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News Release

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Strong wireless service revenue growth and cash flow highlight Verizon's 2Q results

Notable year over year improvement in Verizon Consumer postpaid phone gross additions

Eighth consecutive quarter that Verizon Business reported more than 125,000 postpaid phone net additions

2Q 2023 highlights

Consolidated:

- $1.10 in EPS, compared with $1.24 in second-quarter 2022; adjusted EPS[1], excluding special items, of $1.21, compared with $1.31 in second-quarter 2022.
- Total operating revenue of $32.6 billion, a decrease of 3.5 percent from second-quarter 2022.
- First-half 2023 cash flow from operations of $18.0 billion, an increase from $17.7 billion in first-half 2022.
- Net income of $4.8 billion, a decrease of 10.3 percent from second-quarter 2022, and consolidated adjusted EBITDA[1] of $12.0 billion, up 0.8 percent year over year.

Total Broadband:

- Total broadband net additions of 418,000, reflecting a strong demand for fixed wireless and Fios products. This result included 384,000 fixed wireless net additions, an increase from 256,000 fixed wireless net additions in second-quarter 2022. This is the third consecutive quarter that Verizon reported more than 400,000 broadband net additions. Verizon now has nearly 2.3 million subscribers on its fixed wireless service.

- 54,000 Fios Internet net additions, an increase from 36,000 Fios Internet net additions in second-quarter 2022.

Total Wireless:
- Total wireless service revenue[3] of $19.1 billion, a 3.8 percent increase year over year.
- Postpaid phone net additions of 8,000, and retail postpaid net additions of 612,000. Total wireless postpaid phone gross additions increased 2.0 percent year over year, primarily driven by a 6.9 percent year over year growth in Consumer postpaid phone gross additions.
- Total retail postpaid churn of 1.07 percent, and retail postpaid phone churn of 0.83 percent.

NEW YORK - Verizon Communications Inc. (NYSE, Nasdaq: VZ) reported second-quarter results today highlighted by wireless service revenue growth, increased cash flow from operations and strong momentum heading into the second half of the year.

"In the second quarter, we showed progress in our key priorities of growing wireless service revenue, delivering healthy consolidated adjusted EBITDA, and increasing free cash flow," said Chairman and CEO Hans Vestberg. "We look forward to extending our network leadership in the second half of the year by continuing our rapid C-Band deployment as we are laser focused on providing value to our customers. The steps that we have taken to improve our operational performance are working, and we are confident that we will achieve our financial targets for the full year."

For second-quarter 2023, Verizon reported EPS of $1.10, compared with $1.24 in second-quarter 2022. On an adjusted basis[1], excluding special items, EPS was $1.21 in second-quarter 2023, compared with adjusted EPS[1] of $1.31 in second-quarter 2022.

Second-quarter 2023 earnings reflected a pre-tax loss from special items of approximately $598 million. This included a pre-tax severance charge of $237 million, the impacts of amortization of intangible assets related to TracFone and other acquisitions of $206 million, and a pre-tax asset rationalization charge of $155 million related to certain real estate and non-strategic assets that the company has decided to cease use of as part of its transformation initiatives.

Consolidated results

- Total consolidated operating revenue in second-quarter 2023 of $32.6 billion, a decrease of 3.5 percent from second-quarter 2022. This decrease was primarily due to reduced wireless equipment revenue and lower postpaid phone upgrade activity.

- Total wireless service revenue[3] in second-quarter 2023 increased 3.8 percent year over year. This increase was driven primarily by pricing actions implemented in recent quarters, the larger allocation of administrative and telco recovery fees from other revenue into wireless service revenue, and a growing contribution from fixed wireless offerings.

- Net income of $4.8 billion, a decrease of 10.3 percent compared to second-quarter 2022, and consolidated adjusted EBITDA[1] of $12.0 billion, an increase of 0.8 percent year over year.

- First-half 2023 cash flow from operations totaled $18.0 billion, an increase from $17.7 billion in first-half 2022. This increase continues to be related to lower receivables and lower inventory levels tied to fewer upgrades, which were offset by higher cash income taxes and interest expense.

- Capital expenditures in first-half 2023 were $10.1 billion.

- The company ended first-half 2023 with free cash flow[1] of $8.0 billion, an increase from $7.2 billion in first-half 2022.

- Verizon's unsecured debt as of the end of second-quarter 2023 decreased by $662 million sequentially to $131.4 billion. The company's net unsecured debt[1] balance improved sequentially by $3.2 billion to $126.6 billion. At the end of second-quarter 2023, Verizon's ratio of unsecured debt to net income (LTM) was approximately 6.1 times, and its net unsecured debt to adjusted EBITDA ratio[1] was approximately 2.6 times.

