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T.N - Q3 2025 AT&T Inc Earnings Call

EVENT DATE/TIME: OCTOBER 22, 2025 / 12:30PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning and welcome to AT&T's third quarter 2025 earnings call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference call over to our host, Brett Feldman, Senior Vice President, Finance and Investor Relations. Please go ahead.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

Thank you and good morning. Welcome to our third quarter call. I'm Brett Feldman, Head of Investor Relations for AT&T. Joining me on the call today are John Stankey, our Chairman and CEO, and Pascal Desroches, our CFO.

Before we begin, I need to call your attention to our safe harbor statement. It says that some of our comments today may be forward-looking. As such, they are subject to risks and uncertainties described in AT&T's SEC filings. Results may differ materially.

Additional information, as well as our earnings materials, are available on our Investor Relations website. With that, I'll turn the call over to John Stankey. John.

John Stankey - AT&T Inc - President, Chief Executive Officer, Director

Thank you, Brett. Good morning, everyone. I appreciate you making the time to join us and I hope everybody's doing well.

I'm pleased to report that we had another solid quarter and remain on track to achieve this year's consolidated financial guidance. We continue to attract and retain high-value customers and execute well across different operating environments, thanks to the durable and differentiated connectivity franchise we continue to build.

In Mobility, we delivered over 400,000 postpaid phone net adds in the quarter, which is slightly ahead of our performance a year ago. In Consumer Wireline, the scale we have achieved as a nationwide provider of home internet services through our significant investments in fiber and 5G is

proving to be a winning play. At the end of the third quarter, we passed more than 31 million total locations with fiber, and we expect to reach more than 60 million customer locations by the end of 2030.

We also offer our fixed wireless service, AT&T Internet Air, in parts of 47 states, and we continue to expand availability into new areas as we open and modernize our mobile network. You can see the durable impact of these investments in our third-quarter results, which include over 550,000 new subscribers to our most advanced broadband services: AT&T Fiber and Internet Air. This resulted in our highest total broadband net adds in more than eight years. Let me say that again. We achieved our highest total broadband net adds in eight years.

This includes a major milestone by reaching over 10 million premium AT&T Fiber subscribers, more than doubling our fiber customer base in less than five years, and nearly tripling our quarterly fiber revenues over that same period and the train keeps rolling.

We offer fast and reliable connectivity for 5G and fiber at attractive price points. More people are choosing AT&T for both wireless and home internet services. Today, more than 41% of AT&T Fiber households also choose AT&T for wireless. And the pace of this convergence trend within our customer base continues to grow. These customers remain our most valuable, with the lowest churn profile and highest lifetime values.

Our success with convergence also extends to fixed wireless. More than half of our Internet Air subscribers also choose AT&T for their wireless service. Similar to fiber, these customers exhibit lower churn and drive higher lifetime values than customers with stand-alone services.

We continue to make solid progress, but our work is not done. Our goal is to become the best advanced communications provider in America and to lead our industry in share of retail connectivity service revenue by the end of this decade.

This year, we've made a series of strategic moves that both strengthen our ability to lead in convergence and accelerate our future growth trajectory. Our planned acquisitions of spectrum licenses from EchoStar and fiber assets from Lumen significantly enhance and expand our advanced connectivity portfolio.

This aligns with our vision to build the most efficient, high-performance network with an ability to deliver traffic at the lowest marginal cost. We believe this will establish a durable competitive advantage for AT&T in the coming years.

The EchoStar spectrum we agreed to acquire will improve our 5G wireless performance in a cost-efficient manner, while allowing us to grow Internet Air at a faster pace. We're already making great progress, delivering on our commitment to deploy this valuable spectrum for the benefit of American consumers and businesses.

We started deploying the 3.45 GHz spectrum that we have agreed to acquire from EchoStar under a short-term spectrum manager lease. Based on our current rate and pace, we expect these mid-band licenses will be deployed in cell sites covering nearly two-thirds of the US population by mid-November. This should position us to further expand the availability of Internet Air in our sales channels in 2026.

Our ability to move this quickly reflects the great work of our teams and the FCC's pro-investment and supportive policy environment. We're also making great progress in preparing to close our transaction with Lumen. Most of the senior leadership team has been identified, and we now expect to close this transaction in the early part of 2026.

