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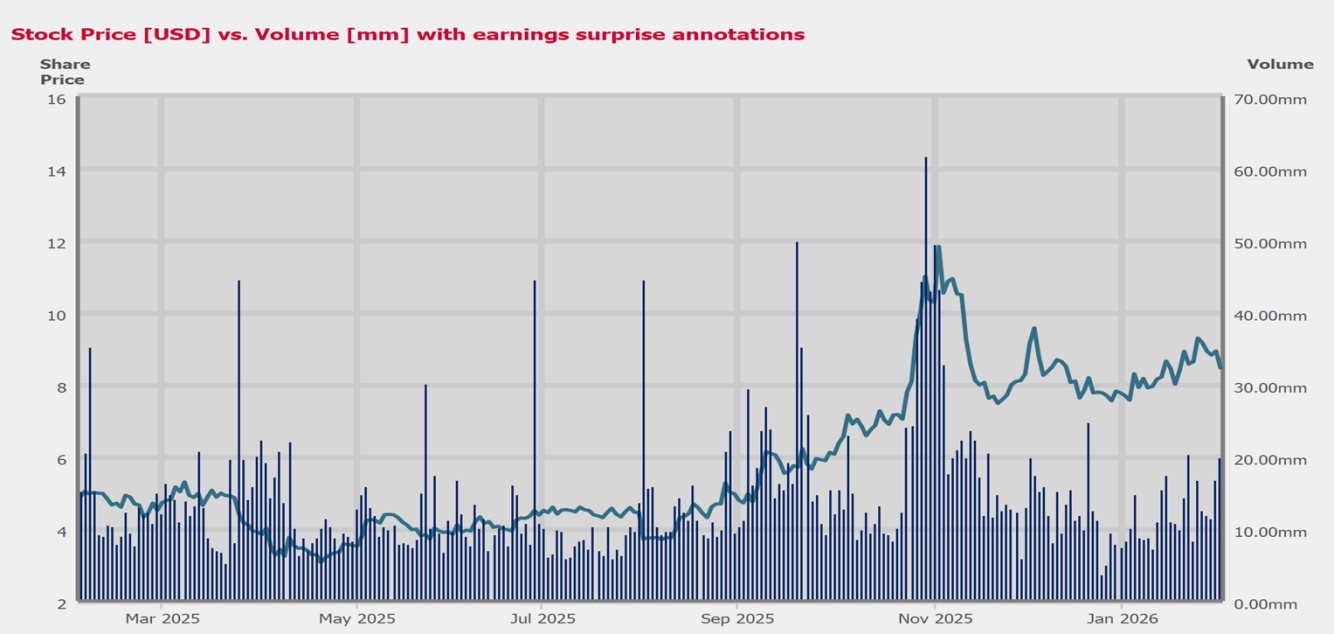
FQ4 2025 Earnings Call Transcripts

Tuesday, February 3, 2026 10:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	(0.27)	0.23	NM	(0.15)	(0.66)	(0.13)	NM	(0.47)
Revenue (mm)	3042.32	3041.00	▼ (0.04 %)	2808.75	12406.46	12402.00	▼ (0.04 %)	10891.64

Currency: USD
Consensus as of Feb-04-2026 9:17 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2025	(0.27)	(0.13)	NM
FQ2 2025	(0.27)	(0.03)	NM
FQ3 2025	(0.27)	(0.20)	NM
FQ4 2025	(0.27)	0.23	NM

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Presentation

Operator

Greetings, everyone, and welcome to Lumen Technologies Fourth Quarter and Full Year 2025 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded Tuesday, February 3, 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, Investor Relations. Please go ahead.

James Dennis Breen
Senior Vice President of Investor Relation

Good afternoon, everyone, and thank you for joining Lumen Technologies on today's call. On the call today are Kate Johnson, President and Chief Executive Officer; and Chris Stansbury, Executive Vice President and Chief Financial Officer.

Before we begin, this conference may include forward-looking statements subject to certain risks and uncertainties. All forward-looking statements should be considered in conjunction with the cautionary statements and the risk factors in our SEC filings. We will be referring to certain non-GAAP financial measures reconciled to the most comparable GAAP measures, which can be found in our earnings press release. In addition, certain metrics discussed today exclude costs for special items as detailed in our earnings materials, which can be found on our Investor Relations section of the Lumen website.

With that, I'll turn it over to Kate.

Kathleen E. Johnson
President, CEO & Director

Thanks, Jim, and thanks, everybody, for joining the call. We had a great 2025, laying a solid foundation to execute our strategy to become the trusted network for AI. And of course, the big news is that yesterday, we closed the transaction with AT&T. This marks a defining moment for Lumen, completing our pivot to become a simpler, stronger, enterprise-focused technology infrastructure company.