Verizon Consumer results

- Total Verizon Consumer revenue was $24.6 billion, a decrease of 4.1 percent year over year. Growth in service and other revenue was offset by wireless equipment revenue declines.

- Wireless service revenue increased 3.5 percent year over year. This increase was driven by growth in retail postpaid Average Revenue Per Account (ARPA), partially offset by a decline in retail postpaid phone connections and prepaid connections.

- Consumer wireless retail postpaid churn was 0.95 percent in second-quarter 2023, and wireless retail postpaid phone churn was 0.76 percent.

- In second-quarter 2023, Consumer reported 136,000 wireless retail postpaid phone net losses. Consumer postpaid phone gross additions increased 6.9 percent year over year, and continued the momentum that began in second-half 2022.

- Consumer reported 304,000 wireless retail prepaid net losses in second-quarter 2023.

- Consumer reported 251,000 fixed wireless net additions and 51,000 Fios Internet net additions in second-quarter 2023. Consumer Fios revenue was $2.9 billion in second-quarter 2023, a decrease of 0.3 percent year over year.

- In second-quarter 2023, Consumer operating income was $7.3 billion, an increase of 2.5 percent year over year, and segment operating income margin was 29.8 percent, an increase from 27.9 percent in second-quarter 2022. Segment EBITDA[1] in second-quarter 2023 was $10.6 billion, an increase of 2.1 percent year over year. This improvement can be attributed to service revenue growth and lower upgrade volumes. Segment EBITDA margin[1] was 43.1 percent, an increase from 40.5 percent in second-quarter 2022.

Verizon Business results

- Total Verizon Business revenue was $7.5 billion in second-quarter 2023, a decrease of 1.9 percent year over year. Growth in wireless service revenue was more than offset by lower wireline revenue and lower wireless equipment revenue.

- Business wireless service revenue was $3.4 billion, an increase of 5.3 percent year over year. This growth was driven by continued strong net additions and pricing actions implemented in recent quarters.

- Business reported 308,000 wireless retail postpaid net additions in second-quarter 2023, including 144,000 postpaid phone net additions. This was the eighth consecutive quarter that Business reported more than 125,000 postpaid phone net additions.

- Business wireless retail postpaid churn was 1.48 percent in second-quarter 2023, and wireless retail postpaid phone churn was 1.10 percent.

- Business reported 133,000 fixed wireless net additions in second-quarter 2023.

- In second-quarter 2023, Verizon Business operating income was $533 million, a decrease of 21.0 percent year over year, and segment operating income margin was 7.1 percent, a decrease from 8.9 percent in second-quarter 2022. Segment EBITDA[1] was $1.6 billion in second-quarter 2023, a decrease of 6.5 percent year over year, driven by continued declines in high margin wireline revenues. Segment EBITDA margin[1] was 21.9 percent in second-quarter 2023, a decrease from 22.9 percent in second-quarter 2022.

Outlook and guidance

The company does not provide a reconciliation for any of the following adjusted (non-GAAP) forecasts because it cannot, without unreasonable effort, predict the special items that could arise, and the company is unable to address the probable significance of the unavailable information.

For 2023, Verizon continues to expect the following:

- Total wireless service revenue growth[2 3] of 2.5 percent to 4.5 percent.

- Adjusted EBITDA[1] of $47.0 billion to $48.5 billion.

- Adjusted EPS[1] of $4.55 to $4.85.

- Adjusted effective income tax rate[1] in the range of 22.5 percent to 24.0 percent.

- Capital spending in the range of $18.25 billion to $19.25 billion.

[1] *Non-GAAP financial measure. See the accompanying schedules and 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).*

[2] *Includes a benefit of approximately 190 basis points from the reallocation from other revenue to wireless service revenue. This results from a larger allocation of administrative and telco recovery charges which partly recover network operating costs.*

[3] *Total wireless service revenue 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 $136.8 billion in 2022. 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," "forecasts," "hopes," "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: the effects of competition in the markets in which we operate, including any inability to successfully respond to competitive factors such as prices, promotional incentives and evolving consumer preferences; failure to take advantage of, or respond to competitors' use 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; 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, acts of war, terrorist attacks or other hostile acts and any resulting financial or reputational impact; the impact of public health crises 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, public health crises or the potential impacts of global climate change; material adverse changes in labor matters and any resulting financial or operational impact; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks or businesses; allegations regarding the release of hazardous materials or pollutants into the environment from our, or our predecessors', network assets and any related regulatory developments, litigation, liability, compliance costs, penalties, operational impacts or reputational damage; 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.