

# **Lumen Technologies, Inc. NYSE:LUMN**

# **Company Conference Presentation**

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# Call Participants

## EXECUTIVES

**Christopher David Stansbury**  
*Executive VP & CFO*

## ANALYSTS

**David William Barden**  
*BofA Securities, Research Division*

# Presentation

**David William Barden**

*BofA Securities, Research Division*

All right. So guys, everybody, welcome to round 2. Thanks for joining. I'm Dave Barden. I head up Telecom and Comm Infrastructure research for the U.S. and Canada for the bank. I'm really pleased, again, to have Chris Stansbury back in the Octagon to chat about the Lumen business and everything that's been going on. Obviously, it's a pretty crazy morning. There's a lot of new news to talk about, but Chris, I think you guys have maybe some safe harbor and/or videos you want to show us?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes. So the safe harbor is in our website, so I'd just encourage everybody to read that. And we have a quick video before we get started.

[Presentation]

**David William Barden**

*BofA Securities, Research Division*

Great. That was amazing. You did a great job.

**Christopher David Stansbury**

*Executive VP & CFO*

Thank you.

**David William Barden**

*BofA Securities, Research Division*

You look great on camera.

**Christopher David Stansbury**

*Executive VP & CFO*

All right. Thanks.

**David William Barden**

*BofA Securities, Research Division*

Yes, I did wear these socks for you.

**Christopher David Stansbury**

*Executive VP & CFO*

I appreciate that. I appreciate that. That made my day last year. So thanks.

**David William Barden**

*BofA Securities, Research Division*

I saved them. Haven't worn them since last year, glass box on my mantle.

# Question and Answer

**David William Barden**

*BofA Securities, Research Division*

So okay, what are we going to talk about? So let's start with the mass markets business, the smallest business at Lumen, but the one most in the news right now.

Verizon just announced that they're going to buy Frontier for \$20 billion about -- depending on who you are, let's just say, an 8.5 multiple, it's a 50-50 roughly copper and fiber business as they divided it up. So let's just say that, that 8.5 is kind of an 11 fiber multiple and a 6 copper multiple or something in that neighborhood.

It's a -- so the first time we've had a real kind of metric out there that we could use. So in the context of that, tell us about Lumen's mass market business fully loaded, what is the EBITDA and how do you divide it up between copper and fiber?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes. So we -- at Investor Day, last year, we gave visibility into the EBITDA of that business. So it's a little over \$1 billion today. And obviously, if you think about the business, you got a copper business that generates a lot of EBITDA, you've got a tremendous fiber business. The team is doing a great job at driving enablement and penetration that doesn't generate a lot of EBITDA because we're in heavy investment mode, right?

There's a lot of marketing as you go into that, but it also consumes a lot of cash as we continue with the build plan. So a great business, one that's performing well, but one that we have consistently said, doesn't fit with the enterprise space.

The investor profile, the return profile is fundamentally different between enterprise and consumer. And in our view, there are companies that do consumer on a much bigger, better scale than we ever could. And on the enterprise side, we're the only ones that are investing in innovation, and there's a tremendous opportunity there because of that. And we have a lead.

And over the next couple of years, I think you'll see us separate ourselves from the crowd. So our next dollar spent is best spent on the enterprise side. And we have consistently said that there will be a moment of consolidation, but we won't be the consolidator of the consumer space.

So that's kind of where things sit today. Things have been heating up, obviously, in the news yesterday, got hotter. So we'll see where it goes from here.

**David William Barden**

*BofA Securities, Research Division*

So remind us, so how many homes are left in the Lumen mass market footprint?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes, there's millions of homes left. I think the total is about 10 million in terms of our overall coverage. We've got 4 million enablements on the fiber side today.

**David William Barden**

*BofA Securities, Research Division*

And how many customers on fiber?

