S&P Global
Market Intelligence

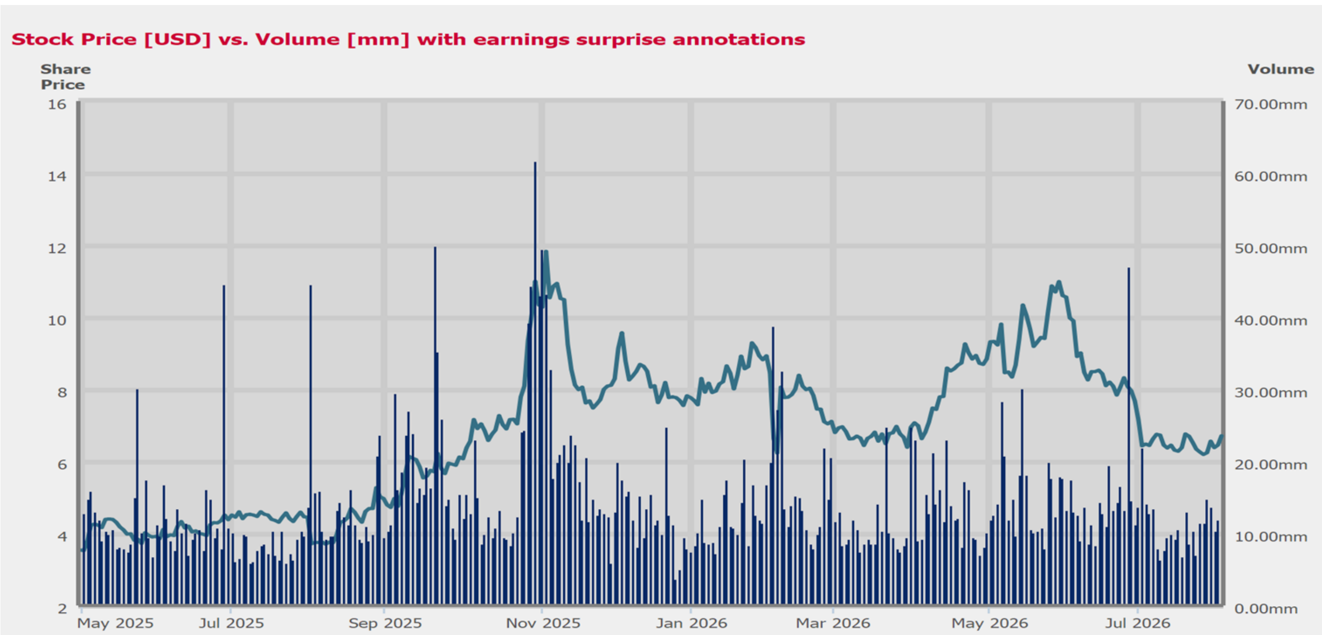
Lumen Technologies, Inc. NYSE:LUMN
FQ2 2026 Earnings Call Transcripts

Tuesday, August 4, 2026 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.12)	NA	NA	(0.14)	(0.81)	NA
Revenue (mm)	2828.72	NA	NA	2740.70	10950.52	NA

Currency: USD
Consensus as of Jul-31-2026 10:35 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2025	(0.27)	(0.03)	NM
FQ3 2025	(0.27)	(0.20)	NM
FQ4 2025	(0.27)	0.23	NM
FQ1 2026	(0.12)	(0.47)	NM

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Call Participants

EXECUTIVES

Christopher David Stansbury
President & CFO

James Dennis Breen
Senior Vice President of Investor Relation

Kathleen E. Johnson
CEO & Director

ANALYSTS

Batya Levi
UBS Investment Bank, Research Division

Eric Thomas Luebchow
Wells Fargo Securities, LLC, Research Division

Frank Garrett Louthan
Raymond James & Associates, Inc., Research Division

Gregory Bradford Williams
TD Cowen, Research Division

Michael Ian Rollins
Citigroup Inc., Research Division

Michael J. Funk
BofA Securities, Research Division

Nicholas Ralph Del Deo
MoffettNathanson LLC

Presentation

Operator

Greetings, and welcome to Lumen Technologies Second Quarter 2026 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded Tuesday, August 4, 2026. Your speakers for today are Kate Johnson, CEO; and Chris Stansbury, CFO.

