



# **1st Quarter 2007 Earnings Conference Call**

**April 30, 2007**



# “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: materially adverse changes in economic and industry conditions and 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; material changes in available technology, including disruption of our suppliers’ provisioning of critical products and services; technology substitution; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations; the final results of federal and state regulatory proceedings concerning our provision of retail and wholesale services and judicial review of those results; the effects of competition in our markets; the timing, scope and financial impacts of our deployment of fiber-to-the-premises broadband technology; the ability of Verizon Wireless to continue to obtain sufficient spectrum resources; 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; the timing of the completion of the sale of our Latin American property; and the extent and timing of our ability to obtain revenue enhancements and cost savings following our business combination with MCI, Inc.**

This presentation includes certain non-GAAP financial measures as defined under SEC rules. As required by those rules we have provided a reconciliation of those measures to the most directly comparable GAAP measure in materials on our website at [www.verizon.com/investor](http://www.verizon.com/investor).

# 1Q '07 Headlines



- **6.5% consolidated revenue growth**
- **19.5% increase in operating income**
- **\$0.54 diluted EPS from continuing operations up 17%**

*Note: Results shown are adjusted for special items*

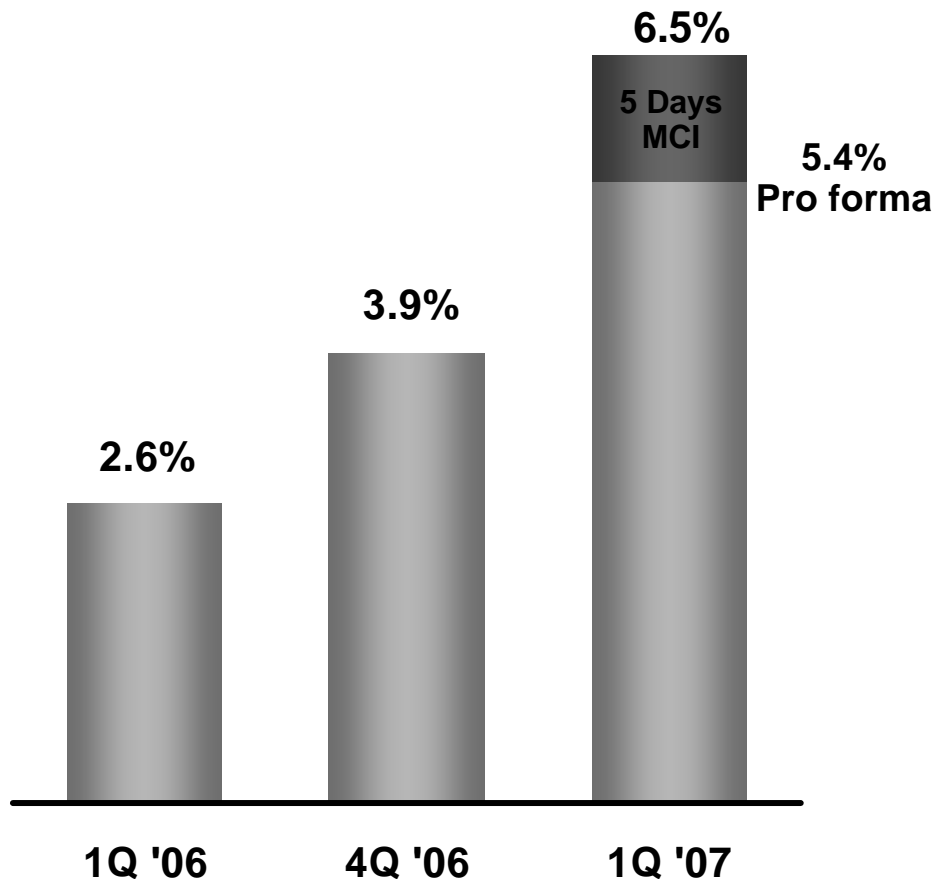
**Strong start, momentum continues**

Consolidated

# Pro forma Revenue



## Year over Year Revenue Growth



- **17% wireless revenue growth**
- **1.6% consumer\* revenue growth**
- **2.3% Verizon Business revenue growth**