As I've said before, where we have fiber, we win with both fiber and 5G, and we plan to win even more as our investments in these assets bring advanced connectivity to more Americans. The supportive policy environment is also making it easier for us to transition away from outdated legacy infrastructure and invest in the AI-ready connectivity that Americans want and need.

The bottom line is that we now have the right building blocks in place to realize our scaled fiber and fixed wireless ambitions, complete our wireless modernization, and successfully transition away from legacy infrastructure.

As we complete our key investments, acquisitions, and transformation initiatives, we expect to increase our fiber and convergence penetration rates and see a majority of incremental revenue growth originate from converged customer relationships.

For several consecutive years, we've demonstrated that this strategy works by efficiently growing our business while investing in our network, strengthening our balance sheet, and returning value to shareholders. The opportunities ahead of us are in our control, and I wouldn't trade our assets and position for anyone else's in our marketplace.

Now it's up to us to continue executing on our vision to become the best advanced communications provider in America. With that, I'll turn it over to Pascal for a detailed review of our third quarter results and outlook.

Pascal Desroches - AT&T Inc - Chief Financial Officer, Senior Executive Vice President

Thank you, John, and good morning, everyone. At a consolidated level, total revenues grew 1.6% year over year. Adjusted EBITDA grew 2.4%, and we expanded adjusted EBITDA margins by 30 basis points. Adjusted EPS was \$0.54 in the quarter, consistent with the prior year.

Adjusted EPS excludes a gain recognized on the sale of the DIRECTV investment, legal settlement costs, and other items. Third quarter free cash flow was \$4.9 billion versus \$4.6 billion a year ago.

Capital investment was \$5.3 billion, which was down \$200 million year over year. We also contributed \$400 million to our employee pension plan in the third quarter, which is reported within cash from operations and therefore impacts free cash flow.

As we discussed in our second quarter results, we expect to contribute \$1.5 billion to our pension plan by the end of 2026, using a portion of the cash tax savings from provisions within the One Big Beautiful Bill Act. This includes an additional \$400 million of contributions planned in the fourth quarter, with the remaining \$700 million of contributions next year.

Turning next to our business unit results. Starting with Mobility, our third quarter performance highlights how our differentiated strategy enables us to deliver consistent results across various operating environments. Similar to the first half of the year, switching activity remains elevated. However, our playbook is working, and we continue to execute well.

We grew Mobility service revenue by 2.3% year over year, which contributed to EBITDA growth of 2.2%. As a reminder, the prior year quarter included approximately \$90 million in one-time service revenues related to certain administrative fees. This impacted our reported growth rates during the third quarter in Mobility service revenue by about 60 basis points and in Mobility EBITDA by about 100 basis points. We reported 405,000 postpaid phone net adds, which is up slightly from the third quarter of last year.

Postpaid phone churn was 0.92%, up 14 basis points versus a year ago. This reflects increased marketplace activity and, to a lesser degree, an increase in the portion of our customer base reaching the end of device financing periods, which normalized as we exited the quarter.

Based on this operating environment, we continue to plan for postpaid phone churn and upgrades to follow seasonal patterns in the fourth quarter, when we typically see more switching and upgrade activity due to new device launches and the holiday season.

Postpaid phone ARPU was \$56.64, essentially consistent with a year ago when normalizing for the previously mentioned one-time service revenue impact in the third quarter of 2024. ARPU was also impacted by our success in attracting customers in underpenetrated segments that have lower ARPUs, such as our plan that targets adults, 55 years old or older. Success in these underpenetrated segments drives higher incremental service revenues and attractive returns.

The trend also reflects our success in growing our base of converged customers with higher lifetime values. These subscribers are typically eligible for a service discount but support growth in home internet revenues, which we report in Consumer Wireline. We expect these dynamics to continue in the fourth quarter, which typically sees seasonally lower ARPU with some offsetting benefits related to a pricing action that becomes effective at the beginning of December.

Similar to the first half, we continue to operate in a marketplace where the cost of acquiring and retaining subscribers has increased. However, our continued success at adding high-value converged customer relationships points to the attractive returns we're driving through our offers.

