

VERIZON COMMUNICATIONS INC

Form 10-Q

April 29, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number: 1-8606

Verizon Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction

of incorporation or organization)

140 West Street

New York, New York

(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 395-1000

23-2259884

(I.R.S. Employer Identification No.)

10007

(Zip Code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At March 31, 2014, 4,141,148,976 shares of the registrant's common stock were outstanding, after deducting 101,225,264 shares held in treasury.

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Verizon Communications Inc. and Subsidiaries

| | Three Months Ended | |
|---|---------------------------|---------------------------|
| (dollars in millions, except per share amounts) (unaudited) | 2014 | March 31, 2013 |
| Operating Revenues | \$ 30,818 | \$ 29,420 |
| Operating Expenses | | |
| Cost of services and sales (exclusive of items shown below) | 11,189 | 10,932 |
| Selling, general and administrative expense | 8,332 | 8,148 |
| Depreciation and amortization expense | 4,137 | 4,118 |
| Total Operating Expenses | 23,658 | 23,198 |
| Operating Income | 7,160 | 6,222 |
| Equity in earnings of unconsolidated businesses | 1,902 | (5) |
| Other income and (expense), net | (894) | 39 |
| Interest expense | (1,214) | (537) |
| Income Before Provision For Income Taxes | 6,954 | 5,719 |
| Provision for income taxes | (968) | (864) |
| Net Income | \$ 5,986 | \$ 4,855 |
| Net income attributable to noncontrolling interests | \$ 2,039 | \$ 2,903 |
| Net income attributable to Verizon | 3,947 | 1,952 |
| Net Income | \$ 5,986 | \$ 4,855 |
| Basic Earnings Per Common Share | | |
| Net income attributable to Verizon | \$ 1.15 | \$.68 |
| Weighted-average shares outstanding (in millions) | 3,425 | 2,866 |
| Diluted Earnings Per Common Share | | |
| Net income attributable to Verizon | \$ 1.15 | \$.68 |
| Weighted-average shares outstanding (in millions) | 3,430 | 2,872 |
| Dividends declared per common share | \$ 0.530 | \$ 0.515 |

See Notes to Condensed Consolidated Financial Statements

Table of Contents**Condensed Consolidated Statements of Comprehensive Income**

Verizon Communications Inc. and Subsidiaries

| (dollars in millions) (unaudited) | Three Months Ended March 31, | |
|---|---|-----------------|
| | 2014 | 2013 |
| Net Income | \$ 5,986 | \$ 4,855 |
| Other comprehensive loss, net of taxes | | |
| Foreign currency translation adjustments | (949) | (148) |
| Unrealized loss on cash flow hedges | (83) | (6) |
| Unrealized gain on marketable securities | 1 | 11 |
| Defined benefit pension and postretirement plans | (37) | (36) |
| Other comprehensive loss attributable to Verizon | (1,068) | (179) |
| Other comprehensive loss attributable to noncontrolling interests | (23) | (12) |
| Total Comprehensive Income | \$ 4,895 | \$ 4,664 |
| Comprehensive income attributable to noncontrolling interests | \$ 2,016 | \$ 2,891 |
| Comprehensive income attributable to Verizon | 2,879 | 1,773 |
| Total Comprehensive Income | \$ 4,895 | \$ 4,664 |

See Notes to Condensed Consolidated Financial Statements

Table of Contents**Condensed Consolidated Balance Sheets**

Verizon Communications Inc. and Subsidiaries

| (dollars in millions, except per share amounts) (unaudited) | At March 31, 2014 | At December 31, 2013 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,907 | \$ 53,528 |
| Short-term investments | 637 | 601 |
| Accounts receivable, net of allowances of \$614 and \$645 | 12,131 | 12,439 |
| Inventories | 881 | 1,020 |
| Prepaid expenses and other | 6,716 | 3,406 |
| Total current assets | 23,272 | 70,994 |
| Plant, property and equipment | 223,841 | 220,865 |
| Less accumulated depreciation | 134,785 | 131,909 |
| | 89,056 | 88,956 |
| Investments in unconsolidated businesses | 889 | 3,432 |
| Wireless licenses | 72,713 | 75,747 |
| Goodwill | 24,647 | 24,634 |
| Other intangible assets, net | 5,839 | 5,800 |
| Other assets | 5,146 | 4,535 |
| Total assets | \$ 221,562 | \$ 274,098 |
| Liabilities and Equity | | |
| Current liabilities | | |
| Debt maturing within one year | \$ 2,152 | \$ 3,933 |
| Accounts payable and accrued liabilities | 14,984 | 16,453 |
| Other | 8,217 | 6,664 |
| Total current liabilities | 25,353 | 27,050 |
| Long-term debt | 107,617 | 89,658 |
| Employee benefit obligations | 26,977 | 27,682 |
| Deferred income taxes | 41,597 | 28,639 |
| Other liabilities | 6,167 | 5,653 |
| Equity | | |
| Series preferred stock (\$.10 par value; none issued) | | |
| Common stock (\$.10 par value; 4,242,374,240 and 2,967,610,119 shares issued in each period, respectively) | 424 | 297 |
| Contributed capital | 10,976 | 37,939 |
| Reinvested earnings | 3,534 | 1,782 |

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| | | |
|--|-------------------|-------------------|
| Accumulated other comprehensive income | 1,290 | 2,358 |
| Common stock in treasury, at cost | (3,794) | (3,961) |
| Deferred compensation employee stock ownership plans and other | 281 | 421 |
| Noncontrolling interests | 1,140 | 56,580 |
| Total equity | 13,851 | 95,416 |
| Total liabilities and equity | \$ 221,562 | \$ 274,098 |

See Notes to Condensed Consolidated Financial Statements

Table of Contents**Condensed Consolidated Statements of Cash Flows**

Verizon Communications Inc. and Subsidiaries

| | Three Months Ended | |
|--|---------------------------|---------------------------|
| | 2014 | March 31, 2013 |
| (dollars in millions) (unaudited) | | |
| Cash Flows from Operating Activities | | |
| Net Income | \$ 5,986 | \$ 4,855 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 4,137 | 4,118 |
| Employee retirement benefits | 281 | 295 |
| Deferred income taxes | (155) | 878 |
| Provision for uncollectible accounts | 231 | 260 |
| Equity in earnings of unconsolidated businesses, net of dividends received | (1,894) | 14 |
| Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses | (1,626) | (1,491) |
| Other, net | 179 | (1,398) |
| Net cash provided by operating activities | 7,139 | 7,531 |
| Cash Flows from Investing Activities | | |
| Capital expenditures (including capitalized software) | (4,150) | (3,602) |
| Acquisitions of investments and businesses, net of cash acquired | (157) | (21) |
| Acquisitions of wireless licenses, net | (213) | (117) |
| Other, net | (11) | 141 |
| Net cash used in investing activities | (4,531) | (3,599) |
| Cash Flows from Financing Activities | | |
| Proceeds from long-term borrowings | 16,952 | 500 |
| Repayments of long-term borrowings and capital lease obligations | (7,951) | (73) |
| Increase in short-term obligations, excluding current maturities | 252 | 581 |
| Dividends paid | (1,517) | (1,472) |
| Proceeds from sale of common stock | 34 | 56 |
| Purchase of common stock for treasury | | (153) |
| Acquisition of noncontrolling interest | (58,886) | |
| Other, net | (2,113) | (989) |
| Net cash used in financing activities | (53,229) | (1,550) |
| Increase (decrease) in cash and cash equivalents | (50,621) | 2,382 |