The impact of the deal on our capital structure and financials is very significant. With the $4.8 billion in net proceeds and cash on hand, we've paid off all our super priority bonds in the last 24 hours. Recall that in the last month, we also paid off our second lien debt. Our total debt now stands at less than $13 billion, and our net leverage has been reduced by a full turn now below 4x. All of this capital markets activity has reduced our interest expense by roughly $500 million or nearly 45% down from 2025 levels. And lastly, this divestiture reduces our annual CapEx by over $1 billion, driving a significant reduction in capital intensity as we stop fiber-to-the-home builds and focus our capital on building a digital network services company. Closing this transaction marks a new day for Lumen. We're focused on serving public and private enterprises as the trusted network for AI.

And our 2025 results clearly demonstrate the power of this focus. We reported strong 2025 financial results for revenue, EBITDA and free cash flow. Our business revenue mix continues to improve with fourth quarter North American enterprise revenue and Grow revenue totaling 52%, eclipsing Nurture and Harvest revenues. We continue to expect this trend to inflect our business revenue back to growth in 2028.

EBITDA was at the high end of our guidance range, which included the RDOF giveback in 2Q, and free cash flow was solid even without the $400 million tax refund that is now expected to come in the first half of 2026. We exceeded our increased target for cost reduction, ending the year at over $400 million in run rate savings. Exiting 2026, we're targeting another $300 million of cost out, totaling $700 million run rate savings, which positions us to hit our three-year $1 billion cost-out target as well as our expected EBITDA growth this year as previously guided.

Also noteworthy, we had a banner performance in PCF sales in the fourth quarter. You may recall that just over 18 months ago, we announced our first $5.5 billion in PCF deals with a goal of reaching $12 billion over time. As of today, we are now at nearly $13 billion with more deals in the pipeline. And we had another strong quarter of growth in our NaaS business. Rising ports per customer show that enterprises are starting to standardize on the Lumen Fabric as their programmable network control plane for Cloud 2.0. Each additional port expands our platform economics by unlocking higher-margin digital services revenue, accelerating cloud and AI on-ramp adoption and deepening ecosystem network effects for Lumen and partner-delivered services.

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Lastly, we added two amazing new executives to our team. Jim Fowler, our new Chief Technology and Product Officer, who is uniquely suited to help us execute our vision; and Jeff Sharritts, our new Chief Revenue Officer, who is uniquely suited to help us drive commercial scale. We're proud of the team we've built in all of their accomplishments throughout 2025, and we're pleased to see both the credit and equity markets rewarding the Lumen team for all of that work.

Looking ahead to '26 and beyond, I'd like to reiterate our belief that there's an urgent need for structural change in network architectures and business models to more closely align with customer needs in a multi-cloud AI-first world. This is the investment thesis behind our three-pillar strategy as we build the backbone for AI, cloudify and identify telecom and expand our connected ecosystem.

I'll briefly touch on each strategic imperative, starting with the backbone work. We successfully reached our 2025 goal of implementing 17 million intercity fiber miles. The roughly $2.5 billion of new PCF deals that we inked in Q4 will raise our total network expansion to a whopping 58 million fiber miles in 2031, while simultaneously expanding our capacity for enterprise customers. But as we've shared, our physical expansion is about more than just the number of fiber miles. It's also about giving customers bandwidth expansion, lightning fast implementation time lines, rich data center interconnect and investment in geographies where they need it most. And as we all know, every fiber mile isn't created equal. That's why we're investing significantly in three major network upgrades, building 400-gig rapid route waves across 36 routes with more on the way, enabling 400-gig services for data centers across key markets and focusing on metro expansion so that we connect the most needed routes, data centers and cities across America. To support this work, we've expanded our partnership with Corning, ensuring we have priority access to the newest state-of-the-art fiber technology, delivering the AI backbone for today's and tomorrow's most important customers.

In a world of Cloud 2.0, the largest tech companies are choosing Lumen to help construct the supply side of the AI economy, and that's because of our physical network prowess. Our network size, scale and quality position us to provide superior performance on three key metrics emerging in the AI race: fastest time to first token, GPU idle time and interconnect latency. What's more, as data centers begin to decentralize to accommodate energy supply constraints, our vast network provides valuable proximity. Together, our capital investments in PCF deals create a strategic competitive advantage, and we're expanding and upgrading our network alongside the most influential companies in the AI race, making it easier for enterprises to consume AI.

And speaking of the consumption side of the economy, this is where businesses are recognizing that yesterday's network doesn't support AI and Cloud 2.0. They need quick, secure, effortless on-demand services to move their data from anywhere to anywhere in real time. That's why Lumen is cloudifying and identifying the network. Think of it as building a programmable network platform that finally puts networking on par with compute and storage in the world of cloud. And our customers love it, as shown by another great quarter of adoption metrics. The number of active customers grew by 29% quarter-over-quarter. The number of NaaS fabric ports deployed grew 31% and the number of services sold grew 26% in that same period.