**Christopher David Stansbury**

*Executive VP & CFO*

1 million. So our penetration rates are at or above industry levels as you look at the ramp curve. So the team is doing great work on that. And it's a large asset. I think when you look at the announcement yesterday, I think we would be the next largest in line with some really attractive markets.

**David William Barden**

*BofA Securities, Research Division*

So if it's \$1 billion in EBITDA, and it's 10% fiber and 90% copper essentially, so if we were to kind of go and do the math, so a 6 multiple on \$900 million is about \$5.5 billion and then an 11 multiple on the other 10% is another kind of \$100 million or so, so \$600 million, \$700 million kind of number that we think you could maybe extract at this time?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes. I don't want to go down the path of doing the math, because I think the other way to look at that fiber piece is, I think you've really got to look at it more on an NPV basis, not a multiple basis, because we are in a heavy investment mode, right, to drive penetration, which is what we should be doing. It's really the future potential of that business. So I think when you look at it kind of homes passed, you end up in a different place on that.

**David William Barden**

*BofA Securities, Research Division*

So I guess that's a good argument. So what you could say is it took Frontier a long time to get to where they got to have the 8 multiple. If you reverse that, it would have been a much higher multiple on what they had 5 years ago?

**Christopher David Stansbury**

*Executive VP & CFO*

Correct potentially.

**David William Barden**

*BofA Securities, Research Division*

Okay. That's worth thinking about. And just to your point, you've -- I think last year, you said this and you say pretty regular that it's not an if, it's a when. Is that when here and now because -- is the phone ringing? Are you -- because yesterday, I asked Verizon if they were going to buy Frontier, and they said no comment. And then 5 hours later, they are buying Frontier.

**Christopher David Stansbury**

*Executive VP & CFO*

They stole the headline.

**David William Barden**

*BofA Securities, Research Division*

I know exactly. Are you selling it today?

**Christopher David Stansbury**

*Executive VP & CFO*

So the reality is we're not in any kind of a formal process. But yes, there's interest. And I think that interest has definitely risen over the course of last years. Economic concerns have settled down. It looks like we're quickly approaching rates moving in a different direction, which is beneficial.

And when you look at things like Lumos and Metronet, I mean there's been a lot of activity in the space. So is now the time? I don't know. What I do know is, is everything that everybody else knows, there's a lot of activity in this space and that certainly increases the amount of attention.

**David William Barden**

*BofA Securities, Research Division*

So -- it's interesting. So I think that the -- maybe I'm wrong, but the -- I feel like the language has changed a little bit, because I think there was a time, a year or 2 ago, where the idea was that investing in the mass market business was a good idea because the more investment you put in there, the more value you would be able to extract eventually when you sold the fiber part.

**Christopher David Stansbury**

*Executive VP & CFO*

That's right.

**David William Barden**

*BofA Securities, Research Division*

Then you throttle that back from about 1 million homes passed a year down to about 0.5 million homes passed a year so that you could make these more important investments in enterprise, which is where you want it to go.

Now that you're seeing what's happening that all the interest and activity and value is being subscribed to the fiber-to-the-home side of the equation, does that change your mind about how you want to allocate these dollars at least in the near term?

**Christopher David Stansbury**

*Executive VP & CFO*

No. I mean, really, when you look at where we are and the other news around the \$5 billion in deals and another \$7 billion of opportunity, that's where our focus needs to be. And so we ended up at the 0.5 million homes really for 2 reasons, as everyone in the space has experienced, the cost of build has gone up.

And at the same time, that the cost of build was going up, we obviously went through the debt restructuring last year. We pulled forward some coupon as we pull forward maturities and whatnot as part of that, and we had a gap, and that's partially how we solve the gap.

Now the \$5 billion in deals on enterprise fully funds any gap that remained, which is significant, and the \$7 billion takes us beyond that. So our -- again, our next best dollar spend is on the enterprise side because we're winning there. We have a right to win there when you look at the underlying infrastructure and the value that sits underneath Lumen, and that's what we need to capitalize on first. So I think 0.5 million homes a year is the right pace, and I think you'll see us stick with that for now.