I would now like to turn the conference over to Jim Breen, Senior Vice President of Investor Relations. Please go ahead.

James Dennis Breen
Senior Vice President of Investor Relation

Good afternoon, everyone, and thank you for joining Lumen Technologies' Second Quarter 2026 Earnings Call. Before we begin, I'd like to remind everyone that today's presentation will include forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect our current expectations, assumptions and projections about future events and financial performance. Actual results may differ materially from those expressed or implied in these forward-looking statements due to a number of risks and uncertainties.

A detailed discussion of these factors can be found in our most recent filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and quarterly report on Form 10-Q for this quarter and any subsequent filings. We undertake no obligation to update or revise any forward-looking statements made today, whether as a result of new infomation, future events or otherwise. Today's presentation may also include non-GAAP financial measures. Reconciliations are provided under posted materials.

And with that, I'll hand it to Kate.

Kathleen E. Johnson
CEO & Director

Thanks, Jim. I'll start by sharing how excited we are to welcome John Hinshaw to the Lumen Board of Directors. John has led complex technology organizations through major moments of change, and his perspective will be a great asset as we continue Lumen's transformation. And to that end, we're pleased to report that Lumen delivered another solid quarter with financial results in line with expectations.

Before Chris covers the numbers, I'll give some color on our strategy and transformation progress. Great companies don't win by fitting neatly into existing categories. They win by solving hard problems in new ways sometimes creating new company categories along the way. And that is exactly what we're doing at Lumen. We're using 3 assets together in a way no other traditional telecom company is. Our physical infrastructure, our programmable network and the connected ecosystem we're building on top.

We are redefining enterprise networking for AI. And the market's noticing. Most recently, Gartner named Lumen, the company to beat in Enterprise Networking, one of several strong endorsements of our strategy and progress. And since closing the Alkira transaction, our market position has only strengthened. Alkira is now a Lumen Connect solution, and it gives us a critical capability customers really need, a similar faster way to connect and secure multi-cloud and AI environment. Let me double click on the problem we're solving. Over the past decade, people, data and applications have dispersed geographically.

The software industry responded with wave after wave of innovation to help the physical network keep up. launching new capabilities in cloud connectivity, SD-WAN, SaaS firewalls and colo-based interconnection. Basically, they made distributed work possible. But because telecom ceded that innovation to big tech, it happened around the network, not in the network. And that created a whole new set of problems.

Customers ended up having to stitch together too many tools, policies and handoffs. It created sprawl, which is expensive and difficult to manage there going to adapt to the speed of today's business. Lumen is stepping up. we're bringing innovation back where it belongs inside the network. Together with Alkira, we can simplify our architecture, improve control and create more value for customers.

By giving customers one cloud-based control point to connect and secure distributed environments, we can help them connect to any building, data center or public cloud while reducing sprawl. Our network fabric is simple, secure and built for scale and agility. And look, we're not talking about a vision here. These are capabilities that are already delivering breakthrough business outcomes for many customers. Two realized examples, on Alkira industry's simplified network hub setup across multiple clouds, compressing implementation time from 8 months to a single day. And at Michaels, Alkira helped connect more than 1,400 retail locations of Google Cloud in just a few weeks with no CapEx and reduced OpEx.

In Alkira's real economic value report, you can find many more examples of business value delivered on our platform. It's a new chapter for Lumen, our customers and our investors. In the past, too much of telecom's value conversation came down to price, and we're changing all of that. Our digital capabilities help customers reduce costs move faster and create new revenue opportunities. Lumen can now deliver value to customers through business outcomes, not just through discounts.

And our sales team, as you can imagine, are excited to bring these new capabilities to existing Lumen customers. As such, we're rapidly scaling our Alkira go-to-market muscle. Just since we closed, we've already traded nearly 4,000 Lumen employees on the Alkira value proposition. We've established a scalable sales motion and aligned incentives, and we're doing outbound marketing and demand gen to scale the sales pipeline.

And the feedback so far from customers very positive. We feel confident that Alkira will accelerate our strategic revenue growth curve. I will also share our plan for technical integration of the Lumen Connect and Alkira platform, and our goal is really simple. We want to give customers a quick, secure effortless digital experience to discover by provision and manage all of their services across their network.

