third-quarter 2022, including over 30 million households covered by 5G Ultra Wideband.
- 61,000 Fios Internet net additions, an increase from 36,000 Fios Internet net additions in second-quarter 2022.

**NEW YORK** - Verizon Communications Inc. (NYSE, Nasdaq: VZ) today reported its third-quarter 2022 results.

"We took a number of actions in the third quarter that helped drive improved operational and financial performance, but we know there's still more work to be done," said Verizon Chairman and CEO Hans Vestberg. "The pricing actions we took earlier this year, as well as our new cost savings program, show that we are being deliberate and strategic in our decisions to strengthen our business. At the same time, we are focused on executing our 5G strategy, as we are covering every major market and accelerating our C-Band network build. We are on track to reach 200 million POPs within first-quarter 2023."

For third-quarter 2022, Verizon reported EPS of \$1.17, compared with \$1.55 in third-quarter 2021. On an adjusted basis<sup>1</sup>, excluding special items, EPS was \$1.32 in third-quarter 2022, compared with adjusted EPS<sup>1</sup> of \$1.42 in third-quarter 2021<sup>2</sup>.

Third-quarter 2022 EPS included a pre-tax loss from special items of approximately \$881 million. This included a net pre-tax charge of approximately \$645 million primarily related to a mark-to-market adjustment for pension liabilities, and the impacts of amortization of intangible assets related to TracFone and other acquisitions of \$236 million.

"The actions we have taken in the previous two quarters are gaining traction in the marketplace," said Verizon Chief Financial Officer Matt Ellis. "We expect that we will be able to build on this momentum into the future. Our financial discipline, combined with our healthy balance sheet, enabled us to increase our dividend for a 16th consecutive year, which is the longest current streak of dividend increases in the U.S. telecom industry."

### **Consolidated results**

- Total consolidated operating revenue in third-quarter 2022 of \$34.2 billion, up 4.0 percent from third-quarter 2021. Wireless service revenue growth and higher wireless equipment revenue more than offset wireline declines and the net impact of merger and acquisition (M&A) activity in 2021.
- Total wireless service revenue growth of 10.0 percent year over year, primarily driven by the company's ownership of TracFone, continued effectiveness in its premium Unlimited strategy and ongoing strength in Business volumes.
- Verizon is focused on continuously improving operating efficiencies and mitigating inflation impacts, and has started a new cost savings program that is expected to provide a reduction in annual costs of between \$2 billion and \$3 billion by 2025.
- Net income of \$5.0 billion, a decrease of 23.3 percent from third-quarter 2021, and adjusted EBITDA<sup>1</sup> of \$12.2 billion, a decline of 0.4 percent year over year.
- Year-to-date cash flow from operating activities totaled \$28.2 billion, compared with \$31.2 billion in 2021. The reduction was primarily due to working capital impacts from higher device activations, and increased inventory levels.
- Capital expenditures year-to-date were \$15.8 billion, including C-Band spending of \$4.5 billion.
- Free cash flow<sup>1</sup> year to date was \$12.4 billion.
- Verizon's unsecured debt as of the end of third-quarter 2022 decreased by \$1.1 billion sequentially to \$131.4 billion. The company's net unsecured debt<sup>1</sup> balance decreased sequentially by \$1.3 billion to \$129.3 billion, and its net unsecured debt to adjusted EBITDA ratio<sup>1</sup> at quarter-end was approximately 2.7 times.

### **Verizon Consumer results**

- Total Verizon Consumer revenue was \$25.8 billion, an increase of 10.8 percent year over year, driven by wireless service revenue growth and higher equipment revenue.
- Wireless service revenue increased 11.0 percent year over year, driven by the inclusion of TracFone, core wireless service revenue growth and the impact of pricing actions.
- Consumer wireless retail postpaid churn was 1.10 percent in third-quarter 2022, and wireless retail postpaid phone churn was 0.88 percent.
- In third-quarter 2022, Consumer reported 189,000 wireless retail postpaid phone net losses, due to elevated churn partially as a result of recent pricing actions. Consumer ended third-quarter 2022 with nearly 53 percent of its postpaid wireless phone customers having 5G-capable devices. Consumer postpaid phone gross additions increased 1.3 percent year over year. This is a significant improvement from second-quarter 2022, when Consumer postpaid phone gross additions declined 11.3 percent year over year.
- Consumer reported 39,000 wireless retail prepaid net additions in third-quarter 2022, as TracFone reported positive net additions for the first time since first-quarter 2021.<sup>3</sup>

- Consumer reported 234,000 fixed wireless net additions and 58,000 Fios Internet net additions in third-quarter 2022. Consumer Fios revenue was \$2.9 billion in third-quarter 2022, an increase of 0.3 percent year over year.
- In third-quarter 2022, Consumer operating income was \$7.3 billion, a decrease of 3.2 percent year over year, and segment operating income margin was 28.4 percent, a decrease from 32.5 percent in third-quarter 2021. Segment EBITDA<sup>1</sup> in third-quarter 2022 was \$10.6 billion, an increase of 0.7 percent year over year. The pricing actions and the inclusion of TracFone results more than offset pressures from higher promotional activity and the impact of inflation. Segment EBITDA margin<sup>1</sup> was 40.9 percent, a decrease from 45.0 percent in third-quarter 2021.

