



# **3<sup>rd</sup> Quarter 2008 Earnings Conference Call**

**October 27, 2008**

# “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 or services; the impact of natural or man-made disasters or 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; 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 impact 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; and the ability to complete acquisitions and dispositions.**

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).

# 3Q '08 Headlines



## 3Q08 Revenue Growth

**+5.4%** Consolidated Verizon  
**+12.5%** Wireless  
**+39.6%** Broadband & Video  
**+15.4%** VZB Strategic Services

## 3Q08 Profitability

**+5.3%** Consolidated Operating  
Income growth  
**44.2%** Wireless EBITDA  
margin  
**27.3%** Wireline EBITDA margin

## 3Q08 Customer Growth

**+2.1M** Wireless net adds  
(including acquisitions)  
**+233K** FiOS TV net adds  
**+225K** FiOS Internet net adds  
**(571)K** Retail residence  
primary lines

## YTD Cash Flow & Earnings

**+10.3%** EPS from continuing  
operations  
**+24.4%** CFFO less capex  
**\$1.4B** Share repurchases  
**+7%** Dividend increase

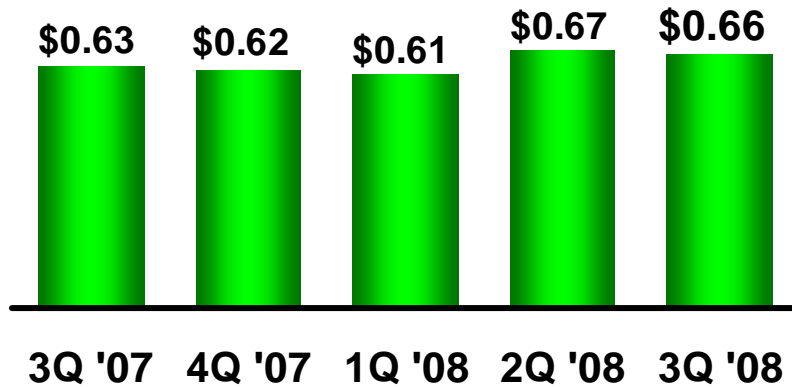
**Strong financial position & strong fundamentals**

Consolidated

# Revenue and Profitability

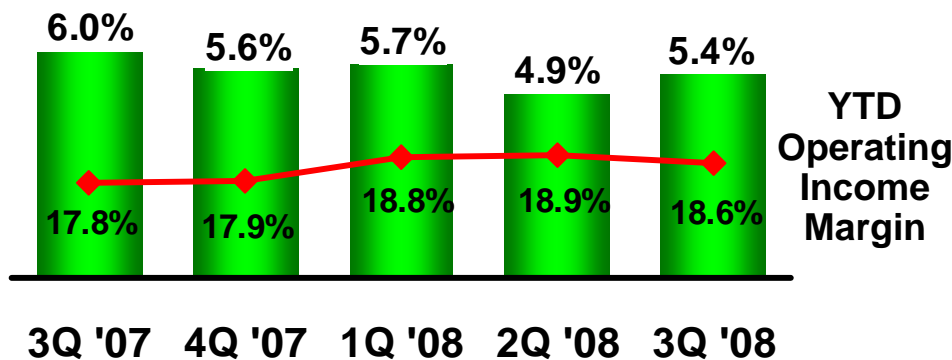


## Earnings Per Share



- Double-digit EPS growth YTD
- EPS growth of 4.8% YoY and 10.3% YTD
- Revenues grow \$1.3B
- Revenues up 5.4% YoY and 5.3% YTD
- Operating income up 5.3% YoY and 10.1% YTD

## Revenue Growth



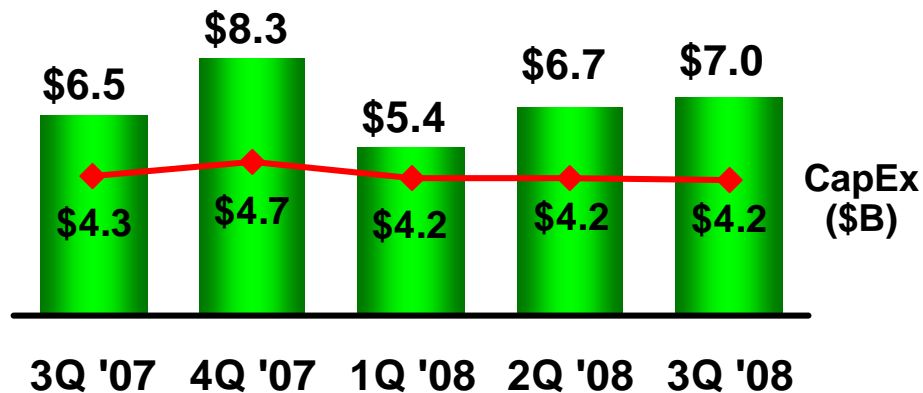
**Continued top and bottom line growth**