That includes traffic moving into and out of the enterprise, which we call North South as well as traffic moving across clouds and data centers, which we call East West and do it all on one platform. Our plan is to deliver most of that integration in the next 18 months. But even earlier than that, we plan to bring the digital experience to existing Lumen customers, starting with DIA. We are in the process of making Lumen DIA ports digitally discoverable and service ready through our platform and that's going to allow us to remotely provision manage and support these circuits, upsell additional capability on existing ports without a truck roll and create a path toward more consumption-based offers. This is a huge strategic unlock. I cannot stress this enough.

Our DIA installed base carries traditional telecom economics today, but the platform gives us a path to layer on high-margin digital services like Lumi Defender, DDoS, multi-cloud gateway and more. Those incremental services are expected to approach 80% adjusted EBITDA margin helping drive Lumen's margin expansion. That's why the product portfolio simplification matters so much. We're moving capital and talent towards the existing and future products that define next-gen Lumen.

Their digital, platform-based services that solve real customer problems and expand our margins over time. And this strategy includes pruning the portfolio with discipline. Our recent decision to phase out our enterprise voice and communications products was part of the strategy. We're setting our sights and allocating our capital on higher growth markets where Lumen has a differentiated position to win.

Now speaking of winning, we had another great quarter of NaaS adoption. And today, the total number of NaaS customers exceed 3,000. And in Q2, new customer adoption grew 22% quarter-over-quarter and more than 20% of these first-time NaaS adopters were brand new to Lumin, and active ports grew 34% quarter-over-quarter and active services grew 29% quarter-over-quarter. I have to say, our NaaS growth rates, they exceeded even our own internal ambitions for the first half. And what's more we achieved these results in the North-South connectivity market, a segment that's growing less than 1% per year.

We are clearly taking market share. And we believe this is for 2 reasons: enterprise customers want digital consumption-based network services, and they also see real differentiation in Lumen. Now let me close where our strategy compounds in the connected ecosystem. We just paired Black Lotus Labs network level threat intelligence with Palo Alto Networks leading security platform to create a managed offering that's better together.

Customers get early visibility of fast response and far less tools draw against security threats that are growing more and more complex every single day. We're scaling this partner model in the connected ecosystem by making sure that Lumen brings unique network intelligence and our incredible fiber capabilities together with our tech partners who bring their best products and technologies. Together, we help customers move control and secure data in an AI first world.

Chris, over to you.

Christopher David Stansbury
President & CFO

Thanks, Kate. I'll build on Kate's remarks by showing how our strategy is showing up in our financial model. through disciplined simplification, improving revenue mix, focused capital allocation and a clearer path to higher growth strategic revenue. Now before I get into the second quarter results, I want to talk about some of the decisions we're making with respect to product simplification.

Product simplification is not just a cost action. It's a strategic capital allocation decision and it's letting us focus resources on the digital, platform-based high-growth, high-margin services Kate described. It's imperative that as an organization, we aggressively manage our product portfolio to maximize margins and cash flow. These are purposeful decisions that remains to an end in driving cash flow to fund our growth.

Legacy remains a cash-generating part of the business, but it's becoming a smaller part of our revenue mix as strategic and digital services grow. We're maximizing the value of our existing legacy asset base while redeploying capital towards our digital initiatives. So to be abundantly clear, extending the life of legacy products has not been and will not be a pillar of our future success. These decisions create the flexibility to invest in capabilities like Alkira that can accelerate our digital revenue curve and support a higher growth, higher return revenue mix over time.

Over the next several quarters, we'll continue to provide color on our shift from legacy to the digital products and how Alkira can help accelerate that process. The second quarter gave us tangible evidence that the transformation Kate described is progressing, strategically, operationally and financially. In the second quarter, we delivered solid financial results with revenue, adjusted EBITDA and free cash flow, all in line with our expectations.

In early July, we closed the acquisition of Alkira. Alkira was not embedded in our Investor Day targets. So while the near-term revenue contribution is immaterial, we view it as upside to the digital growth trajectory we outlined earlier this year. And we've reduced our SEC filers from 3 to 1, simplifying our reporting structure. And just as we're simplifying the customer experience and product portfolio, we're also simplifying how we operate internally, giving investors one unified view of Lumen's financial performance.