Recall that in October, we announced NaaS Internet on-demand, off-net. And while it's still early, we believe off-net growth significantly expands our addressable market for NaaS services. Great brands across industries are adopting this new capability with more than 900 off-net ports sold so far. The investments we're making in building a programmable network are driving significant growth in high-value digital revenues, which we believe will ultimately drive higher return for Lumen investors. And we'll share more on this and Project Berkeley at Investor Day.

Finally, let's talk about the progress we're making since launching the Lumen connected ecosystem six months ago. The team is fully staffed and building a commercial flywheel to marry AI-ready Lumen validated designs with partner cloud solutions, enhancing joint value props and accelerating our collective time to value for customers. Not only do these partnerships give us greater commercial reach, they give us a seat at the table where business decisions are being made. Instead of networking being purchased by infrastructure procurement teams as an afterthought, our Lumen team is included in the entire life cycle of the sale, elevating awareness of the critical importance of network and differentiating our company in the marketplace.

We've signed 16 connected ecosystem partnerships to date, yielding more than 180 potential sales opportunities so far. Recently, we've made a slew of announcements, including at AWS re:Invent, we shared a gated preview for AWS Interconnect to help AI workloads dynamically scale bandwidth while providing high availability and security. At Microsoft Inspire, we announced Lumen Defender with Microsoft Sentinel. And at MeterUp, we launched our joint network management offering to give customers preferred connectivity solutions and faster time to value. With every connected ecosystem partner, we're working to deliver scenarios and outcomes that transcend legacy telco capabilities. We're uniquely positioned to do this because of our API-driven programmable network and digital services portfolio, all of which enable a new world of customer-obsessed, partner-delivered technology solutions.

All right. To wrap it up, it's a new day for this company. Lumen is separating itself from the traditional telecom pack. It's not a story about share take or price protection in a declining legacy market. This is about taking a once commoditized asset, innovating new

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architectures and capabilities and commercializing it through a modern business model so that enterprises can focus on using AI to reimagine their workflows and business models during the biggest technology shift in history. It's a strategy that for several quarters has helped us slow overall revenue decline more effectively than our peers. And as our strategic revenues eclipse the size of our declining legacy revenue, it's a strategy that we expect will ultimately deliver new revenue streams that are both margin accretive and require less capital investment, ultimately improving overall margins and free cash flow even further.

I'll hand it over to Chris to talk more about our financial performance and guidance.

Christopher David Stansbury
Executive VP & CFO

Thanks, Kate. As Kate said, since the debt restructuring in the spring of 2024, we set out to achieve four major financial goals. return free cash flow to growth, fix our capital structure, inflect adjusted EBITDA to growth in 2026 and return to business revenue growth in 2028 and total revenue growth in 2029.

In 2025, our team executed numerous transactions and reached key milestones along our path to achieving these goals in Lumen's overall financial transformation. Over the past 12 months, we signed almost $4.5 billion in new PCF deals, taking the total amount of signed deals to nearly $13 billion. These deals provide us with cash to strengthen the balance sheet and invest in growth, cementing our place as the trusted network for AI and highlighting the value of our assets to customers in a multi-cloud AI world. We reached over $400 million in run rate cost reductions on track for $1 billion exiting 2027.

We launched Phase 1 of our new ERP system, streamlining our accounting processes and reducing long-standing systems complexity. And we continue to improve our revenue mix with 52% of North American enterprise revenue now coming from growth products, up from the mid-40% range in 2024, which supports our confidence in a return to business revenue growth in 2028.

We successfully executed seven debt refinancing transactions with a total value of over $11 billion, extending and smoothing our maturity profile while materially reducing our annual interest expense by more than $180 million. Through these transactions, we also simplified our capital structure. We eliminated the second lien layer at Level 3 and reduced the number of debt tranches outstanding by 10. and it's 16% when you include the recent super priority paydown, almost a 40% reduction. These disciplined actions helped to materially improve our financial flexibility. And today, our capital structure is no longer a headwind. It's a position of strength. And finally, yesterday, we announced the close of our fiber-to-the-home business to AT&T for $5.75 billion. The net proceeds and cash on hand were used to pay down the full $4.8 billion of super priority bonds, which reduces annual cash interest expense by an additional $300 million. In total, annual interest expense has been reduced by nearly $0.5 billion in the last 12 months.

I want to give a little more detail on the debt transactions because we're particularly proud of what we've accomplished and at levels no one outside of Lumen, investors, analysts, advisers and the broader media thought was possible over such a short period of time. We have that confidence in ourselves, and we have delivered. After the AT&T close, we now have under $13 billion in debt, more than $5 billion retired since January 1 of '25. These actions have reduced our overall leverage to 3.8x trailing 12 months adjusted EBITDA, and we're not done. There are just additional steps that we can and will take to improve and simplify our balance sheet and overall capital structure. We'll share more details at our Investor Day on February 25. Our team's hard work has delivered impressive results and created opportunities for Lumen's future through a transformed financial profile. This is what playing to win looks like.