Consolidated

# Cash Flow & Balance Sheet



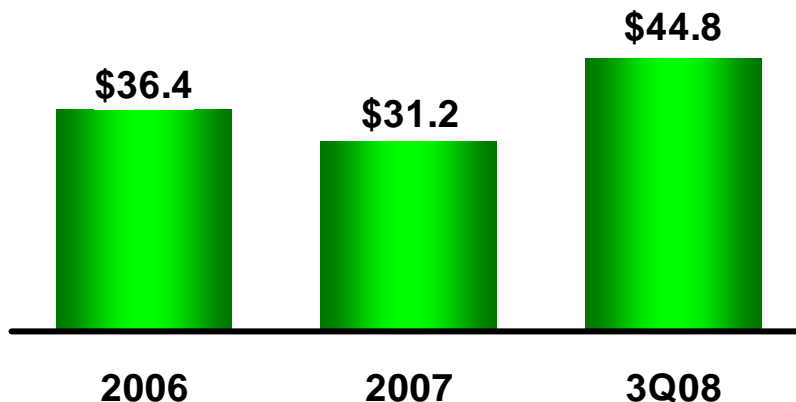
## Cash Flow From Continuing Operations (\$B)



➤ Continued cash flow growth  
✓ CFFO up \$1.1B or 5.9% YTD

➤ Capital intensity improves  
✓ Capex/Revenue improves 120 bps YTD

## Total Debt (\$B)



➤ Solid credit and liquidity position

✓ Total Net debt \$44.1B

✓ Net debt/EBITDA < 1.4x

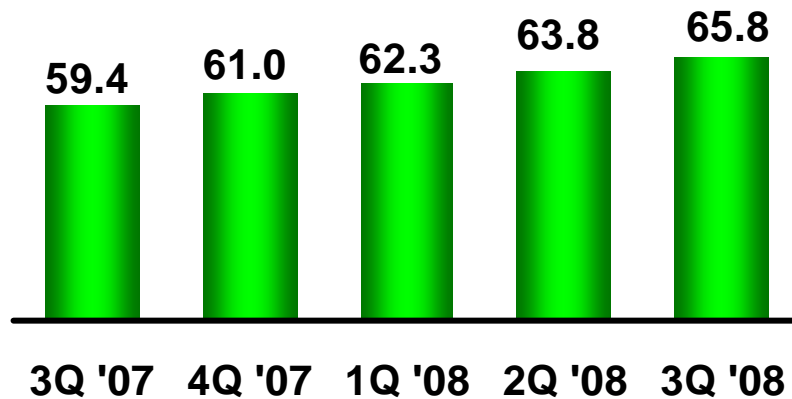
✓ Over two-thirds fixed rate

**Strong balance sheet & cash flows**

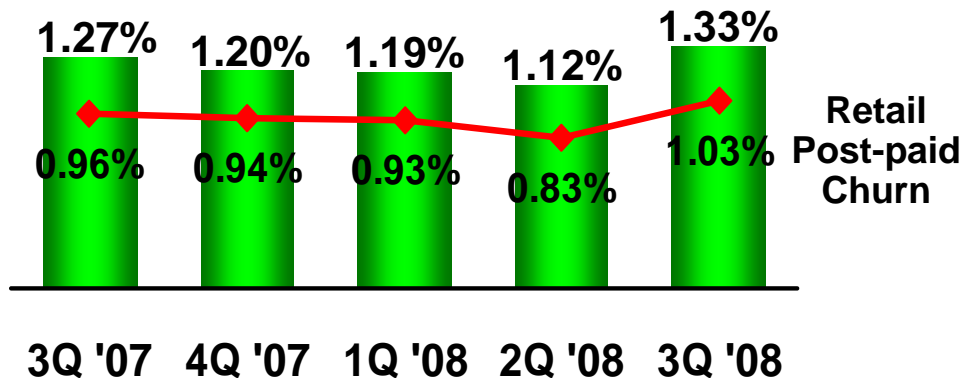
# Customer Growth



**Retail Post-paid Customers (M)**



**Total Churn**



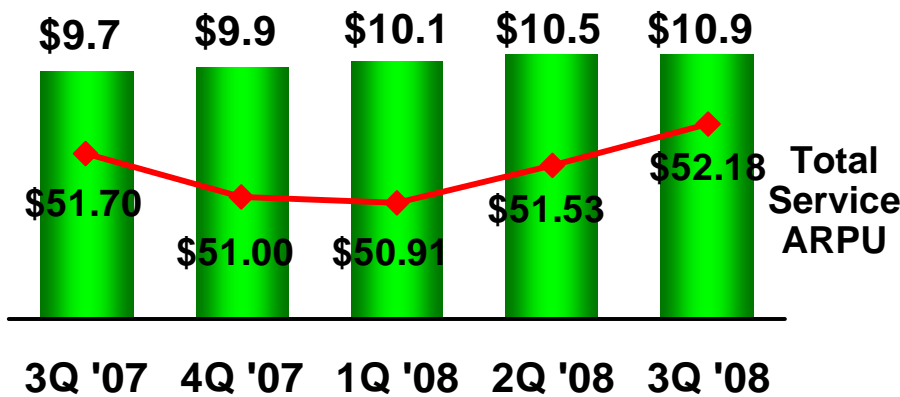