Total revenue was in line with our expectations and slightly ahead of consensus. Total business revenue declined 1.8% year-over-year to $2.44 billion as our revenue mix continued to improve, and North America total business was down 1.6% year-over-year. North American enterprise revenue, which excludes wholesale was down only 0.2% year-over-year. Importantly, the positive revenue mix shift continues as strategic revenue grew 14% year-over-year and over 23% going back 2 years.

Second quarter PCF revenue was approximately $91 million associated with the $13 billion in PCF deals announced today. Approximately $36 million was another state of California delivery milestone, which was accelerated into the second quarter from the back half of the year and is now largely complete. PCF remains an example of disciplined infrastructure monetization of underutilized assets while preserving capital for the higher return digital and platform-based opportunities that Kate discussed.

We'll continue to monetize these underutilized assets, but we are not going to invest capital with subpar returns when we have the ability to drive significant returns through our digital portfolio. Within strategic, digital revenue in the second quarter was $39 million. The key near-term drivers are customer growth and service adoption both of which continue to build. Digital revenue remains in line with our expectations as the category scales.

The clearest proof point behind our transformation is a shift in the business, and that shift is happening faster than we expected. Strategic revenue was 53% of total business revenue in the second quarter, up from 51% in the first quarter and compared to 45% in the prior year quarter. The increasing share of strategic revenue allows for more paths to capitalize on products aligned with customer demand in the future of Lumen.

We also note that legacy has declined less than expected implying the expanding share of strategic revenue is all the more impressive and driven by underlying dollar growth. Contributing to the improving mix, strategic waves revenue, 100 and 400 gig grew nearly 11% over a year-over-year in the second quarter in our North American enterprise channels, and we expect that momentum to continue as strategic waste sales were up nearly 35% year-over-year in the quarter, which is a nice precursor to future revenue.

In short, the enterprise business is moving closer to sustainable revenue growth as the mix shifts towards strategic and digital services. And as a reminder, Alkira was not contemplated in our Investor Day digital revenue targets. While its revenue contribution is immaterial today, we believe Alkira can unlock increased adoption over time, making any contribution upside to those targets. We're in the process of quantifying Akira's impact on accelerating our growth and we plan to share that view with investors when we provide our 2027 guidance.

Adjusted EBITDA, excluding special items, was $802 million in the second quarter compared to approximately $877 million in the prior year quarter. The year-over-year decline was predominantly due to the fiber to the home sale in the first quarter as well as expected revenue declines as strategic and digital services become a larger part of the mix, we expect that shift to support improvements in the margin profile of the business over time.

Special items impacting adjusted EBITDA totaled $204 million this quarter, primarily driven by our modernization and simplification initiatives as well as transaction and separation costs. Capital expenditures, excluding special items, were approximately $780 million in line with our expectations and full year guidance. That included approximately $300 million of CapEx associated with PCF deals. PCF cash received was approximately $476 million in the quarter. Free cash flow, excluding special items, was $327 million in the second quarter, and our cash flow performance gives us the flexibility to continue funding the transformation while remaining disciplined around where we deploy capital.

So to wrap up, our focus remains on delivering consistent execution through our strategic initiatives, including the end of sale of enterprise voice and the acceleration of digital growth inclusive of the incredible capabilities Alkira brings to Lumen. We're not managing the client. We're reshaping lumen around where demand is moving, simplifying the legacy portfolio reallocating capital towards higher-growth digital initiatives and building a revenue mix designed to create more durable shareholder value. With that financial context, the message is clear. The strategy is taking hold, and we're focused on translating it into sustainable growth and value creation.

Kate, back to you.

Kathleen E. Johnson
CEO & Director

Thanks, Chris. I'll close with this. Lumen is becoming a different company. we're helping create a new category, enterprise networking for AI. Our platform is grounded in fiber scale, network intelligence, digital orchestration and measurable business outcomes and customers see the differentiation. They see a company that understands their networking challenges and can help them connect, secure and scale for AI, and they're voting with their business.