*Note: Results shown are adjusted for special items*

*\* Legacy Verizon*

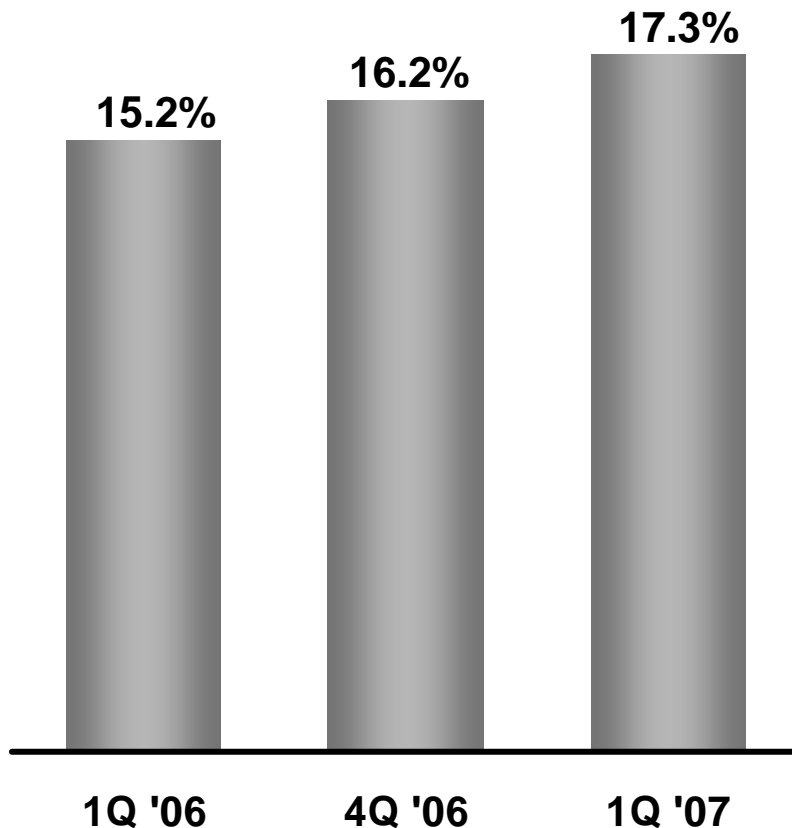
**Excellent top-line growth**

Consolidated

# Operating Income



## Operating Income Margin



- **29% wireless operating income growth**
- **6.8% wireline operating income growth**
- **1.7% decline in wireline cash expenses**
- **Initiatives to reshape cost structure**

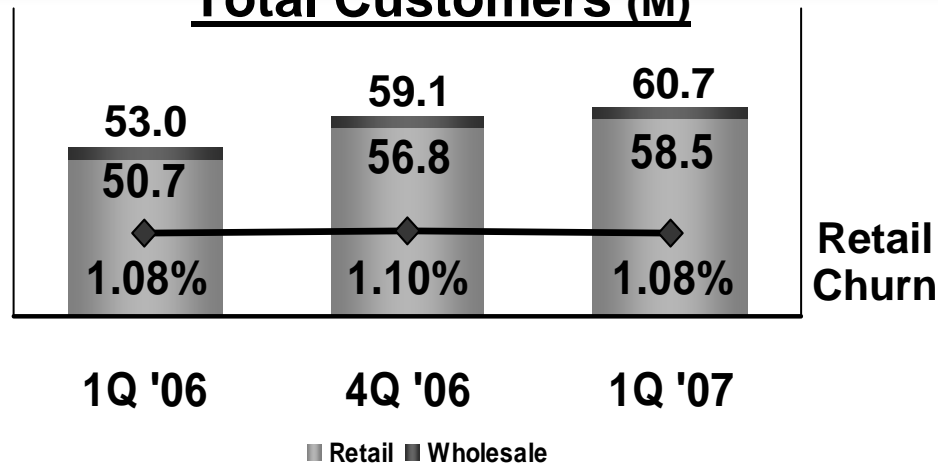
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**Focused on profitable growth**