Now turning to results. Fourth quarter revenue and adjusted EBITDA were in line with our expectations and updated 2025 guidance. As we've mentioned at recent investor conferences, this quarter, we also introduced a new reporting view, strategic and legacy, to better reflect how we run the business. It increases transparency by separating the growth engines we're investing in from the legacy revenues we're actively managing for cash and simplification. Lumen's transition from grow, nurture and harvest to strategic and legacy revenue segmentation reflects our commitment to driving sustainable growth by focusing investment and innovation on our most scalable future-oriented businesses. By simplifying our financial reporting and aligning with our enterprise-first strategy, we're better positioned to accelerate margin expansion and deliver long-term value.

Now let's move to the discussion of financial results for the fourth quarter and full year. Total reported revenue declined 8.7% to $3.041 billion. Business segment revenue declined 8.8% to $2.425 billion, which includes over 350 basis points of anticipated downward impact from onetime dark fiber and elevated public sector harvest revenue growth in the fourth quarter of 2024. Mass Markets segment revenue declined 7.9% to $616 million. Adjusted EBITDA was $767 million with a 25.2% margin and free cash flow was negative $765 million. Total business grow revenue was roughly flat year-over-year in the quarter, as expected and previously communicated, impacted by those onetime revenue items in the fourth quarter of 2024. For the fourth quarter and full year 2025, we recognized revenue of roughly $41 million and $116 million, respectively, associated with the nearly $13 billion in PCF deals we've announced to date. These prefunded deals have both strategic and financial impacts for Lumen, allowing us to expand our

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capacity and build alongside the largest technology companies while also providing capital to fully fund our business plan. We will provide a longer view of the PCF business at our Investor Day.

Within North American enterprise channels, excluding wholesale, international and other, revenue declined approximately 8.9%. North America enterprise revenue increased slightly, driven by continued strength in IP. We saw expected and typical declines in Nurture and Harvest. And overall, including wholesale, the North American business revenue declined 8.6%. Wholesale revenue declined approximately 7.8% year-over-year, in line with our expectations. And international and other revenue declined 16.3% or $15 million, driven primarily by managed services, VPN and voice declines.

Now turning to adjusted EBITDA. For the fourth quarter of 2025, adjusted EBITDA, excluding special items, was $767 million compared to approximately $1.052 billion in the year ago quarter. Year-over-year declines were largely impacted by expected revenue trends, including those onetime revenue items in the fourth quarter of '24, increased health care costs as well as increasing cloud migration costs that we've talked about in previous quarters. Special items impacting adjusted EBITDA totaled $280 million. This includes severance, transaction and separation costs and our modernization and simplification initiatives. Lastly, capital expenditures were approximately $1.6 billion in the quarter, as we expected and in line with our full year guidance. Free cash flow, excluding special items, was negative $765 million. As we discussed previously, fourth quarter free cash flow was negatively impacted by a delay in a $400 million tax refund, which we now expect to receive in the first half of 2026.

Now moving on to our financial outlook for the full year 2026, which includes the impact of yesterday's February 2 close of the AT&T transaction, we estimate adjusted EBITDA to be in the range of $3.1 billion to $3.3 billion. We expect adjusted EBITDA to inflect to growth in 2026. Our adjusted EBITDA guidance includes organic business revenue declines roughly 75 basis points better than 2025 as we continue to focus investment on our growth products and manage our legacy portfolio for cash. Excluding -- excluded from the guidance above is roughly $400 million in transformation costs associated with the multiyear goal of reducing expenses by $1 billion by year-end 2027. As Kate mentioned, for year-end 2026, we now target a $700 million run rate associated with our modernization and simplification program.

Now moving to capital spending and our other outlook metrics. For the full year 2026, we expect total capital expenditures in the range of $3.2 billion to $3.4 billion. The majority of the reduction in CapEx from 2025 to 2026 is associated with the sale of our fiber-to-the-home business to AT&T. As a reminder, CapEx spent on the assets held for sale from January 1 until close was reimbursed at close. We estimate the CapEx associated with the nearly $13 billion in PCF deals to be approximately $1 billion. The majority of the remaining CapEx is associated with our core enterprise business. We expect to generate free cash flow in the range of $1.2 billion to $1.4 billion for the full year 2026. Additionally, we estimate net cash interest expense to be $650 million to $750 million, a reduction of over $550 million at the midpoint versus 2025. Taxes are expected to be a cash inflow of $350 million to $450 million in 2026, inclusive of the aforementioned tax refund, but exclusive of divestiture taxes.