**David William Barden**

*BofA Securities, Research Division*

I think when you and I first spoke, we talked about -- you said that the Lumen equity story is really a credit story. And you've spent most of your tenure addressing the credit side. The TSA was a huge part of it. I think it was either yesterday or the day before you guys announced an exchange offer. We'll get to the contract in a second, but could you talk a little bit about what the exchange offer is all about?

**Christopher David Stansbury**

*Executive VP & CFO*

Sure. So we have near-term maturities. We have cash on the balance sheet. We could use that cash to focus on near-term maturities, but there was an opportunity because of some capacity we had at both the Lumen and Level 3 layers to provide secured debt to creditors in an exchange.

And what that does is it preserves more of that cash for us to use elsewhere in the structure where we may be able to capture more discount. So it's really just looking at the most efficient way to use the cash that we have on hand as well as the capacity that we have, and that's the path we're on right now.

**David William Barden**

*BofA Securities, Research Division*

So when we talk about the mass markets business and the enterprise business is being divisible, I think that, that makes a lot of sense to people. There seems to be this belief that somewhere inside the Lumen enterprise business is this super secret, highly bankruptcy remote Level 3 business.

And that its financials are available, therefore, we can examine them. But it doesn't seem to me that Level 3 is, in fact, divisible. It can be accounted for differently. You can imagine that it could be in theory separated, but that can't actually happen, right?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes. If you think about what Lumenism and Lumen enterprise. Let's talk about that piece specifically, right? It's a series of consolidations. And so that obviously feeds into the \$1 billion cost savings opportunity that we see because we still run 4 discrete networks. There's -- as you would well know, there's Level 3, there's CenturyLink, there's TW Telecom. There's global crossings.

And for a large enterprise customer, they have deep knowledge of that, and we refer to those as colors, those network as color. So literally, you get on a phone with a customer, and they're saying, I need to buy this much green and this much blue and this much red and they're trying to weave all that together. And so from that standpoint, you're right because while a lot of that's in Level 3, there's a pieces of it around the system.

We don't manage the business, and I have no problem saying this out loud and repeatedly. We do not manage the business as a Level 3 business, a Lumen business and a Quest business. We manage it as Lumen. And we do that with a customer in mind and improving the customer experience and making the consumption of networking more seamless. That's where our focus is.

So to be really candid, and I've been very open about this, my goal would be over time that we don't have 3 different dead entities. We have 1, because we run it as one business. And there's not a lot of benefit. I fully understand why creditors are asking the questions, but there's not a lot of benefit to us in dealing with squabbles between different dead entities. It just makes no sense.

**David William Barden**

*BofA Securities, Research Division*

Creditor on creditor violence?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes, I think that was referred to last week. Yes. So it's -- I think we need to move beyond that. I think we have largely moved beyond that, but as we go forward and continue to focus on the capital structure, that's a goal of mine personally is to get to a more simplified structure.

**David William Barden**

*BofA Securities, Research Division*

But -- and so I want to get to the business. And this is just something I've questioned is, you say that but the whole premise of the TSA was that somehow there was a group of people that believe that because the word Level 3 was associated with their bonds, it somehow had this magical pixie dust of security that none of the other bonds had. And yet if it ever came push to shove, you'd never be able to realize that?

**Christopher David Stansbury**

*Executive VP & CFO*

It would be hard to split things up to your point, but there's a deep truth in that belief. And the deep truth was realized with the \$5 billion in deals, right? Andrea Genschaw's, our Chief Accounting Officer, is with us today and...

**David William Barden**

*BofA Securities, Research Division*

Everyone brings their chief accounting officer, I don't know what that deal is.