# Customer Growth

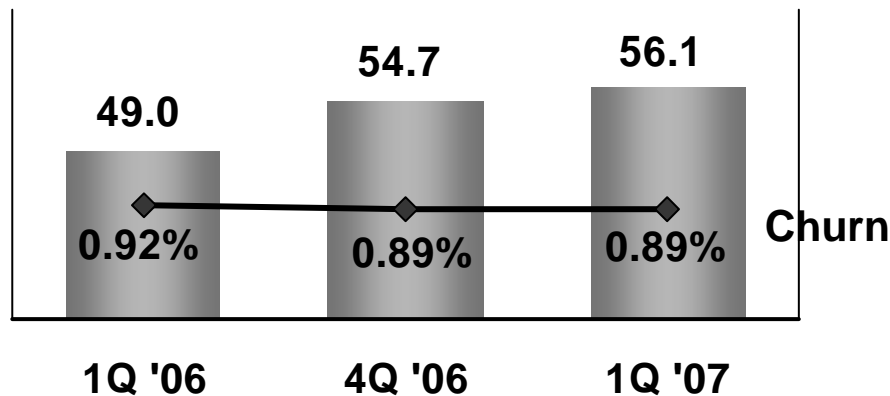


Total Customers (M)



- 1.7M total net adds
- 1.6M retail net adds
- 1.5M retail post-paid net adds
- 8.8% Y/Y growth in retail gross adds
- Industry-leading churn

Retail Post-paid Customers (M)

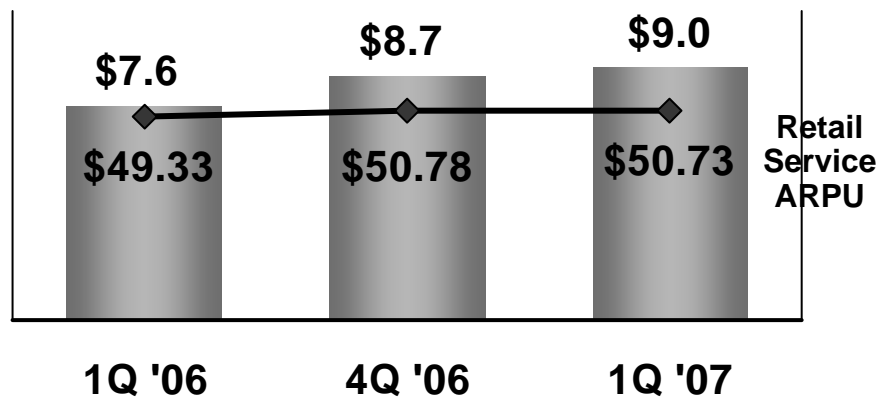


**Most customers of any wireless brand**

# Revenue Growth

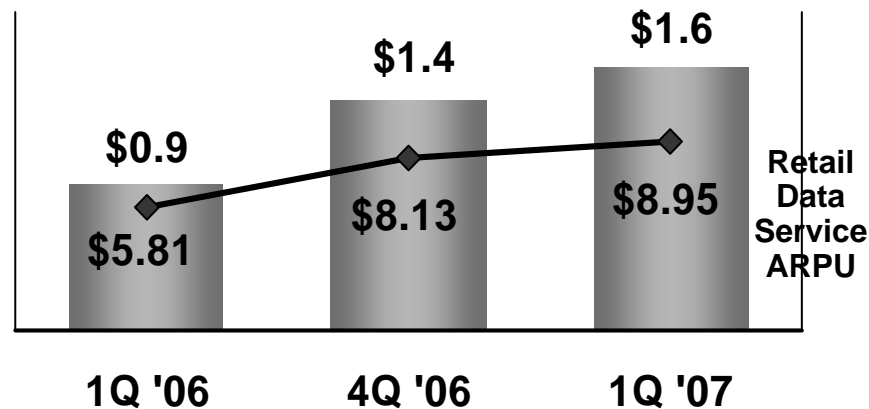


Total Service Revenue (\$B)



- 18% increase in total service revenue
- 2.8% increase in retail service ARPU

Total Data Revenue (\$B)