While total Mobility operating expenses were up year over year, this was primarily driven by higher equipment costs and other acquisition-related expenses. We otherwise continue to execute well at managing our cost through operational efficiencies, including reductions in cost of service and customer support.

I'm really pleased with how well the team is executing and remain confident in our ability to deliver on our full-year outlook for Mobility service revenue growth of 3% or better and Mobility EBITDA growth of approximately 3%.

Our Consumer Wireline business unit also delivered another strong quarter. Total revenues grew 4.1% year over year, driven by 16.8% growth in fiber revenue. Consumer Wireline EBITDA grew more than 15% for the quarter. This was driven by topline growth and cost takeout, including lower expenses associated with our legacy copper network.

As a result, Consumer Wireline EBITDA margins expanded by a robust 350 basis points year over year. Customer demand for our leading home internet offerings is growing, as we reported strong gains in both Fiber and Internet Air customers. We added 288,000 AT&T Fiber customers during the third quarter, reflecting seasonal tailwinds and the continued expansion of our fiber footprint.

As a reminder, in the fourth quarter of last year, we benefited from some pent-up demand following the 3rd quarter work stoppage in the Southeast. This year, we expect our Fiber net adds to exhibit typical seasonality in the fourth quarter when we usually see lower levels of new connections as we get deeper into the holiday season.

Once again, we saw strong growth in the portion of our Fiber customer base that also subscribes to Mobility services. At the end of the third quarter, this convergence rate reached 41.5%, up 180 basis points from a year ago. This represents one of our largest convergence gains over the past three years.

We also reported 270,000 AT&T Internet Air net adds, doubling our subscriber gains year over year. Based on our operating momentum and strong performance through the first three quarters of the year, we continue to expect to achieve full-year growth in Consumer Fiber broadband revenue in the mid to high teens and Consumer Wireline EBITDA growth in the low to mid-teens range.

Business Wireline revenues declined 7.8% year over year, while EBITDA declined about 13%. As we shared last quarter, we've been reinvesting some of our cost savings into driving improved growth in Fiber and fixed wireless, and our third quarter results reflect early traction with these efforts.

Fiber and advanced connectivity service revenues grew 6% year over year, representing an acceleration from 3.5% growth in the second quarter. Value-added services, which contribute about one-third of these revenues, can be variable from quarter to quarter, but we expect continued acceleration in our Fiber and fixed wireless connectivity revenues in the fourth quarter.

While Business Wireline continues to manage through structural declines in legacy services, the team is doing a great job positioning the business to drive sustained growth in advanced connectivity services while operating more efficiently. Based on this solid execution, we continue to expect Business Wireline EBITDA pressures to moderate versus last year, with a full-year decline in the low-double-digit range.

During the third quarter, we returned \$3.5 billion to our shareholders. This includes nearly \$1.5 billion of stock repurchases, keeping us on pace to achieve our full-year target of \$4 billion in buybacks.

We ended the third quarter with net debt to adjusted EBITDA of 2.59 times, down slightly from 2.64 times last quarter, reflecting strong cash generation and growth in adjusted EBITDA. We ended the quarter with more than \$20 billion of cash, including proceeds from recent debt issuances. This puts us in a great position to fund our capital returns program and pending acquisitions.

We closed the sale of our remaining stake in DIRECTV in July and received approximately \$320 million in cash in the quarter. We expect to receive an additional \$3.8 billion of cash, with the large majority expected over the course of the fourth quarter and the early part of next year. As a reminder, these post-sale proceeds are reported within investing activities in the statement of cash flows and excluded from our reported free cash flow.

Overall, our third quarter results showed that we're executing well and are reiterating our full-year financial guidance. At a consolidated level, this includes service revenue growth in the low single-digit range and adjusted EBITDA growth of 3% or better.

We had an opportunity to settle some out-of-pattern legal settlements that will impact our fourth quarter free cash flow by approximately \$500 million. The expense associated with these settlements was accrued in the third quarter and excluded from adjusted EPS. However, we continue to expect full-year free cash flow in the low to mid \$16 billion range, including about \$4 billion in the fourth quarter.

We also continue to expect full-year capital investment in the \$22 billion to \$22.5 billion range, which implies fourth quarter capital investments of roughly \$7 billion to \$7.5 billion.