**Christopher David Stansbury**

*Executive VP & CFO*

Because you ask questions, I can't answer. No. There was a front page of Barons, June of 1999. It was James Crowe, the CEO of Level 3 at the time, talking about his vision for this conduit network. So 25 years ago, almost to the day as to when these deals were closed.

And the moment is now with AI. It's real. It's lasting. And a lot of that conduit because of advances in fiber technology, which continues to move forward, and we're taking advantage of that with Corning.

There was conduit capacity. And so when you look at the race on the hyperscale and cloud provider side to train these AI models, the real element of scarcity is time because nobody wants to be left behind in the training of their AI models because whoever wins that race is to large enterprise, which is going to be Phase 2, leans on to push new data through those learning algorithms to run their businesses.

And so time is what matters. And that conduit -- that empty conduit and the ability to put high-speed fiber through it very quickly and build out those networks is of enormous value. And so that value is largely a Level 3 asset to go back to your question. So there is truth to where their creditors sit on that.

**David William Barden**

*BofA Securities, Research Division*

So all right, let's talk about the \$5 billion contract announcement. So my understanding, I -- you didn't say this to me, but I heard that you said it someone else is that's actually kind of 10 contracts?

**Christopher David Stansbury**

*Executive VP & CFO*

It was over 10, yes.

**David William Barden**

*BofA Securities, Research Division*

Yes, over 10. And so these contracts that you announced this \$5 billion the day before your result, I'm guessing that it was maybe 9-plus small contracts that you didn't have to press release, but then one big one that you felt you had to the day before you came out with your results?

**Christopher David Stansbury**

*Executive VP & CFO*

No. So there were a few large contracts in there. There was only -- and then there was a number of smaller contracts. There was only one customer that wanted to do a press release with us. A lot of companies don't want to do.

**David William Barden**

*BofA Securities, Research Division*

But there were no company names in that press release?

**Christopher David Stansbury**

*Executive VP & CFO*

No, in our 8-K. That's correct. But there was a separate press release in terms of our arrangement with Microsoft, and that was something that both companies wanted to do. Nobody else wanted to do that, which is fine. A lot of companies want to keep things more quiet.

The reason that we filed the 8-K before earnings, it was twofold. The first is because the numbers were so significant and because we were -- it was going to materially impact the model, we wanted to make sure that the investment community had the information they needed to properly model this, because it's complicated. That was job one.

The second reason is that Kate was actually supposed to be on MSNBC closing bell the night before earnings, and the Nikkei had its moment. And so she got pushed a couple of days. But we had to clear the path for her to talk about this for that. So those 2 reasons were the reasons why the 8-K was filed before earnings.

**David William Barden**

*BofA Securities, Research Division*

So big picture, are these contracts all roughly similar in structure?

**Christopher David Stansbury**

*Executive VP & CFO*

In structure, yes.

**David William Barden**

*BofA Securities, Research Division*

Okay. And so if we look at the Microsoft relationship as emblematic of this structure, so we -- one question, when we did all the math, and I think we're in the right place, you said 10% of the revenue was kind of the maintenance part and 90% was the kind of the construction part. And we did the math and we kind of came out with like roughly \$800 million of cash related to the construction part.

And you said in the release, it would be 3 to 4 years. Does the \$800 million that's yours, let's just say that's the right number, is that something that you get ratably over the 4 years or do you get paid your profit margin after everything has been completed?

**Christopher David Stansbury**  
*Executive VP & CFO*

No, it's actually one of those projects that if you're sitting in, Finance 101, it's the best possible math. Because there is no outflow of cash before there's flow of cash. So we're not funding the working capital for this. And so the contract to contract it may vary a little bit, but we're getting cash in installments, and those installments are in advance of the CapEx that needs to be spent to do the build.

So you actually can't calculate an IRR on it because there is no outflow before an inflow. What I will say, and this is really important about the \$5 billion, and I would say over half of the \$7 billion opportunity is that we're doing really a couple of things as it relates to that 90% piece, that construction piece.