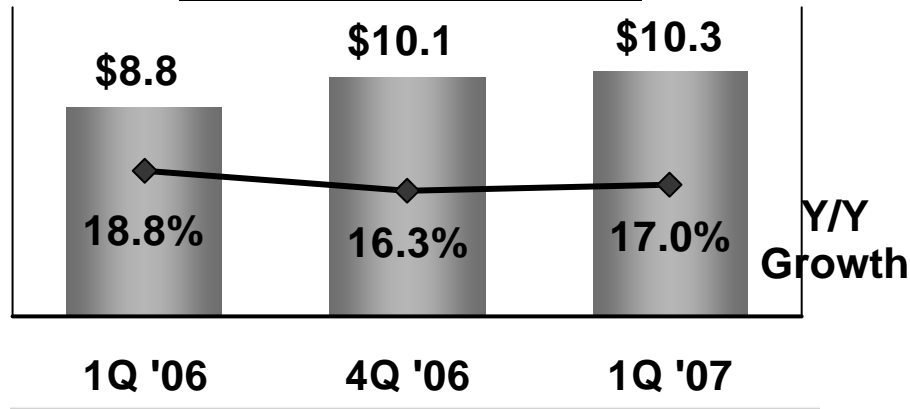
- 80% increase in total data revenue
- 54% increase in retail data service ARPU
- Data represents 17.4% of total service revenues

**Data opportunities driving growth**

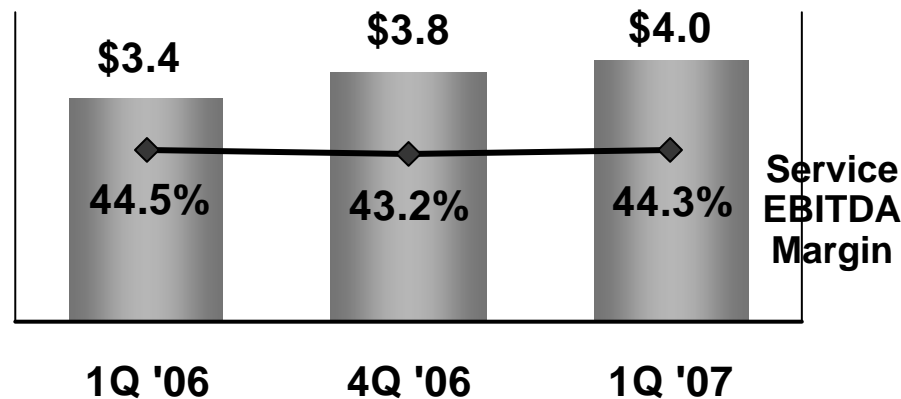
# Summary



Total Revenue (\$B)



EBITDA (\$B)



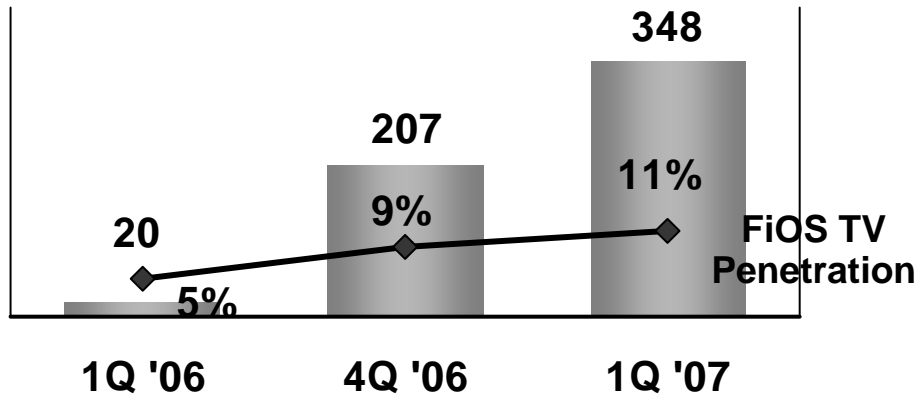
- Introduced “Network Test Drive” initiative
- America’s Choice<sup>®</sup> plans with unlimited messaging
- Launched V CAST Mobile TV
- Introduced 3 Rev. A PC devices; 2 broadband smartphones and 6 handsets
- Launched EV-DO Rev. A covering more than 145M POPs