We also reiterate our full-year outlook for adjusted EPS of \$1.97 to \$2.07 and expect that we will come in closer to the high end of this range. Embedded within this guidance is an outlook for full-year depreciation and amortization expense that is up slightly versus 2024.

In the fourth quarter, we expect to see sequentially lower depreciation and amortization expense, as certain legacy assets become fully depreciated. So we expect our fourth quarter depreciation and amortization expense of about \$5 billion is more aligned with the quarterly run rate we expect heading into next year.

As John noted, we're making great progress towards closing our pending acquisitions of fiber assets from Lumen and spectrum licenses from EchoStar, so we expect to provide an update to our long-term financial outlook early next year. We expect both of these transactions to boost organic growth in revenues and profitability, and you should expect that this will be reflected in our updated outlook.

In summary, we continue to deliver value for our customers and our shareholders, and we're really pleased with the team's performance through three quarters of the year. Brett, that's our presentation. We're now ready for the Q&A.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

Thank you, Pascal, operator, we are ready to take the first question.

QUESTIONS AND ANSWERS

Operator

(Operator instructions) Peter Supino, Wolfe Research.

Peter Supino - Wolfe Research LLC - Equity Analyst

Hi, good morning. The broadband results were really striking, and I have two questions on broadband and take them in whichever order you like. First, your 60 million fiber home target is the most important among numerous industry-wide fiber expansion plans. Our best attempt to estimate the intentions of all the fiber expanders, builders, developers rolled up is about 110 million in a country with 135 million homes.

And so a question we hear frequently, and I think is important, is at what point do AT&T investors have to worry about insurgents getting to some of the homes that AT&T plans to pass before you do? And if they do, could that alter your plans at all? Would you be responsive to that?

And then a related question is, within two years, your DSL base will be gone or declining much more slowly. I mean, your VDSL base. And what should that mean for your broadband strategy and for your competitive outlook? Thank you.

John Stankey - AT&T Inc - President, Chief Executive Officer, Director

Hi, good morning, Peter, and thank you for noting the broadband results. They are very, very strong. I'm delighted with them.

And as I said in my comments, despite all the other things going on in the industry and the questions that come in around change of tactics by various other players, this team continues to consistently deliver results quarter over quarter in this space because we have a great product and we feel really good about that.

I'll tell you, we pride ourselves on being smart about how we build. We think we have the most scaled build engine in the industry. With that scalability comes a degree of agility. It means we have the flexibility to work with our base and move supply around.

We try to be very deliberate about ensuring that everybody knows when the train rolls into town, that the train's in town. And it's probably not a good place for anybody else to come and deploy their capital because this is a company that has a track record of going in and penetrating aggressively and being successful in markets. And there's probably easier places for people to go than come up against us.

And so we try to be very deliberate in how we allocate our capital in the markets that we're building in to make sure everybody knows where we're going and how aggressively we're going because we believe the right thing to do is to ensure that there's a good solid market structure for ourselves moving forward.

Occasionally, there are times where we lay our plans out three years in advance and we believe we have some insight and fidelity of what's going on in the market. Something changes in that period, and we have to recalibrate and think differently about how we're going to draw the boundaries about where we're going to build and how we're going to build.

But while I know there's a lot of announcements out there that maybe add 110 million homes being built, it doesn't mean they're getting built. It doesn't mean that people are effectively getting permits or they have their supply chain issues worked out. And our job is to remove that friction and be better than everybody else and ensure the 60 million that we're building are in fact the first, and that we're doing it more effectively than anybody else.

And when we run into those occasional circumstances where they're not, we rethink about where we deploy our capital and what we do. So I feel pretty comfortable that the team understands that and has been doing that by and large. And we also know that when somebody overbuilds a small portion of the metropolitan area, this is a scale business. Having 230,000 homes passed isn't going to cut it.

And so when we come in and we're able to use our brand and use our marketing position, we can do very well. And there's small amounts of overlap and still get the share we need to drive the returns into our business.

Your observation on the DSL base is accurate. As you know, we're trying to turn down our legacy infrastructure. The DSL base is part of that. We don't want that equipment on our network anymore. We don't want it sucking down power. We don't want to be maintaining copper.