You can see it in the numbers. strategic revenue grew 14%. NAV adoption dramatically outpaced the market, 100 and 400 gig ways in North America enterprise revenue grew 11% year-over-year, while sales of the same grew almost 35%. We're executing with discipline, Alkira expands our opportunity and our momentum is backed by customer demand, stronger capabilities and a clearer economic model. Lumen's pivoted growth isn't a slogan. It's just math.
Operator, let's open up the line for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Michael Rollins with Citigroup.

Michael Ian Rollins
Citigroup Inc., Research Division

First, I was curious if you could talk a bit more about -- Kate, what you were just describing is now to strategic revenue relative to legacy. So, are you seeing that this transition of your customers from legacy to strategic is happening more quickly. If you look at the higher strategic revenue growth and legacy now declining about 15%. And when you look at Alkira, can you share with us some additional ways that you can accelerate that performance to get to more of the strategic services.

And if I could just follow up with one other numbers question. So I think earlier in the discussion, it was mentioned that results were in line with your expectations. And as you look at revenue change for 2Q in business, down about 1.8% year-over-year, but I think for the year, you're thinking about it when you talked about before, correct me if I'm wrong, like maybe the upper 3s to 4. So what does that mean for business revenue declines in the back half of the year?

Kathleen E. Johnson
CEO & Director

Do you want to take the second part first, and I'll go to the first.

Christopher David Stansbury
President & CFO

Sure. So we're still committed to the guidance that we laid out. And obviously, we don't guide revenue or at least we haven't to date. Just keep in mind that the first half, we did have State of California impact both first and second quarter. And while our plans contemplated some of that hitting in the second half, that's now done. So that was accelerated.

I would answer the question certainly from an EBITDA standpoint. If you look historically, adjusted EBITDA is about $100 million less in the third quarter than the second quarter just seasonally because of summer maintenance and energy costs and whatnot. And so if you look at it that way, and then look at what fourth quarter would need to be hit guidance, I think that solidifies what we're saying for the year.

Kathleen E. Johnson
CEO & Director

Okay. And Mike, I'll try and hit the first one. So strategic 53% of the portfolio, legacy 47. Strategic growing 14%, legacy down 15%. So, is it a one-for-one match? No. There's a lot of complexity in there. But I think the trends that we see that give us confidence are 2 that I really called out. There are several of them in there, though. The first is if you think about the number of NaaS customers that adopted the platform in Q2 we had another greater than 20% number of them be brand new to Lumen.

These were customers that were not doing business with Lumen that decided to come to the NaaS platform, which is great because it's not a one-for-one cannibalization. What's more? I can't -- I don't remember the exact number, but I think it's somewhere around 6%, we can confirm that off-line, of the customers that were already looming customers were adding mass circuits. They weren't migrating okay? So this is clearly a share take, and it's not a one-for-one translation of the legacy business into strategic.

What's more? I think in legacy, we have the lower bandwidth wave circuits and those are declining. And in strategic, we have 100 and 400 gig and you're seeing a real uptick there, which is indicative, I think, of the second phase of the AI adoption curve where more customers are starting to realize that they've got to upgrade their capacity. And you're also seeing a lot of the neo clouds go long in 100 and 400 gig.

That growth if you juxtapose one for one, I think over time, you're going to see a much faster acceleration on the 100 and 400 gig on the horizon and where we're focused and where we're investing and why our investment in rapid routes has been just such a great return because we can turn up these circuits in days versus what used to take months. So we're very, very encouraged with what we see.

Christopher David Stansbury

President & CFO

Yes, the only thing that I would add to that is, remember, the vast majority of the legacy is voice in private line. And those are just not in vogue anymore. And to Kate's point, it's the high-speed waves, it's IP, it's dark fiber, it's NaaS. You also asked about Alkira and I think you, in particular, Mike, have done a phenomenal job of really digging in and understanding the strategy. I would encourage you and everybody else to look deeply into the value proposition of Alkira and some of the data that we shared and the materials that are online.

Because when you look at the things that Kate talked about in her script, the complexity of allowing networking to work today, which as you scale that for AI is impossible. Cloud-native solutions, which is what Alkira brings are massively disruptive. And so our belief is that allows us to accelerate our digital transformation, and we're working over the next couple of quarters to quantify that through media guidance next year.

Operator

Your next question comes from the line of Frank Louthan with Raymond James. Please proceed with your question.