### **Verizon Business results**

- Total Verizon Business revenue was \$7.8 billion in third-quarter 2022, an increase of 1.9 percent year over year.
- Business wireless service revenue was \$3.3 billion, an increase of 5.7 percent year over year. This increase was the result of pricing actions and continued growth in Business' customer base.
- Business reported 360,000 wireless retail postpaid net additions in third-quarter 2022, including 197,000 postpaid phone net additions. This was the fifth consecutive quarter that Business reported more than 150,000 postpaid phone net additions. Global Enterprise delivered its best ever phone net addition performance, and Small and Medium Business and Public Sector both reported year over year double digit phone gross addition growth.
- Business wireless retail postpaid churn was 1.42 percent in third-quarter 2022, and wireless retail postpaid phone churn was 1.10 percent.
- Business reported 108,000 fixed wireless net additions in third-quarter 2022.
- In third-quarter 2022, Verizon Business operating income was \$698 million, a decrease of 21.2 percent year over year, and segment operating income margin was 8.9 percent, a decrease from 11.5 percent in third-quarter 2021. Segment EBITDA<sup>1</sup> was \$1.8 billion in third-quarter 2022, a decrease of 6.7 percent year over year. In addition to pressure from wireline, Business experienced higher growth-related costs as wireless sales volumes increased 15 percent year over year. Segment EBITDA margin<sup>1</sup> was 22.7 percent, a decrease from 24.8 percent in third-quarter 2021.

### **Outlook and guidance**

Verizon continues to expect the following results for full-year 2022:

- Reported wireless service revenue growth<sup>4</sup> of 8.5 to 9.5 percent.
- Reported service and other revenue growth of minus 1 percent to flat.
- Adjusted EBITDA<sup>1</sup> growth of minus 1.5 percent to flat.

- Adjusted EPS<sup>1</sup> of \$5.10 to \$5.25.
- Adjusted effective income tax rate<sup>1</sup> in the range of 23 percent to 25 percent.
- Capital spending, excluding C-Band, in the range of \$16.5 billion to \$17.5 billion. Additional expenditures related to the deployment of the company's C-Band 5G network are expected to be in the range of \$5 billion to \$6 billion.

<sup>1</sup>*Non-GAAP financial measure. See the accompanying schedules and [www.verizon.com/about/investors](http://www.verizon.com/about/investors) for reconciliations of non-GAAP financial measures cited in this document to most directly comparable financial measures under generally accepted accounting principles (GAAP).*

<sup>2</sup>*Adjusted EPS for the prior year period has been reclassified to conform to current period presentation.*

<sup>3</sup>*Wireless retail prepaid net additions exclude the impact primarily related to the shutdown of a competitor's 3G network resulting in approximately 102,000 retail prepaid disconnects in the third quarter of 2022.*

<sup>4</sup>*Reported wireless service revenue growth represents the sum of Consumer and Business segments.*

Verizon Communications Inc. (NYSE, Nasdaq: VZ) was formed on June 30, 2000 and is one of the world's leading providers of technology and communications services. Headquartered in New York City and with a presence around the world, Verizon generated revenues of \$133.6 billion in 2021. The company offers data, video and voice services and solutions on its award-winning networks and platforms, delivering on customers' demand for mobility, reliable network connectivity, security and control.

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### **Forward-looking statements**

In this communication 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," "forecasts," "plans" 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: cyber attacks impacting our networks or systems and any resulting financial or reputational impact; damage to our infrastructure or disruption of our operations from natural disasters, extreme weather conditions or terrorist attacks and any resulting financial or reputational impact; the impact of public health crises, including the COVID-19 pandemic, on our operations, our employees and the ways in which our customers use our networks and other products and services; disruption of our key suppliers' or vendors' provisioning of products or services, including as a result of geopolitical factors, the COVID-19 pandemic or the potential impacts of global climate change; material adverse changes in labor matters and any resulting financial or operational impact; the effects of competition in the markets in which we operate; failure to take advantage of developments in technology and address changes in consumer demand; performance issues or delays in the deployment of our 5G network resulting in significant costs or a reduction in the anticipated benefits of the enhancement to our networks; the inability to implement our business strategy; adverse conditions in the U.S. and international economies, including inflation in the markets in which we operate; changes in the regulatory environment in which we operate, including

any increase in restrictions on our ability to operate our networks or businesses; our high level of indebtedness; significant litigation and any resulting material expenses incurred in defending against lawsuits or paying awards or settlements; 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; significant increases in benefit plan costs or lower investment returns on plan assets; changes in tax laws or treaties, or in their interpretation; and 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.