In terms of other special items for 2026, we continue to expect dedicated costs to support transaction services for the divestitures. The reimbursement for these services will be in other income with no material net impact to our cash flow. Additionally, special items includes costs associated with Lumen's $1 billion in project takeout by the year-end of 2027. As we continue our journey in disrupting enterprise networking, we'll also evolve how we guide, measure and report our performance, especially around PCF impacts to our financials because it's a meaningful contributor, but not the whole story. While the growth in PCF revenue certainly helps, it does not fully reflect the improvements you'll see in our core enterprise business over the next several quarters. We'll share more specific details at our upcoming Investor Day.

Now at the beginning of my remarks, I laid out four goals we set for ourselves 24 months ago. We've already successfully achieved the first two, free cash flow growth and fixing the capital structure and expect to deliver the third adjusted EBITDA inflection in 2026 and remain on track to the fourth, returning business revenue to growth in 2028. We've achieved the goals we've communicated to investors over the past year, and we continue to see multiple paths to reaching business revenue growth inflection in 2028. We will continue to provide investors with adoption metrics and other proof points along the way to increase confidence in our ability to reach that goal.

We're pleased with our performance in 2025 as we made great strides across all three layers of the business: physical, digital and ecosystem, and the early results for our digital growth engine are encouraging. Over the next few years, our cost structure optimization and increasing digital revenue are expected to help improve margins and free cash flow, reduce our capital intensity, further lower our leverage and borrowing costs and continue to increase our financial flexibility to invest in Lumen's growth. The future is bright. We look forward to providing you with more details on our long-range plan in a few weeks.

And with that, I'll hand it back to Kate before we move to Q&A.

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Kathleen E. Johnson
President, CEO & Director

Thanks, Chris. Before we open it up for questions, I just want to say how proud we are of all the luminaries who continue to execute our strategy to build the world's trusted network for AI. Whether you're doing a PCF deal, driving NaaS adoption, helping us do a major strategic divestiture, it takes every single function operating as one team from HR to operations to product, IT and engineering to marketing and sales and to finance and legal, all of you matter deeply. And it's because of your work that Lumen's future is so very bright.
Moderator, we'll open it up for questions now.

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Question and Answer

Operator

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

Michael Ian Rollins
Citigroup Inc., Research Division

I wanted to focus on the PCF deals announced today. So with the $2.5 billion in this tranche, can you share with us how that business may be similar or different to the first $1 billion that you announced especially with respect to margins and returns?

And then secondly, can you just help frame the timing of CapEx investments and cash receipts, just given now the quantum of these deals, maybe relative to the CapEx that you spent over the last couple of years, it would seem like there's more to go. So just curious if you could frame how that's going to pace out over the next few years.

Christopher David Stansbury
Executive VP & CFO

Yes. Thanks, Mike. So, the recent deals, the $2.5 billion or so, the structure is really the same as what we've experienced to date because we're doing these deals on existing network conduit, so they don't have new routes. So the economic profile is very similar.

On your follow-up question, we will get into that detail at Investor Day. We're going to give you visibility into the PCF versus non-PCF impact on cash flows. I think the thing that I would definitely share with everyone today, though, is if you think about our capital intensity, I'm going to speak in rough numbers because it's easier. $4 billion in CapEx last year, $1 billion of that went away with the sale of the consumer business without much of a loss in EBITDA. So, in effect, we've reduced our capital intensity by almost 25% right there.

As I mentioned in my prepared remarks, $1 billion of the $3 billion or so that we're guiding for this year relates to PCF. And remember, those deals are prefunded because of the quantum of those dollars. So when you get to the underlying capital intensity outside of PCF, we're at about a $2 billion business. And so as PCF bills will eventually go away, again, we're prefunding all of those. We're really looking at a CapEx intensity profile that's roughly half of where we were last year. So that, combined with the margin improvements really do drive an ROIC improvement for investors.

Operator

Your next question comes from Sebastiano Petti with JPMorgan.

Sebastiano Carmine Petti
JPMorgan Chase & Co, Research Division

Just wanted to quickly -- I mean, follow up on the, I guess, guidance for 2028 business revenue growth. I mean with -- I think last quarter, you kind of talked about, I think NaaS was supposed to contribute $400 million to $500 million in 2028 and then PCF about $300 million to $400 million. Correct me if I'm wrong, but more or less in that quantum $400 to $500 million rather on the PCF, $300 million to $400 million on the digital side, $500 million to $600 million on digital. I mean why is there not upside to that number given what you guys have talked about today, right? PCF, I guess, TAM now is, what, 25%, 35% larger than what we talked about exiting the third quarter call and the NaaS digital adoption seems to be accelerating. And so -- any kind of color, Chris or Kate, you could provide on maybe the shaping of revenue and maybe there's upside relative to last quarter's expectations?