And so part of what you're seeing is a very deliberate approach. In almost all instances, we can replace DSL with fixed wireless in places where we're not building fiber, or we can actively replace it with fixed wireless if we're in a holding pattern where we know we're not going to be getting our overbuild in place of fiber for another two years or so. And we're actively trying to hold those customers with more attractive conversion offers.

And that's part of the motion and the momentum that you're seeing in our converged bases and how we're using these products. We're really excited about the advanced spectrum that we picked up because we think it's going to give us even more tools to make that happen both within our base where we're going to overbuild and in those places where we will be wireless first. And we don't intend to build fiber as part of that deployment of capital that gets us just above 60 million.

So we'll actively manage it. As you can see, we're getting better at managing it. That's why our nets are the best they've been in eight years. And I'm really confident that we haven't quite hit our full stride on that yet, that we can do even better on that front as we move forward in the coming quarters.

And to my point in my comments, I would not change position with any company in this industry right now, given the asset base we have and the plays that affords us to run.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

Thanks, Peter. We'll take the next question. Operator?

Operator

Benjamin Swinburne, Morgan Stanley.

Benjamin Swinburne - Morgan Stanley - Analyst

Thank you. Two questions, John. The AT&T Internet Air momentum is pretty clear in your results. I'm wondering if you could talk a little bit, as the company expands your footprint, you mentioned parts of 47 states, how are you making sure you're sort of segmenting the market the right way between fiber and fixed wireless and being efficient with your marketing, etc.? And maybe you could comment on how you're approaching SMB as well.

And then for Pascal, you've mentioned the competitive environment in wireless this year has led to some higher equipment costs and subscriber acquisition costs, which we can see in Mobility EBITDA margins being a little pressured this year. Your three-year guidance assumes that gets better, that margins expand next couple of years. Just wanted to talk a little bit about how you deliver that, if we think that the competitive environment maybe stays this elevated over the period. Thank you.

John Stankey - AT&T Inc - President, Chief Executive Officer, Director

Good morning, Ben. So first of all, one of the big changes you've seen us make in our messaging is we're no longer leading kind of top-of-funnel awareness and advertising with a specific technology bent. We talk about getting internet from AT&T, and we're doing that in the business market and the consumer market because we're now approaching this point that we can offer internet nationwide.

So the first thing is to make awareness that people just think about going to AT&T for internet and that our messaging supports that. And you probably picked up on that if you watch any football or anything else in mass media.

And then to your point, underneath that top-of-funnel messaging is to make sure that we're tuning the messaging for what we offer in a particular geography. And digitally that's really straightforward because we can ring-fence literally what we want to do with a lead offer. And that's one reason why we're spending a little bit less in mass media is because, given our targeted approach to how we want to converge customers, we can get a lot more out of digital marketing based on knowing where the customer is and what the right best offer is to put in front of them.

We've had pretty good success doing that. I think we even shared with you in December during the Analyst Day, if I recall correctly, an example of a map of the metropolitan area where we sell those products. And you will see that there isn't Internet Air subscribers sitting in fiber footprint, and there really shouldn't be.

There not only shouldn't be any of our Internet Air subscribers in a fiber footprint, but there shouldn't be anybody else's Internet Air subscribers in a fiber footprint. And my intent is to ultimately market and sell and structure the product in a way that we make sure that that is in fact the case. Because there is no lower marginal cost way to deliver broadband than fiber. And once it's in, it's in. And it should basically have a preferred run at the market.

And I think we can still even get better than that. And that's one reason why I'm not as attached to ARPUs right now and worried about that. I'm worried about our growth in service revenues and managing our profitability because I think there are segments in the market that we can even do better at, given the technology and what we've deployed.

So you'll see us be very targeted in that, and it's very specific in our support systems when people come into the stores, etc. A lot of this is not left to the discretion of the individual. It's supported to them as to what they should be selling and can sell. And our effectiveness, as I mentioned when I answered Peter's question, in doing that over the coming years is a really important part of the success of this management team and managing the sustainability and durability of our profitability in the company. And we're very focused on making that happen operationally, both with our messaging as we work our way through the funnel and operationally how people move forward on it.