**Strong growth outlook**

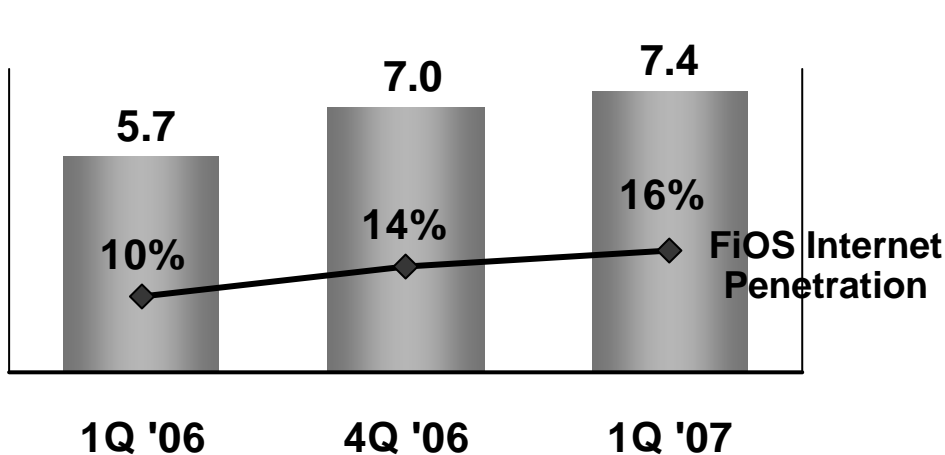
# Customer Growth



FiOS TV Subscribers (000)



Broadband Subscribers (M)



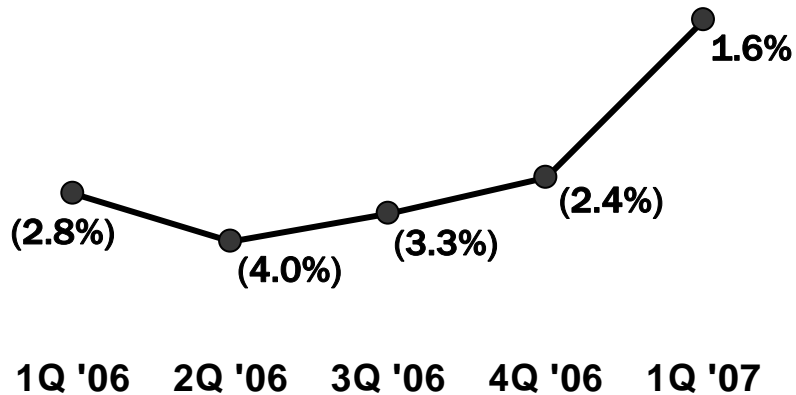
- 141K FiOS TV net adds
- Nearly 2,200 FiOS TV net adds per day
- 416K broadband net adds
- 177K FiOS internet adds
- Nearly 60% of FiOS TV orders include internet