- 70.8M total customers
- Strong subscriber growth
  - ✓ 1.5M total net adds
  - ✓ 99% retail post-paid
  - ✓ 2.1M net adds including acquisitions
- Industry-leading churn
- Closed RCC acquisition

**Continuing high-quality customer growth**

# Revenue Growth



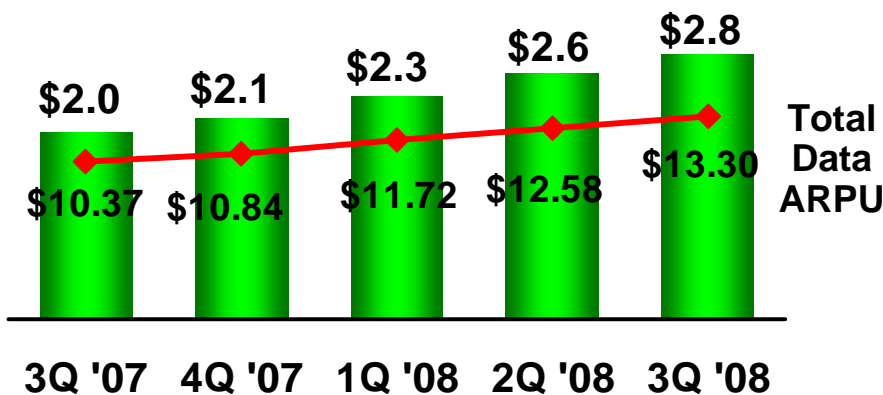
## Total Service Revenue (\$B)



- Service revenue up 12.2%
- ARPU accretion 0.9% YoY
- Growing data contribution

- ✓ Data revenue up 42.5%
- ✓ 25.5% of service revenue
- ✓ New devices and applications

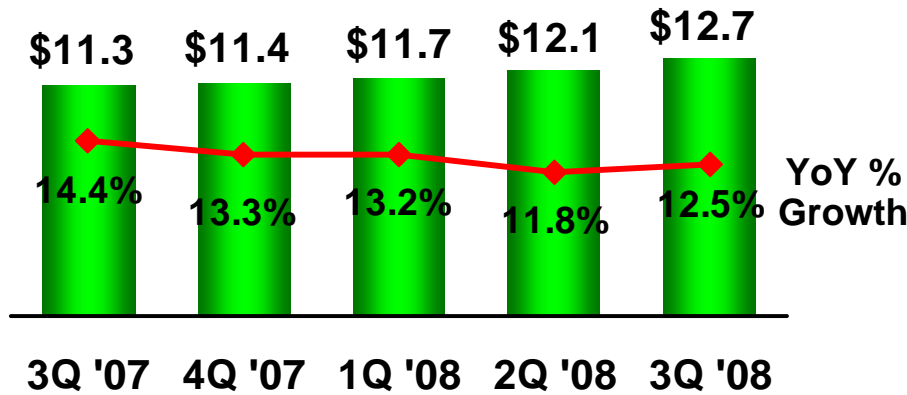
## Total Data Revenue (\$B)