We're getting our momentum in business around Internet Air. We're still not as good as we can be, but as I've told you many times before, we've always viewed fixed wireless as a good solution in the business market given the usage characteristics of a small business or a medium-sized business and the nature of how those companies operate. And it's getting your distribution lined up.

I think we're doing pretty well on our owned and operated distribution channels, but as in the mid and low portion of the market, a large part of your distribution comes through the third-party. And we're not fully ramped in the third-party distribution yet. When I compare our effectiveness to others in the market, we can get there and we will get there. And we're scaling it and ramping into it, and that's why you're seeing results improve.

But I think our mix of business can be a little bit stronger moving forward, and I think it will hinge on how effectively we ramp in third-party channels to make that happen. So that's part of the -- when I say I think we can even get better than where we are, which I'm really pleased with the strong results, but I think we can get better. This would be an area, for example, where I think we can get better. Pascal?

Pascal Desroches - AT&T Inc - Chief Financial Officer, Senior Executive Vice President

Hey, Ben, good morning. With regards to margins, we continue to expect overall company margin expansion, consistent with what you saw this quarter. Keep in mind, when you look at the next several years, we are working through several transformations, all of which will continue to drive overall efficiency.

With each passing day, we have less and less copper in the network and less underlying infrastructure to support it. Similarly, we're in mid-flight in modernizing our wireless network. We expect that to be substantially complete by the end of 2027.

As more and more towers get modernized, it's going to drive efficiency, not in maintenance and power, and it's going to deliver superior service. Also embedded in our strategy is our goal to continue to drive convergence. And over time, the more convergence we drive, the overall churn should come down, and as a result, the efficiency of our acquisition spend should also improve. So all those things together make me feel really good about how we're positioned for the future to continue to drive profitable growth.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

Thank you. Thanks for the question. Thanks, Ben. Operator, take the next question, please.

Operator

John Hodulik, UBS.

John Hodulik - UBS AG - Analyst

Great, thanks. Good morning, guys. Two, if I may. Maybe first on wireless. John, how would you say that the company is positioned if we see higher promotional activity in the fourth quarter, given the changes at Verizon and T-Mobile actually? And maybe touch on the sort of cohorts coming off plan if you could, given what you've seen in the last couple of quarters.

And then for Pascal, the comments on ARPU, and actually the follow-up comment from John in your recent response. I mean, it sounds like you guys are down -- the pressure on ARPU is a little bit stronger than we expected, both in wireless and in broadband.

With most of the growth coming from converged services going forward and your comments, should we expect continued pressure on ARPU on both wireless and broadband as we look at over the next several quarters?

John Stankey - AT&T Inc - President, Chief Executive Officer, Director

John. Look, I think the answer to the question is we're well positioned with our competitive market. It's been competitive. It continues to be competitive. There are shifts in tactics all the time that occur in this market, and we're in a cycle right now that because of the maturity level, tactics have shifted.

And as Pascal just very effectively articulated to you, our shift in tactic is to focus on converged customers. And we know that there are some things we have to do differently for that to happen, but we also can project out given how we know they behave and their lifetime values and what occurs that when we're successful doing this and we drive the percentages of our base up higher on converged customers we're going to get in a position where we drive down churn, we make that base more profitable, we have happier customers who ultimately move up the continuum buy more.

And we believe that. And that is why we're architecting the business the way we are with the asset base we have and the strategies we're using moving forward.

In terms of the fourth quarter, I may be probably sit in a little different share. I actually don't believe many of my peers walk into their job and say, my goal is to lose share, and I'm going to deliberately do things to make that happen.

I think most CEOs want to win, and I think they try to operate their business to win. And you can debate whether or not the tactics are right or need to be adjusted. We all make good decisions and bad decisions. But just because there's a change at the top. I don't know that that suggests to me that there's going to be a 180-degree posture change.

I think our competitors have been pretty aggressive, and they've tried to win and they're going to continue to try to win moving forward. And we've demonstrated that we can be successful against all those tactics. And if there's a recalibration or a change, just like there may have been a recalibration or change in one of my competitors early this year or last quarter, we're going to adjust to that.