The first is there's existing conduit in the ground that was bought and paid for decades ago. And that is conduit, in this case, that Level 3 largely owns and continues to own. It's effectively leased to the customer over a roughly 20-year period. And so we're monetizing that empty to, that conduit, with very little investment. You've got to go and clean it out so you can blow fiber through it. So that's the first part.

The second part is, is that yes, there's fiber that needs to be placed in those tubes. And there's construction around that. There's huts -- hundreds of huts along the way to repower the signal. There may be some compute there. So there's a lot of construction complexity around getting cement pads and huts and air conditioning and generators.

**David William Barden**  
*BofA Securities, Research Division*

You can't leverage anything, you've already put for the fiber that's already in there?

**Christopher David Stansbury**  
*Executive VP & CFO*

We can. But the reality is these builds are so significant, we need to build more. And we're getting paid to do that. We're getting compensated to do that. So that construction piece has a return associated with it. The return on the conduit is infinite, because it's -- again, it's already paid for.

So when you look at the underlying economics, the EBITDA margin that eventually gets reported as things amortize and is extremely high. The cash contribution margin, as we said, is after that CapEx is around our EBITDA margin today, so around 30%.

But over time, you will see our EBITDA margin improve from -- because of these deals and also because of our move to more digital consumption of networking, which is what the market really wants. And I don't want that point to get lost.

Why did Lumen win these deals? Lumen won these deals because no other company has the intra or intercity web of conduit that we have. And we have capacity -- and by the way, you can build new intracity -- really hard to build intracity, okay? So that's something that's unparalleled.

The second thing is we can deploy with speed. And I've gotten a lot of feedback in my 2-and-a-bit years of being at Lumen on how Lumen performs. And the one thing that is always a positive. And there hasn't been a lot of positives, right, as we're in the middle of a turnaround, is our ability to deploy networks at speed in a cost-efficient way.

And then the third thing is the digital services that are coming are real. So if you think about a world of AI and data explosion, the need to flexibly consume networking. And when I say networking, I don't just mean the connectivity piece. I mean edge compute. I mean security.

Things that we have that we're continuing to enable, those are enormously valuable. Because companies don't know where data workloads are going to be. What they need in that very distributed and ubiquitous environment is the ability to access data in a very latency-free way in an instant.

And so that's what NaaS unlocks and everything else. So as companies are building their own networks side-by-side to our network, they have access to those tools. They also have access to tap into our network and expand their reach. So there's a reason that we were the only ones at the table.

The decision that customers were making is, do they try to build it themselves or do they have Lumen do it? And that's why we're winning these deals, and that's why we have a right to win, and that's why there's more.

**David William Barden**

*BofA Securities, Research Division*

So -- I guess 2 more questions on the construction part of it, which is -- are the places where you're going to be doing this exist, like these training data centers...

**Christopher David Stansbury**

*Executive VP & CFO*

So in the \$5 billion, and I would say more than half of the \$7 billion opportunity list, it's existing routes. There may be some small exceptions where because of a data center cluster, we've got to do a run of pick a number, 20 miles, 50 miles to connect that, that's easy and something we can do efficiently. So we can pick that up.

There are in the \$7 billion list of opportunities, some potential new routes that would be highly valuable. So think of it as a triangle where we can get from A to B today, but we have to go through C first. And if there was a direct line, it would be faster, lower latency. So we're looking at those opportunities.

Obviously, that would have a different economic profile associated with it. And that -- and we would then have a discrete decision to make that while the trench is open, do we lay some additional conduit because we see future demand in kind of Phase 2 and Phase 3 of AI development? And that will be something that we'll evaluate and decide what to do, but we're deep in those conversations right now.

**David William Barden**

*BofA Securities, Research Division*

So if a lot of this is on routes that exist, why is it taking 3 to 4 years to do?