- Future growth opportunities
  - ✓ 4G/LTE
  - ✓ Open Development Initiative

**Upside to current model, future model revenue-driven**

## Total Revenue (\$B)



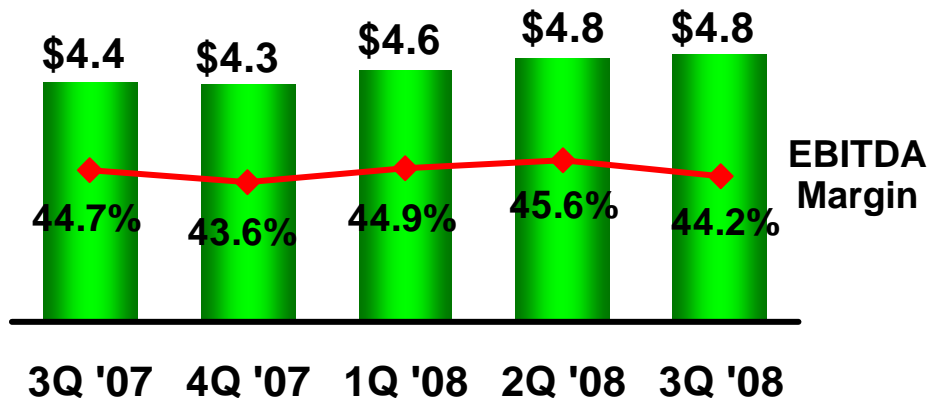
- Double-digit revenue growth
- Industry-leading profitability
- Operating & capital efficiency