Kathleen E. Johnson
President, CEO & Director

Yes. Thanks, Sebastiano. I'll let Chris handle the financial side of it. I just -- let me talk about the structural side of change in the industry. So any sort of change to critical infrastructure takes a long time. And what we're doing, just like the world of technology did in the transformation in the cloud era a decade or two ago, it's the same kind of thing. Everything changes. The product changes, the way you deploy it changes, the way you buy it changes, the way you service it is going to change. And we're being, I think, pretty conservative in the way that we think about not just our ability to deliver everything, but the market's ability to absorb that change. We see the catalyst of AI and Cloud 2.0 driving a clear and pressing need for that change. But we're being cautiously optimistic and making sure that we're doing everything we need to do to prepare and provide change management for our customers as well.

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And Chris, I don't know if you want to give any financial guidance on top of that.

Christopher David Stansbury
Executive VP & CFO

Yes. So, Sebastiano, you're certainly right that the additional $2.5 billion of deals does help. But keep in mind, we're in 2026. It's going to take three years for those routes to get built at scale. So will there be some revenue impacts in 2028? Yes, I would expect it. Does that impact maybe and pull forward in the year when we inflect the growth? Yes, that's possible. I think the more important thing as we move to Investor Day, we will, again, give you those -- the PCF math there. But it's really on the digital side, to your point, and NaaS is obviously a big piece of that.

But the other leading metrics that Kate talked about, right, not just the number of circuits and the number of ports and the number of customers, but the number of services and the fact that we now have the ability to have a significant off-net presence is really the opportunity we have to drive that digital adoption. And I will be very candid with you and give you a spoiler for Investor Day. We're humans. we are projecting kind of linear growth in digital. The reality is we all know that at some point, that's a J-curve adoption, but we're not going to try to predict where that J-curve comes into play. So, I think, what we're showing is a middle of the fairway estimate with the possibility for us to overachieve, but time will tell.

Operator

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

Batya Levi
UBS Investment Bank, Research Division

Can you provide a little bit more color on bridging to '26 EBITDA? I think you mentioned fiber sold was contributing about $300 million of EBITDA. You exited the year with higher cost savings than planned, but it also looks like SG&A ramped up higher as you exited the year. So how should we think about these cost items in totality as we go through 2026 and maybe pacing of the EBITDA could be helpful as well. And I'm not sure if you mentioned this, but did you quantify the PCF sale contribution for '26?

Christopher David Stansbury
Executive VP & CFO

Not yet. No. We'll give you some more visibility to that at Investor Day because we'll talk about how PCF is impacting revenue by year and free cash flow.

To your question, we are going to be releasing an 8-K tomorrow with the pro forma economics that will get specifically to your question, Batya. So I don't want to get into the details. But when you take out the EBITDA from the '25 base year, you take out a little bit of EBITDA that we would have generated in the first month of this year and then you compare what's left, that's where you see the growth.

Batya Levi
UBS Investment Bank, Research Division

Okay. And the other cost items, how much should we think in terms of what's embedded in there for maybe higher SG&A as you exit the year? And then maybe the modernization spend that you've been incurring. Is that all done? Or do you anticipate more?

Christopher David Stansbury
Executive VP & CFO

Yes. So the modernization is largely in special items. So we tried to separate that out. in terms of its impact. We have projected in kind of the run rate that we're seeing on things like medical costs into the year. But the reality is, as Kate mentioned, we exited with our M&S savings at $400 million in '25. We're projecting $700 million in '26. So that's going to mute a lot of that. And again, we'll share five years of financials at Investor Day.

I do want to -- again, I want to share one other thing that we've shared with investors that I think is really important. What that five-year model is going to show is that we are fully funded. We are not required to borrow money to fund our future anymore. We have excess cash over the five years, and we'll get into specifics on that. And our objective is to, one, fully fund our growth initiative and the transition of the company, and that is fully funded in that model. The second thing would be to continue to reduce leverage a little bit. And after that, if there's nothing that achieves those first two objectives, then we'll look to start buying back stock.

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Operator

Your next question comes from the line of Frank Louthan with Raymond James & Associates.

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

So, on the slide where you list the amount of fiber that you have that you're building out, how much of that fiber are you retaining for your own purposes versus what you're building for the customers?

Kathleen E. Johnson
President, CEO & Director

Yes. I mean I'm not exactly sure the question. So we break it down into all the various consumers of it. We've got the hyperscalers connecting their data centers, that's the supply side. We've got enterprise utilization. That's the demand side of our role in the AI economy. And then we have available capacity for growth on the bottom line. And I think what's really interesting is in 2031, when we'll have 58 million miles of fiber installed in the ground, we will have more available for growth than when we started this journey in 2022.

Operator

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

Gregory Bradford Williams
TD Cowen, Research Division

Just on PCF, since you announced all those deals back in August of 2024, have you completed any of those projects? I know you said it takes up to 3 years on these things. What I'm getting at is, is there any more -- is there any amortized PCF revenue running through the business at this point? And how much? Or is it still too early in seeing that revenue?