And we're going to continue to run the plays that we've outlined, which is to focus on convergence and focus on those customers that we can bring together and make sure that when we're acquiring new customers, we're getting those that we think it can be accretive which may be leaning into what Pascal is going to talk to you about on ARPU.

I would describe what's going on in ARPU more as a feature, not a bug. When we talk to you about the fact that we're underpenetrated in certain segments, and we know that we can do better in certain places. When we talk to you about our desire to push convergence, which at the front end of investing in convergence means that we give the customer a square deal and a lot of value, that's what happens at the front end of those things, and we believe we get to a more sustainable place moving forward.

And over time, what we do is we end up getting more value out of the customer as a result of that. We deepen that relationship with the customer. We move them up a continuum of products and services. We -- as I've said before, we don't just raise prices to raise prices. We raised prices when we think we've given the customer greater value and we try to time it to that.

And so investing in our wireless network to deliver massively superior performance with new spectrum that we're deploying opens up opportunities for us to do things like drive more value price relationship into the customer base to return on those investments. Pascal, do you want to talk about the ARPU characteristics?

Pascal Desroches - AT&T Inc - Chief Financial Officer, Senior Executive Vice President

Sure, thing. Here's the thing to keep -- when we look at our base of customers, we have a pretty broad base of customers. Candidly, we tend to over-index on the higher ARPU continuum. In order to grow service revenue, we have to be willing to also target other places where we're underpenetrated. And as John effectively laid out, that is a part of our strategy.

But it doesn't mean that going down ARPU is at the sacrifice of overall service revenue. we are trying to maximize service revenue. And in the fourth quarter, as an example, we expect to have a pricing action that becomes effective, that will contribute to service revenue growth.

So overall, when you're managing a big base of customers like we are, it's important that we try to expand that base as well as, over time, drive more value by giving the customer more in driving more overall top line growth.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

Thanks, John. Operator, we will take the next question.

Operator

David Barden, New Street.

David Barden - New Street Research LLP - Analyst

Thank you so much for taking the questions. I appreciate it. So John, just if I put all the pieces together, the Lumen deal, the Spectrum deal, the desire to get leverage back down to 2.5 times, the desire to maintain a dividend and an equity stock buyback return recognized in the upper C-band auctions coming. Is it fair to say that when you say that you wouldn't trade assets with anybody that you don't need any more assets that AT&T is out of the M&A acquisition game, the inorganic game and now it's time to build on what you have organically at the margin? And then I have a follow-up.

John Stankey - AT&T Inc - President, Chief Executive Officer, Director

Dave, first of all, I'm never going to answer a question absolutely and say never. But I will tell you what I've shared with the management team, which is we have all the assets in front of us, and we've run the plays that we need to run to be successful over the next five years and everything that's going on outside of our business right now is external and distraction. And there's going to be, to the question earlier, maybe new leadership or different tactics stake in or approaches used.

I feel very, very confident in the path we set for this business, and I feel very confident that the actions we've taken over the course of the last several years have put us in a position to be the leader in this industry to lead on retail service revenues by the time we get to 2030, to effectively have better and deeper relationships with more customers for communication services than anybody else. And we have that asset base to do that at this point.

And our job now is to organically invest in this business and make it a better company, operate better, serve customers better, become more efficient, and put a nail in the coffin of the legacy infrastructure that we have. And those plays all sit in front of us and are all contained within the four walls of AT&T, and they don't require uncertain regulatory approvals or difficult external issues or other partners to get it done.

It's about us getting it done. And that is absolutely the focus of the rallying cry within the four walls of AT&T and how we're talking about it at the leadership level. And I think you should take that as a strong indication that the management team right now is focused internally about doing the things we need to do to run those plays and do them effectively and not worrying much about what's going on outside of our industry and where assets are.

David Barden - *New Street Research LLP - Analyst*

And so John, thank you so much for that. And so to key off that comment, I feel like I have to ask, outside the four walls of AT&T, there's been a lot of change in the C-suite. That's obviously what people don't know what they don't know. What is your or AT&T Board's succession plan? How would that look? When might it happen?

Would you become Chairman and give up the CEO title to Jeff and then watch that happen? And could you just kind of elaborate a little bit because everybody is talking about it.