**Exceeding expectations**

# Consumer Revenue Growth



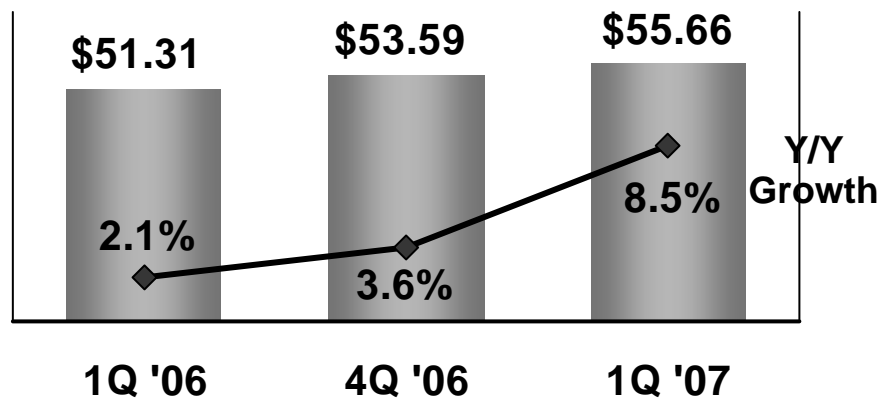
## Consumer Revenue Growth\*



➤ 46% growth in broadband and video revenue

➤ 182K more broadband and video adds than primary line losses

## Consumer Retail ARPU\*



➤ 31% growth in package subscriptions

➤ \$4.35 increase in consumer ARPU

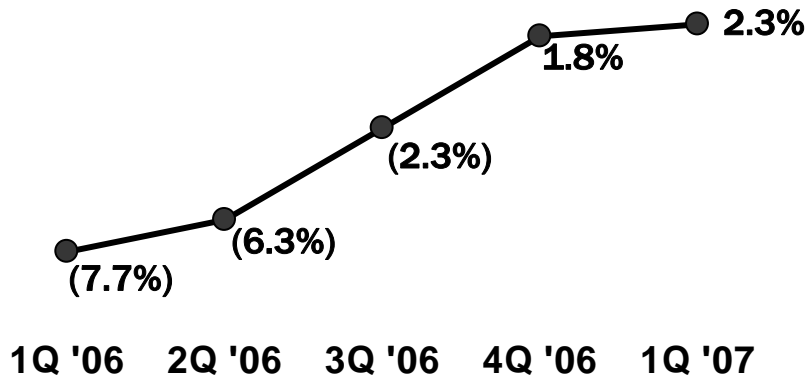
\* Legacy Verizon

**Increasing customer wallet share**

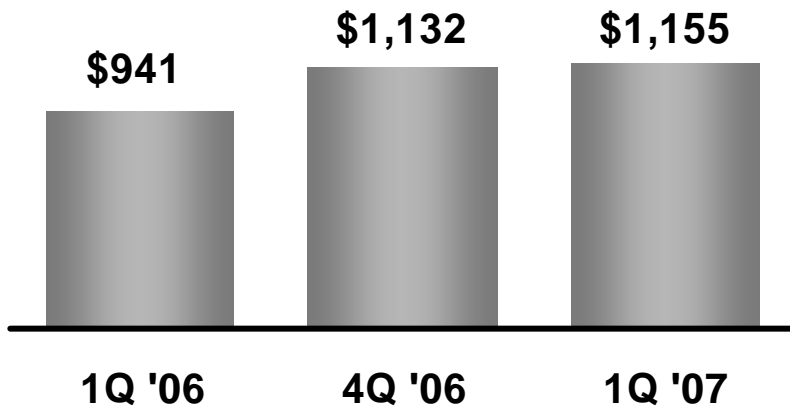
# VZ Business Revenue Growth



## Revenue Growth



## Strategic Services Revenue (\$M)



- 2.4% growth in enterprise revenue
- 1.7% growth in wholesale revenue
- 2.4% growth in international revenue
- 23% growth in strategic services revenue

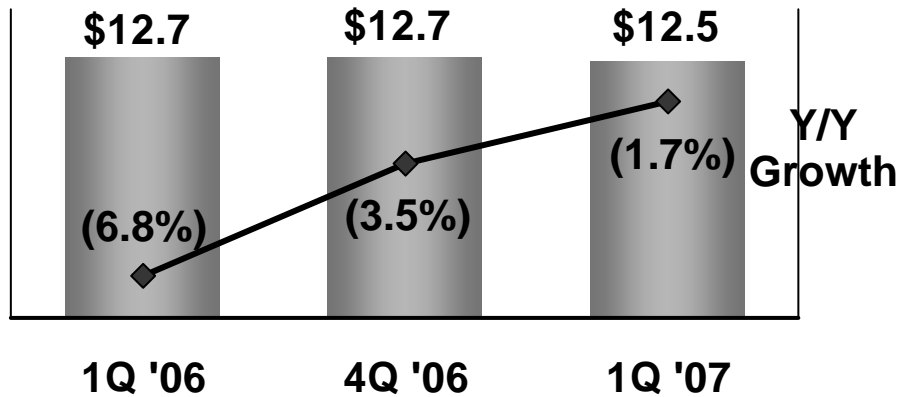
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**Revenue growth accelerates**