Second question is just on the NaaS metrics on Slide 9 and alluding to the earlier Network-as-a-Service or digital revenue question. So are you basically trying to say that you're conservative on your estimates for 2028 inflection and that the metrics I see on Slide 9, the new customers, new ports, you're pacing ahead of that or you're pacing in line with the sort of $500 million to $600 million in digital revenue?

Kathleen E. Johnson
President, CEO & Director

Okay. So, I'll take the first piece. So when I was talking about conservatism and structural change, I just want to be super clear. The pipes that are in the ground today that are running mission-critical applications for businesses, businesses are going to be very cautious in how they approach changing that infrastructure. And we think the buying patterns in NaaS represent exactly what this looks like. They buy a port, they test it. They buy a second port and they run an application against it. When they have success, they start to buy three, four, five ports to run more of their locations. It's a standard land-and-expand model, and it's still pretty early to draw the curves to figure out exactly what's going to happen, but we're confident in the numbers we've given to the Street with an over and under on that. And we've given you a range because it's very hard to predict the exact revenue outcomes for a massive change in industry, and that's what we are basically presenting.

Regarding the PCF infrastructure sales, the ranges we've given you there are tied to whenever we finish construction, we light it up and we start to recognize the revenue. And the $13 billion, the builds go all the way out through 2031. And the ranges that we gave you for exiting '28 are not inclusive of what we just sold in Q4 because those builds won't be completed until after 2028. Chris?

Christopher David Stansbury
Executive VP & CFO

Yes. And just a few more details. So, in my prepared remarks, I said that in all of last year, we had $161 million of revenue recognized.

Unknown Executive

$116 million.

Christopher David Stansbury

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Executive VP & CFO

Sorry, $116 million. Thank you. And $41 million of that was delivered in the fourth quarter. So you can see it's starting to scale and ramp now, but we are either on or ahead of delivery schedule at this point with all of our customers.

Operator

Your next question comes from the line of Michael Ng with Goldman Sachs.

Michael Ng
Goldman Sachs Group, Inc., Research Division

I wanted to ask about the new segment reporting between strategic and legacy. I think strategic is made up of a portion of Grow and Nurture. Could you just talk a little bit about what's in strategic? What part of Grow didn't make it in. I would assume it's like VOIP, but would love to hear a little bit more about that.

And then what are your assumptions in terms of like the strategic revenue growth and the legacy revenue declines as we inflect to business revenue growth in 2028?

Christopher David Stansbury
Executive VP & CFO

Yes, no problem. So, the shift, what we did is the grow items that didn't make the cut. And again, grow really relates to the most modern forms of connectivity, everything from delivered in a traditional manner to delivered digitally. But what we took out were specific product lines that are in decline. So when you think about lower capacity connectivity versus higher capacity connectivity, there are parts of those businesses that are in decline. And in effect, those are legacy businesses now.

And by the way, this is something that is very rules-based internally. And as we go forward because of product life cycle, you'll continue to see us move products through that life cycle so that we're giving you a very clear view. The items that moved out of nurture and into strategic were really things like Ethernet on demand, right? VPN on demand. Those are digitally delivered products that are in demand and grow products, products that our sales team should be selling.

Now to the second part of your question, we will continue to see the mix shift in our favor and that strategic bucket grow from the 52% from here forward. And we'll give you a better view of that in a few weeks at Investor Day.

Operator

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

Nicholas Ralph Del Deo
MoffettNathanson LLC

So you talked about NaaS net sales being strong. Interest in PCF seems pretty strong. Can you talk more broadly about what you're seeing with respect to gross sales for the remainder of the business and maybe share some insights into churn trends?

And then second, just to follow up on Greg's question earlier. Thinking about the PCF revenue that you disclosed this year, should we think of that as sort of a 90-10 noncash versus cash split akin to the overall mix that you originally described? Or was there a different noncash versus cash mix?

Christopher David Stansbury
Executive VP & CFO

So, in terms of the first part, Nick, we saw particular strength in IP this quarter. But again, there's -- really across all connectivity solutions, there's demand right now. So no surprises there. Churn trends in total have remained fairly consistent with where they have been, which obviously was an improvement in '25 versus '24.

But one thing we are seeing, and we don't have numbers to disclose. But on our NaaS offering, the churn rates are dramatically less than what we see on traditional sales. It's a much stickier sale.

James Dennis Breen
Senior Vice President of Investor Relation

And Nick, what was the second part of your question?

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Nicholas Ralph Del Deo
MoffettNathanson LLC

So the PCF revenue that you disclosed, the $41 million in the quarter and the $116 million for the year, should we think of that as being like 90% noncash, 10% cash? Or is there a different mix because you're kind of early in the process?