✓ EBITDA service margin 44.2%

✓ Capex/total revenue 12.9% YTD

✓ EBITDA less capex \$9.5B YTD, up 22%

## EBITDA (\$B)

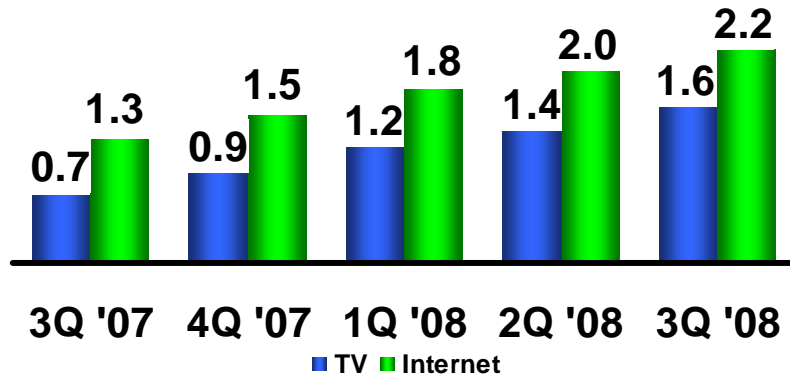


**Wireless generating substantial & growing cash flows**

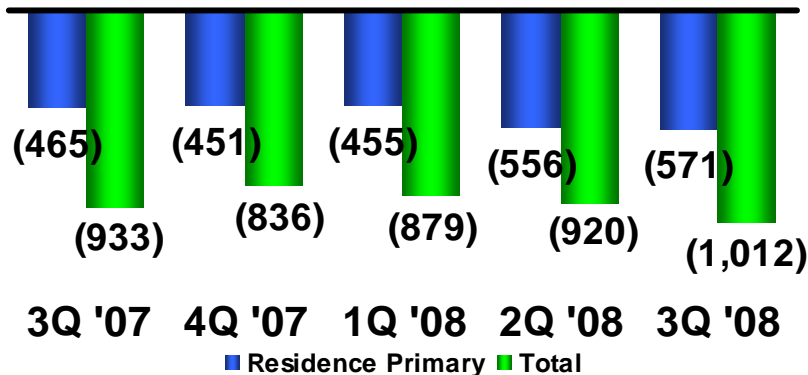
# Customer Growth



## FiOS Customers (M)



## Access Line Loss (000)



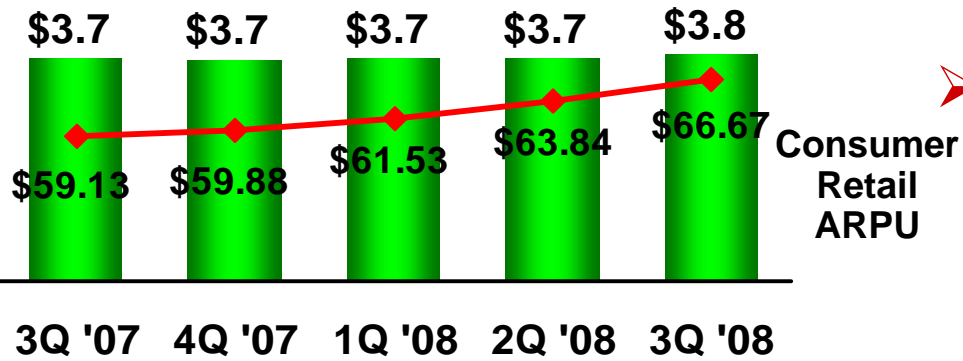
- **Broadband and video growth**
  - ✓ FiOS TV: 233K net adds, 20% penetration
  - ✓ FiOS Internet: 225K net adds, 24% penetration
  - ✓ DSL: (96)K net adds
  - ✓ Broadband customers: 8.5M
- **FiOS momentum**
  - ✓ +1.2M TV open for sale in 3Q08
  - ✓ Effective promotions
  - ✓ NYC TV since late July
- **FiOS triple play coverage growing**

**FiOS momentum improves**

# Consumer Revenue



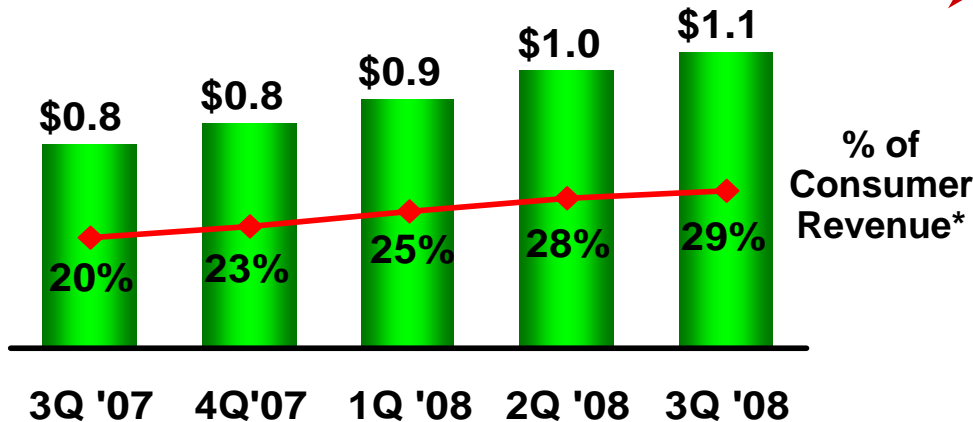
## Consumer Revenue\* (\$B)