**Christopher David Stansbury**

*Executive VP & CFO*

It takes a long time to go across the country and truly build out that web. So again, you've got -- we haven't disclosed the fiber count that we've been able to work with Corning on that maximizes the real estate inside of those tubes. It's phenomenal. The kind of capacity we can create.

It gives us, frankly, the opportunity to rip and replace if in time, we need to do that and dramatically increase capacity. But when you think about going across the country, I mean, there's guys in the middle of a cornfield in Nebraska splicing, right? And again, these huts, we're talking in the 400 to 500 range just for one contract.

So it's a massive undertaking. It just takes time. But I would also say that the 2- to 3-year time frame is actually fast. When you think about...

**David William Barden**

*BofA Securities, Research Division*

2 to 3 or 3 to 4?

**Christopher David Stansbury**

*Executive VP & CFO*

It depends. You'll see services start to light up earlier because so as soon as we get connectivity between points, things will get lit. And it will get lit along the way. And our relationship with Blue Planet that was announced a couple of weeks ago. So that's important, because it actually gives us a daily dashboard where we will see how the networks -- network builds are going by contract, what the costs are. But yes, so it is between 2 to 4. It depends on the complexity, but the bulk of it will be in that 3-year window.

**David William Barden**

*BofA Securities, Research Division*

All right. So then more to the financing side of it or the financials. What is your liability if construction costs go way above expectations? So if you hit a lot of rock where something burns down, like what is your exposure here?

**Christopher David Stansbury**

*Executive VP & CFO*

So again, keep in mind, it's existing conduit. So if you think about -- I mean the whole...

**David William Barden**

*BofA Securities, Research Division*

It's not exclusively, but there's those ones...

**Christopher David Stansbury**

*Executive VP & CFO*

I mean the reality is the vast majority of this is existing conduit. So I don't want to say that's not hard because the ops team would be waiting for me with pitchforks when I got back. But that is hard. I would say the bigger complexity is really around these hut builds.

And -- so just to show the level of insight and why these contracts are chunky and they take time. We -- call it, 400, 500 sites where these things had to go. We went through with the customers site by site and identified, do we have land? How much power is there, et cetera? And we got to is -- I can't remember the exact number, but say somewhere between 30 and 40 sites. We don't have land.

And so those were agreed to and carved out because we're going to have to solve it somehow. We're either going to have to buy more land, we're going to have to go up, whatever it is. Cost will be higher. And the contracts are structured such that the customer will bear the cost of that, and we will work with them to come up with the most efficient solution.

So I cannot emphasize the amount of time and insight that went into this. So one safety measure is the big thing, getting conduit on the ground. It's there already. The huts, we've spent a lot of time on it. These are huge contracts for our suppliers that are going to keep them in business for years. So we're getting the best suppliers.

We have protections with them so that we're protected, and then in the contract itself there are CPI escalators as well. So it's what we do. It's what we've done, obviously, on a smaller scale for many, many years. and we're really good at it.

So we're not concerned about that. There are penalties -- performance penalties that could exist, but there are also performance bonuses that could exist. And we feel that we've struck the right balance on that.

**David William Barden**

*BofA Securities, Research Division*

So the \$5 billion is -- maybe Microsoft is an anchor tenant and a couple of other bigger chunkier pieces to the \$5 billion. So let's just say, \$2 billion for Microsoft and \$2 billion more unnamed 1 billion guys and then maybe 8 or 9 smaller \$100 million guys kind of piece it all the other. When you talk about the line of sight to the next \$7 billion, how far away is that line of sight? And who are -- I think I've heard you say is more or like enterprises and things like that?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes. So the construct of the \$7 billion looks a lot like the \$5 billion. There is some customer overlap, but there's also a lot of new customers. So again, 10-ish kind of customers. There's a detailed list of opportunities that add up to more than the \$7 billion, and we were comfortable with saying the \$7 billion importantly, since we've thrown that number out there, there's been no fall out on that.