Frank Garrett Louthan
Raymond James & Associates, Inc., Research Division

Great. Can you give us an idea of sort of the MRR of an acre customer and maybe what that would be -- you would be getting with them over above, if they were just a networking customer. And then on the Waves growth, how do you think about it? Do you believe that you're taking share in the waves business? Or are you just -- is that just indicative of the market growth itself?

Kathleen E. Johnson
CEO & Director

I mean, rapid routes is clearly giving us an advantage from ability to turn up customer circuits that's being recognized. Again, I'll kind of hammer on this, the Neo clouds have awakened to this notion of Lmen capabilities being able to quick secure and effortless it's working. And the best example is 100 and 400 gig waves with rapid route. So yes, we're taking share. It's growing quite rapidly. The sales number was phenomenal. The pipe looks really good. We have a lot more work to do to offset the decline on the lower end, but we're pretty excited and bullish on the future.

Christopher David Stansbury
President & CFO

Yes. And from an MRR perspective, it's the right question, Frank. It's a good question. I would say it's too early to say that because it really gets back to what we talked about in terms of scaling the model. Our focus to date has been on driving customer adoption. That continues. That's good news. It's now about getting customers to consume more services for every port because the reality is once you go back in with the second, third, fourth service, you get very close to having 0 marginal cost and little to no CapEx. So too early to tell that. Our goal would be to provide much more clarity around total business segment revenue next year when we give guidance that would incorporate all of that. But certainly, Alkira allows us to expand that. Kate?

Kathleen E. Johnson
CEO & Director

Yes. I just want to add one thing. Look, it's been a month since we've closed -- so I don't want to overdo our zeal here, but 2 things that I see them really excited about. When we renew Alkira customer, we're upsizing the deals. And I think that's a very positive outcome of customers that are happy and we have several data points that show that. The second thing is, Frank, which I think is really, really important is traditionally when we're selling connectivity, we're talking with procurement teams and they have a cost budget and they have a bandwidth budget and they not to exceed.

With these net new services, multi-cloud Gateway and the Alkira portfolio, we're now a couple of clicks up from procurement, talking about total network upgrades strategically to allow for them to achieve their AI ambitions and we're knocking on the door of the CIO and CTO and they're answering for the first time since I've been here. And I think that's the really exciting part. So we'll get a larger sort of share of wallet of those customers as we can bring the whole set of capabilities at least that's our aspiration.

Operator

Your next question comes from the line of Gregory Williams with TD Cowen.

Gregory Bradford Williams
TD Cowen, Research Division

First of all, on digital revenue. Chris, you mentioned it was in line with expectations, about $39 million. It's up only $2 million from $37 million last quarter. When does that digital adoption, you talked about this NaaS option equate to a higher ramp than $2 million quarter-over-quarter as we think about the cadence over the next few quarters. And second question is just on state of California. Can you quantify the impact of the pull forward? Just trying to see how much you beat on public sector and if it was California or not and to what degree? And is that both PCS revenue and public revenue?

Christopher David Stansbury
President & CFO

So on the latter, yes, it is. It's both. The public sector business obviously has been, I would say, fairly chunky given what's going on in the world. But we also know third quarter is the strongest quarter for that business. So we'll see. I mean we remain in deep conversations around some fairly strategic investments with the federal government. And so we'll see where that takes us.

As it relates to digital revenue, remember, when we did Investor Day, we laid out not just the mix shift from legacy to strategic, but also within strategic, how much was digital. And so I would say that as a baseline, that's still a good way to look at it. Obviously, Alkira allows us to accelerate that, and that's what we've got to quantify over the next couple of months.

So again, we're operating off of a small base. We're driving significant adoption. It's really a question as to how long it takes to get customers to add that second, third and fourth service. But it will.

Operator

Your next question comes from the line of Michael Funk with Bank of America.

Michael J. Funk
BofA Securities, Research Division

Two if I could. So, can you comment on the size of the funnel and where deals are on the front of new enterprise deals? You mentioned earlier some of the pace of those deals as well as the payback for customers as well. And then second, just want to comment about not chasing TCF deals based on price. Can you add some more clarity for where you see deals getting price on development yield or whatever type of yield do you think it is useful in the current environment versus where you'd be more comfortable pricing?