# Summary

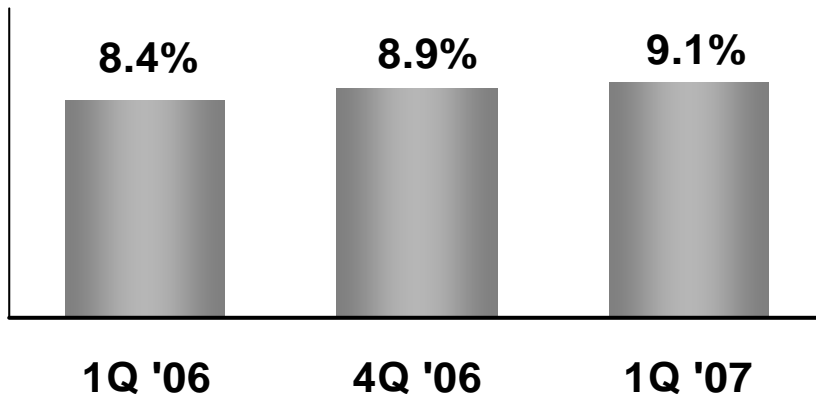


## Total Revenue (\$B)



- 34% of revenue is from data
- 9.5% growth in data revenue
- 70bps increase in Y/Y operating income margin
- \$0.11 EPS dilution from FiOS

## Operating Income Margin



*Note: Results shown are pro forma and adjusted for special items*

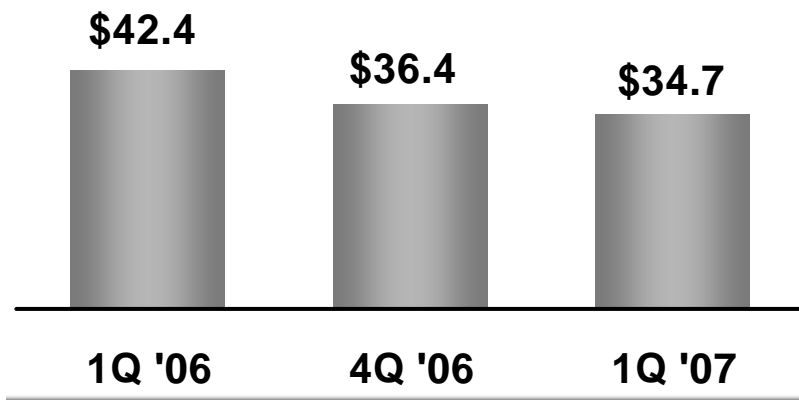
**Strong momentum**

Consolidated

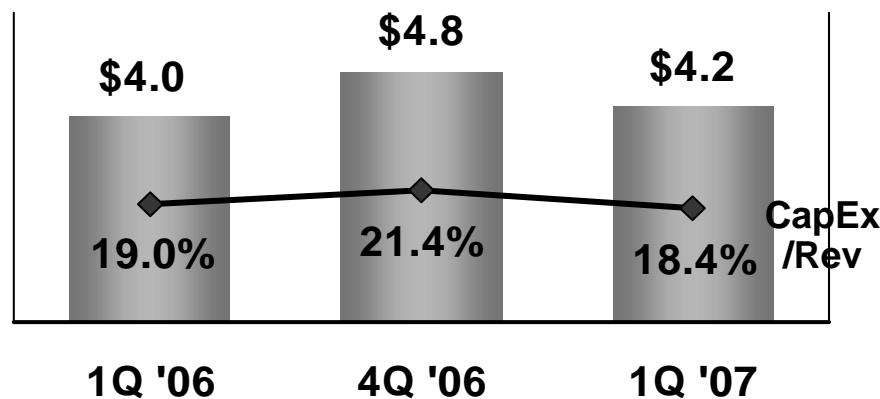
# Cash Flow & Debt



## Total Debt (\$B)



## Capital Expenditures (\$B)



- \$5B in cash flow from continuing operations
- \$7.7B reduction in debt year over year
- \$33.4B in net debt
- 1.1x net debt/EBITDA
- \$427M share repurchase in the quarter

**Strong financial flexibility**



# 1Q 2007 Summary

- **Focused on organic growth**
- **Accelerating revenue and ARPU expansion**
- **Continued strong wireless performance**
- **Momentum building in FiOS**
- **Continuing to reshape cost structure**
- **Strong financial flexibility**
- **FairPoint transaction on schedule**

**Strong start, confident outlook**