And so we're excited and confident in our ability to execute, that because of the chunkiness, here's what I can tell you. Every time I thought we were closed, I was wrong. Because as we went through the first \$5 billion, because these are complex agreements back to your question on cost. But some are closer in. I don't want to try to guess that time frame because I'll be wrong.

Some, particularly for like new builds, are a little further out. But as we know more, we'll obviously share it. It's to our benefit. We want to get that in the investors' hands as fast as we can. But things are looking good.

And sorry, your question on who is it? Again, 3 phases as we see it today, that will evolve because none of us really know where all this goes, but when you think about the companies that are either running learning algorithms today and they're training them or they kind of support that ecosystem, it's really hyperscalers, cloud providers. That's kind of Phase 1.

Phase 2, which we call inferences where large enterprise starts once those models are trained, large enterprises using those models to run their businesses. And that's where there's a lot of IP and wave type consumption. And we're making sure we've got the right capacity in the ground. We've obviously added 6 million fiber miles over the last few years. There's another 6 million to come.

And by the way, that fiber today is supporting 400 gig waves. But as the equipment that powers that fiber, comes online, there's a lot of innovation coming, it very quickly goes to 800 and then 1.6 terabyte. So that's future-proofed.

The last phase, which is further out, probably at least 5 years, is when AI starts talking to AI, and we think that's explosive again. So we'll -- all of our understanding of that will change as time goes on, but that's kind of how we think about it. But today it's really largely hyperscaler and cloud provider, big tech companies.

**David William Barden**  
*BofA Securities, Research Division*

So the \$5 billion deal. Again, if my math is roughly right, it's kind of \$800 million of profit. You kind of siphon that profit out of the dollars that you get inbound to cover the cost of construction and stuff. So that kind of filters in over a 4-year period over the course of the next year or 2 or 3, there's another \$7 billion of deals if they're roughly equivalent. That's \$1 billion of cash flow that maybe starts coming in and next year and the year after that.

So maybe \$200 million a year from the first setup starting next year, and then \$250 million a year. I mean \$800 million over the next 2, 3, 4 years, another \$1 billion over the next 3, 4, 5, 6 years. I mean it sounds great \$12 billion. But the cash dollars after taxes just really aren't that big.

You've got \$13 billion of revenue, you've got \$4 billion in EBITDA, you've got \$3 billion in CapEx annually, you've got a \$9 billion maturity tower in 2029. These deals don't really do a ton. They're fun to talk about. They make headlines, but they're not changing who you are. The DNA of this business is not changing because of that.

**Christopher David Stansbury**  
*Executive VP & CFO*

So I would disagree with you on that. So -- let me tell you where I agree. I agree that the legacy business that is in decline and will remain in decline is the legacy business. It generates a lot of cash, do some things that we can do, and we'll continue to work away on it to improve that rate of decline, but we're not going to fix it. That's not why we're here. That's not what our focus is.

I think what's getting lost in the disagreement, David, is that we're not done. So again, this is Phase 1. This is monetizing an asset that is available to us and one that our customers desperately need, It brings us really valuable cash that literally, over the next number of years, fills the funding gap. So we can continue to invest at the pace we are in the enterprise business.

We can continue to invest in consumer, as we said earlier. We can pay the higher coupon because of the TSA. We can fund the pension to the extent that it needs to be funded. It literally takes all of that off the table.

What's getting lost is that there's more that comes behind that. So literally, as we're building these networks and companies are hearing that we're going to be driving through their neighborhood, so to speak, we're getting phone calls saying, "Hey, I want to connect in. I want to connect in." So more will come from that.

But importantly, the future of enterprise networking is digital. There's been very little credence given to that. So today, you have a competitive landscape where every other provider out there views this as a commodity, views this as a cash cow and is not investing in the space.

We are the only ones who are investing hundreds of millions, billions into enterprise networking such that, just like today, I mean, 20 years ago, who would have thought, who would have believed that you could provision compute and storage through your laptop at a very large scale.