### ➤ Growing revenue and ARPU

- ✓ 2.1% growth in consumer revenue
- ✓ 12.8% increase in consumer ARPU

## Broadband/Video Revenue (\$B)



### ➤ Broadband and video driving growth

- ✓ Revenue up 45%
- ✓ FiOS ARPU of \$130+

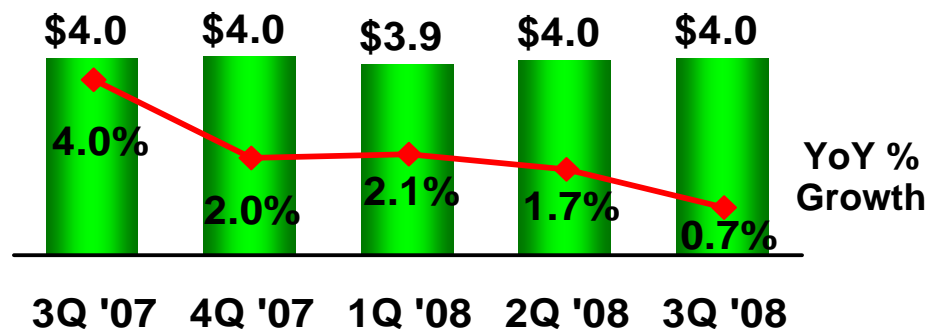
\* Legacy Verizon

**Broadband and video driving ARPU growth**

# VZ Business Revenue

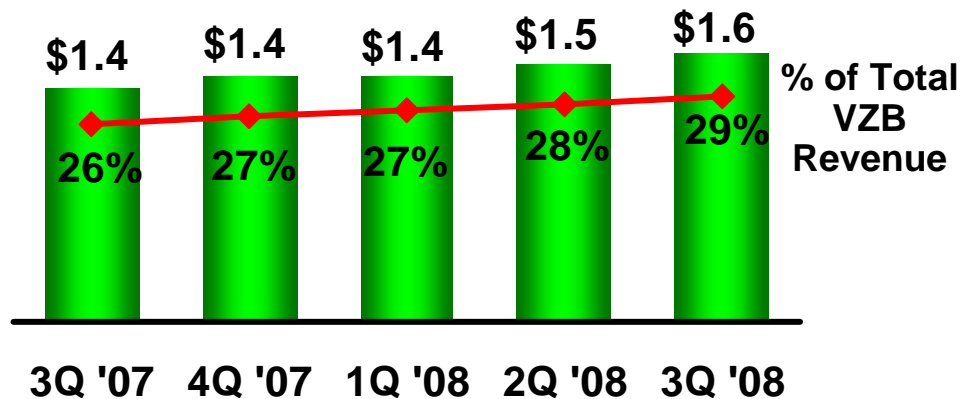


## Global Enterprise Revenue\* (\$B)



- **Solid demand**
  - ✓ 0.7% growth in global enterprise revenue
  - ✓ 1.2% growth in total VZB revenue

## Strategic Services Revenue (\$B)



- **Gains in strategic services**
  - ✓ Revenues up 15.4%
  - ✓ 29% of total revenues
- **Major customer wins**

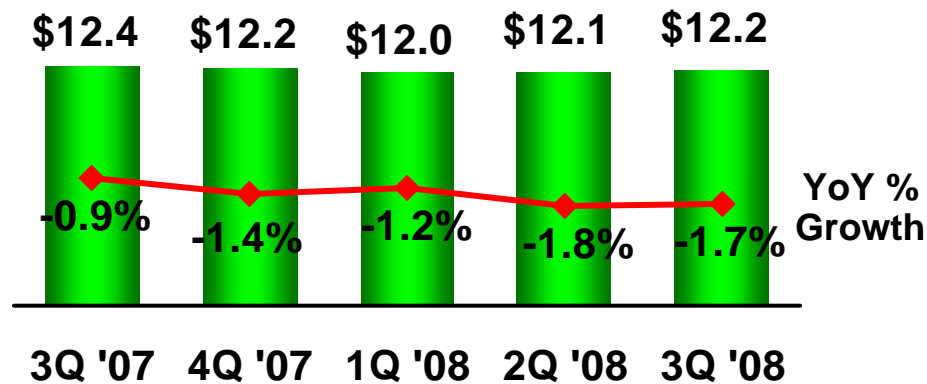
\* Retail domestic & retail int'l

**Disciplined approach and focus**

# Summary

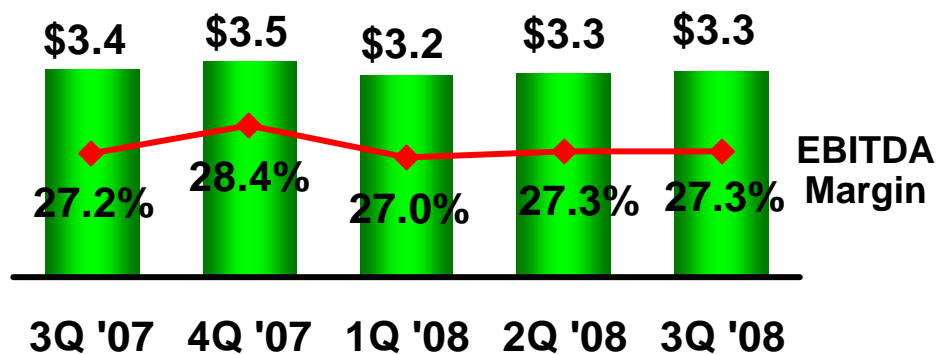


## Total Revenue (\$B)



- Improving revenue mix
- FiOS on plan
- Continued force reductions
- Additional cost reduction opportunities
- Capex on target

## EBITDA (\$B)



**Committed to long-term improvements**

# Summary



- Revenue, earnings and cash flow growth
- Investments driving strategic volumes growth
- Improving capital efficiency
- Operating flexibility
- Strong financial position
- Attractive dividend

**Growing revenue, earnings & cash flow from solid foundation**