Christopher David Stansbury
President & CFO

No, I'd love to address that. Thanks for asking. If you look at the PCF deals that Lumen has signed to date, all of those deals were about monetizing conduit that was paid for a quarter century ago. Underutilized assets that allowed us to deliver faster network deployment for hyperscalers that ultimately from a strategic perspective, creative proximity with those hyperscalers that is now helping us bring differentiated services to enterprise.

As we look at new builds the economics are a very different story. And so there's -- I think there's been a number of announcements. There's great headline generating news in those but the returns are terrible. And what I mean by that is that if you look at the cost to build new trenches, deploy new conduits, you're looking at returns that are at or below cost of capital levels. So from our standpoint, the growth of fiber is great news.

Alkira our NaaS solution allows us to deliver services across everyone's fiber, not just Lumen's and we're quite happy for others to build at or below their cost of capital so that we can provision higher margin, higher growth services on top of them. Now with that, we will continue to pay network where it makes economic sense for our shareholders. But we are not going to chase things for headline value anymore. That's just not what we do. It hasn't been what we've done, and we're not going to start now.

Operator

Your next question comes from the line of Batya Levi with UBS. Please proceed with your question.

Batya Levi
UBS Investment Bank, Research Division

Great. A couple of follow-ups. First, on the comments you made on the PCF network. Can you talk about the CapEx required to deliver the service I believe CapEx has been coming lighter than you had originally expected? Are you finding some improvements in the delivery? And looking out to potential new deals, do you still see some of your existing conduits and fiber assets as you can leverage to gain more deals? And a question on Alkira. Can you just remind us what status is the current business revenue EBITDA that you acquired from the company? And should we anticipate any incremental cost as you integrate that with your platform over the next 18 months?

Christopher David Stansbury
President & CFO

Yes. So we haven't given specific Alkira guidance and the revenue and costs are immaterial in terms of our results at this point and obviously had no impact on the second quarter. It really is about where we can take it from here. And as Kate said, we're moving very rapidly to drive sales motions around that, and we'll quantify that in the back half of the year. As it relates to PCF, I would say the capital expenditures on PCF, which remember our PayPort upfront by the -- by the customer, we're pretty much on schedule.

I wouldn't say that we're finding significant efficiencies nor do I see any risk. So it's pretty much on schedule. And yes, there is definite opportunity to deploy more of those underutilized assets for the hyperscalers with great returns. And where there's opportunities to do that, we will continue to do so.

Kathleen E. Johnson
CEO & Director

And we have a pipeline on that.

Christopher David Stansbury
President & CFO

We do. Yes, we're in a number of conversations for some fairly material deals. But again, as you know, we don't announce those until they are signed because they are very long sales cycles.

Operator

Your next question comes the line of Nick Del Deo with MoffettNathanson.

Nicholas Ralph Del Deo
MoffettNathanson LLC

First, it seems like everyone across the industry is highlighting neo cloud demand. Kate, you mentioned it earlier in the call. Can you do anything to help give us a better sense of just how much that category customers is contributing to your deal funnel or your bookings or to your revenue growth?

Kathleen E. Johnson
CEO & Director

We don't report that.

Christopher David Stansbury
President & CFO

We don't report it. There are NeoCloud deals as part of the $13 billion. They're relatively small.

Kathleen E. Johnson
CEO & Director

And I think they're buying weight, right?

Christopher David Stansbury
President & CFO

Yes, exactly.

Kathleen E. Johnson
CEO & Director

So not as much PCF business for the Neo cloud, but a pretty significant uptick in pipe and conversion of waste capabilities for these customers.

Christopher David Stansbury
President & CFO

Exactly. That is a part of the way it's growth. We're taking -- we're definitely, I would say, taking share of waste because of the capabilities of our 100 and 400 gig routes and just the density in those 58 million fiber miles that we're building that are a bit factored for the neoclouds. And that's how they're choosing to buy their connectivity.

Nicholas Ralph Del Deo
MoffettNathanson LLC

Okay. Okay. That's good color. Second question on enterprise voice. I mean you've articulated the idea of sunsetting those sorts of services for a while, so it's not necessarily surprised to hear that. Can you talk a little bit about the path to get there? Like for how long you're going to support existing customers taking the service and so on? And maybe the steps you're taking to ensure that it doesn't prompt any unwanted churn associated with other services that those customers might be buying?