That is exactly what we are bringing in networking. In a few years, as we consolidate the network and we digitize everything, large enterprise will be able to provision point-to-point connectivity in an instant with no truck rolls. No one else is bringing that.

**David William Barden**  
*BofA Securities, Research Division*

On demand?

**Christopher David Stansbury**

*Executive VP & CFO*

It's -- well, look at people have tried, people have said it, but...

**David William Barden**

*BofA Securities, Research Division*

We're talking about it for 20 years?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes, but no one has ever done it. So that's why this management team is here. And it's coming. We -- if I think about the stories that have been written about Lumen since I have been here, some of them from the investor side, some of them frankly, from the competitive side. We are apparently going to die 4 times, and we haven't.

And the reality is we haven't and we got the support of our creditors in part because they saw this, they saw the value. And it's starting to work. So I would actually say -- if you were to ask me to summarize in one word, what is Lumen's Board and Management team viewing the pushback that we get in the market as today is flattering?

And I'm going to share a quote that we point to regularly, it's a quote from Gandhi, and it's about radical change. And when you're driving radical change, he said there's 4 steps: first they ignore you, then they laugh at you, then they fight you, and then you win. And we're in the fight stage right now.

And we're getting a lot of pushback because people have, for decades, seen legacy telecom move down into the right. And we are challenging every one of those norms, and it's going to happen. So we're confident in it. We're going to stay focused on execution, and we'll go from there.

**David William Barden**

*BofA Securities, Research Division*

So on the path to up and to the right, you lowered your EBITDA guidance for 2024, and then talked about bringing more downward pressure in 2025?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes.

**David William Barden**

*BofA Securities, Research Division*

And then it's going to go up into the right in 2026?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes. So let's look at the pieces. Job #1, free cash flow, right, fill the funding gap, check. Job #2, EBITDA. So we have said consistently that we thought that the pivot point on EBITDA would be 2026, And that remains true. I think the shape of it is actually better.

So what happens is, is obviously, guidance this year came down? Yes. There's a lot of stuff going on in legacy. We all know that. But we also had more OpEx associated with firing up the construction factory for these deals. That will continue into next year.

And then next year, because of the cash position, we've made the choice to accelerate some of the OpEx spending that we needed to do to unify the networks into one. And so next year was always going to be down. It's probably down a little more than what was initially expected because of those 2 items.

In '26, off of that low point in '25, we don't start to grow. At this -- it's early. I'm not giving guidance. But at this stage, '26 EBITDA looks a lot like '24. Because of the cost savings, we can start to pull in and the expenses we have next year don't continue forever. So '26 EBITDA, it's like a V-shaped recovery, and then we start to grow that.

Revenue, by the time you balance out the legacy declines, it's a sizable business, but the growth we see in things like IP and waves and compute security. Those lines probably cross in '28. That's sometime in '28. So we'll give more color on that.

I do think when we give guidance for '25 in early next year, we'll also give preliminary guidance for '26, because we have deep conviction in our ability to execute against this, and we want to give visibility to both.

**David William Barden**  
*BofA Securities, Research Division*

Is it -- as you think about that, is it time for another Analyst Day?

**Christopher David Stansbury**  
*Executive VP & CFO*

Not yet. I think we have to see where some of the stuff sorts out on consumer and whatnot. I do think there could be kind of an in-between step where potentially we do more of a virtual thing just to update people on the model. We're looking at that.

**David William Barden**  
*BofA Securities, Research Division*

But I thought you're on the slide and the little presentation you guys gave on IRU and that sort of stuff was helpful in terms of, I understand all this. Look, that was great. Thank -- I wish I could spend another 40 minutes doing this, but thank you for coming. Really appreciate it.

**Christopher David Stansbury**  
*Executive VP & CFO*

Yes. I really appreciate it, David. Thanks.

**David William Barden**  
*BofA Securities, Research Division*  
Thank you guys for coming.

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