Christopher David Stansbury
Executive VP & CFO

I think that's reasonable just to assume as we go forward because, again, to your point, our guidance has been that 90% of the cash is received upfront for the builds and then 10% as we light that fiber, and we don't recognize the revenue until we light the fiber. So I think it's a good assumption. And again, we will give you the 5-year outlook for the impact to revenue from those deals in a few weeks.

Operator

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

Michael J. Funk
BofA Securities, Research Division

So, first one, a lot of reports of construction delays recently, specifically data center build. So what are you doing specifically to avoid construction delays? And then just want to understand better in the contracts that you have with customers and revenue recognition for the PCF, are they able to delay acceptance of delivery? Or once it's finished, you light it up as to recognizing revenue at that point?

Kathleen E. Johnson
President, CEO & Director

A couple of things. First, what are we doing to deliver on time? We have scale and scale across many different elements that really matter. So scale across the supply chain. So our contracts are very favorable in terms of first off the line priority status. We have scale in terms of workforce. So if you want to join a construction team that's going to be at this for several years, you want to join one of our partners because they're building the largest expansion of the Internet at large for Lumen. And so our scale really, really matters here and gives us the accessibility to all the things that we need to ensure that there are no constraints put on our ability to execute on time.

Regarding demand and pressing pause, the general feeling in the market is how fast can you go? And it's widely recognized that we can go fast because we're oftentimes already there. And the amount of work that we have to do is about overbuilding and not building for the first time. I will tell you, I can't reveal any names here, but we did a large deal with a company, a cloud company. And it was the first time that we've done work with this company and went so fast that we got a call from the Head of Operations that said, we've never experienced this kind of speed before with the telco. Can we meet more regularly so that we can understand your true capacity and ability to go at this pace because we weren't quite ready for it. So that was one of the more fun phone calls I've ever gotten. I'm going to be very honest with you.

And then, Chris, did you want to add something?

Christopher David Stansbury
Executive VP & CFO

Yes. I'd say a couple of other things. On the first part on the construction, again, we've got a very special relationship with Corning, and we are doing very well in terms of access to fiber. I think the other point, though, and I'm going to kind of go with the nuance of your question, which is, can I hit pause because of concerns over a bubble. I can say consistently and in terms of our engagements with those customers, and you can hear it in the market, hyperscalers are not talking about a bubble. They are talking about they don't have enough fast enough. And I would also tell you that many of our contracts have performance bonuses in them for us to go faster. So that's the reality that we live with every day, and we're delivering against it.

Kathleen E. Johnson
President, CEO & Director

Yes. And I think one of the final things I'll mention is that the reason why we're able to execute as swiftly as we are is the same reason why we get chosen, and that's because a lot of the deals that we're doing are to existing data center areas where our network has proximity.

Operator

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Your last question comes from the line of Sam McHugh with BNP Paribas.

Samuel McHugh
BNP Paribas, Research Division

I have a couple of follow-ups for you, Chris, if you don't mind. First one was on the EBITDA guide. I think you mentioned about the growth in '26, the $3.5 billion prior guide. I just wanted to clarify, the range of $3.1 billion to $3.3 billion, are we saying it's still growth versus '25 throughout the whole range or at the midpoint of the range? And then the second was, and I'll try -- you go first.

Christopher David Stansbury
Executive VP & CFO

Yes, yes. So just to answer that. So the $3.5 billion was when we still had the consumer business in there. And I think the estimate for 2026 at that time was about $300 million in EBITDA -- adjusted EBITDA. So that's broad numbers, that's really what's driving us there.

As it relates to inflection, we're saying inflection on the year. It's not going to be in every quarter. And again, when you see the pro forma math in the 8-K tomorrow, that will help with that. But sorry, you had a follow-up.

Samuel McHugh
BNP Paribas, Research Division

And the follow-up was one on PCF. And I guess maybe we won't get an answer, but until the CMD, but rough math would suggest like working capital and PCF cash inflows are around $1.7 billion or something based on the guide. Like am I miles off with that? And is there any reason why working capital could be massively positive or negative?

Christopher David Stansbury
Executive VP & CFO

Yes. I mean working capital will definitely be positive. That's obviously where those PCF inflows and outflows or inflows show on the balance sheet and then the outflows obviously show up in CapEx. So again, as we've said to the market, at some point, when PCF stops, we'll have trailing CapEx that we've already received the cash for. But with $2.5 billion coming in and more demand in the pipeline, that's just not something that we're encountering right now. And that obviously increased our guide for next year. And I think that's why people are seeing that we're higher than consensus on that estimate.

Operator

There are no further questions at this time. I'll now pass it back to Kate Johnson, CEO, for closing remarks.

Kathleen E. Johnson
President, CEO & Director

Thanks, moderator, and thanks, everybody, for engaging in today's call. We look forward to speaking with you more about the future of Lumen at our Investor Day in just a few weeks. Have a great night.

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.

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