Kathleen E. Johnson
CEO & Director

Yes. I think it's a great question. Our strategy is deeply rooted in the customer. We put the customer at the center of it. And I think it's really important to kind of segment customers in the base of a legacy revenue stream. We have a huge number of customers that have a very small monthly MRR, right, and do not have other services and then we have a much smaller base of customers numerically, like a lower number that actually have a very large book of business with Lumen.

And so we're routing our strategy in the larger footprint of revenue for obvious reasons, and we're intersecting that with our strategy to exit copper. And I think that, that's really important. So we're balancing a couple of things. We're maximizing cash flow as we consider the customers' needs and given the migration strategies that are swift and efficient and makes sense for them and address their AI aspirations. At the same time that we're dealing in some places with regulatory constraints, so it's a bit of a multivariable equation that starts with the customer. Second thing is maximize cash from it. And the third thing is to exit so that we can mine the copper.

Christopher David Stansbury
President & CFO

Yes. I would just add to that, the the percentage that enterprise voice contributed to our sales is very low single digit. It's immaterial. So it's not about what's driving our future. It comes down to the revenue management. And to Kate's point, there's very few customers that we actually need to be concerned about when we look at the bulk of that business.

Beyond that, though, there are decision points around when we end of life versus end of sale. We announced end of sale, right? End of life is a different story, but we're going to be aggressive about that and make the right financial decisions because, again, it's a distraction. It's -- we will meet the obligations of our customers when we the regulatory obligations we have. But beyond that, this is not our future. And we're full on in terms of extracting every dollar we can to focus on digital growth.

Kathleen E. Johnson
CEO & Director

Not to feel really good about the partnerships that we're developing with some providers that can help our customers get the voice that they need in the context of the overall Lumen portfolio of business. So it's a connected ecosystem play that I think will enable better economics for the company.

Christopher David Stansbury
President & CFO

Absolutely.

Operator

[Operator Instructions] Your next question comes from Eric Luebchow with Wells Fargo. Please proceed with your question.

Eric Thomas Luebchow

Wells Fargo Securities, LLC, Research Division

Great. There's obviously been a ton of talk about how satellite could potentially impact telecom and Kate, you brought this up. Just wondering if you could comment on how satellite broadband could maybe help you accelerate your copper decommissioning and what type of cost savings opportunity that could represent for Lumen longer term? And then secondly, maybe, Chris, if you could just touch on the trajectory of the cost savings opportunity, the $1 billion by 2027, where we are in that journey and what we should expect through the balance of the year?

Kathleen E. Johnson
CEO & Director

Part of our voice strategy is basically to provide whatever capability makes sense for that customer and to give them choice along the way. So whether it's fixed wireless or satellite we have the capability to drop an airline puck in place of the infrastructure that they have today to give them immediate capabilities to replace, which I think is a great thing.

And we're starting to get that motion in place to do it at scale. Separately, satellite is a significant part of our business as well because as we've talked about in the past, data needs to find fiber as fast as possible. So we do the backhaul for the satellite companies, and it's growing pretty significantly.

Christopher David Stansbury
President & CFO

Yes. And on the modernization simplification when we guided the year, we said $700 million exiting this year, $1 billion exiting next year. And we are on track to deliver against both of those it's frankly a big piece of how we inflect EBITDA this year while revenue hasn't inflected yet. So the revenue declines slowing is certainly a help, but the M&S savings are what pushes there.

And I'd say, more importantly, the learning that we've been able to extract around the legacy business because of that modernization and simplification program in terms of truly understanding the economic value of individual circuits and routes to market is what's allowing us to be more aggressive on how we ultimately wind down that portfolio. So a few years ago, we would not have had with the level of information that we have today, and it's just allowing us to move faster on becoming a digital company. So it's worked out really well for us.

Operator

There are no further questions at this time. I will now turn the call back to Kate for closing remarks.

Kathleen E. Johnson
CEO & Director

So the transformation is going well, and we're really excited. And I just want to take a minute to thank all Lumenaries for their incredible work and contribution. Let's keep going, and thanks to everybody today for great engagement on the call and a great discussion. Have a great day.

Operator
That does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your line. Have a great day, everyone.