John Stankey - *AT&T Inc - President, Chief Executive Officer, Director*

Dave, nice question, but we're focused on what we need to do to operate our business every day right now, and we don't have those distractions that others have. And I know what I'm entirely focused on, which is making sure that the management team understands their priorities and execute effectively. And that's all we're worried about. We're not worried about your question.

Operator

Michael Ng, Goldman Sachs.

Michael Ng - *Goldman Sachs Group Inc - Analyst*

Good morning. Thank you for the questions. Following up on the comment related to boosting the long-term organic revenue growth and EBITDA outlook early next year, has your confidence around accretion from the Lumen fiber assets and the EchoStar spectrum licenses, has that confidence increased? Have you spent more time strategizing and looking at those assets?

And maybe you could spend a little bit of time also talking about kind of the key buckets in terms of the EchoStar spectrum accretion, whether that's AT&T Internet Air, passing acceleration, some of the kind of infrastructure deployment, cash tax savings, the Boost Hybrid MNO, that would be very helpful.

John Stankey - *AT&T Inc - President, Chief Executive Officer, Director*

Mike, I don't think there's any change in our point of view. First of all, we're not that far down the road of when we did the transaction as to where we stand. I think we continue to get data points to support that we have very conservative modeling and our approach to these things. The most notable would be the Lumen asset base.

Certainly, we have not seen anything in our planning that is unexpected that we said where that come from or that's different than what we expected, I think most importantly, because we did pretty good diligence before we announced the transaction. We were buying a hard asset, in this case, and we did our diligence literally at the hard asset level.

So I think we know what we're getting. We've managed to get additional confidence. As you know, we're operating out of region with Gigapower and Gigapower has been scaling nicely. We're in that point right now where we can see the data coming in, in markets that we've been able to

build enough that we're beyond very small pox of overbuild. And the assumption set that we've used in Lumen is based on our experience in having built outside the footprint, and we see that results are coming in the way we would have expected.

And it's doing all the things that we said we need to do on a converged basis, which is driving both products into a household, driving them at the right ARPU, seeing customer satisfaction levels go up, brand gets a better image, churn goes down. All those things are happening and that data is coming in.

So it gives us confidence that we're on the right path. And that's why I said earlier that our job is to look organically internally and go execute the place that we know we need to go execute. I would tell you, probably the upside around that is, as you know, we've largely built this as a consumer-oriented play. As we build brand reputation in a market and presence in a market, there's no reason to think we can't even move beyond that.

And so I think there's upside in our conservative modeling on these things. On EchoStar, there's the old fashion way that accretion is driven in, which is just going to defer some capital because of the depth we get in the network in place is for capacity. So we defer out splits and augments on capacity. That's an important driver. That's pretty road. We do that every time we buy spectrum. We know how to do those things.

We have a better wholesale play. As you know, this moves into a whole network as a service construct for the Boost brand and for whatever DISH, EchoStar chooses to do moving forward. That movement is underway now. I know that EchoStar is working through some of the regulatory issues around their consent decree to give them the freedom to do everything they need to do. That's probably a question better suited for them to ask how that progress is going.

But I can see it on my side that they're migrating a lot of customers over to our network right now. So what we expected to have happen is happening, which is our wholesale revenues are growing and improving right now as a result of that. And we expect some incremental accretion over what we would have had in the business plan because of our previous wholesale relationship with EchoStar, which will add value into the acquisition.

And then, of course, as you noted, the scaling that's going on in Internet Air, this is only going to allow us to be more successful in places where we're not building fiber and find those right business customers and find the right segment of the consumer base that we think has more durability with a converged offer and grow in that area when Pascal shared with you that we're going to be out talking with you in the early part of next year as we get close to the approval of both of these transactions that we would expect to happen early next year.

We'll come out and we'll give you the texture around that as to how we have that market segment and what we expect to do. The good news is, as you can see, operationally, we're moving through those continuums now including deploying the 3.45 spectrum that allows us to get the machine up and running even before we close that transaction, which should -- by the time we get those things in order, start to reflect our volumes in 2026 that we can ultimately give you some better insights too as we move forward.

Pascal Desroches - AT&T Inc - Chief Financial Officer, Senior Executive Vice President

Mike, one other point to know -- John said this, but I think it's worth underscoring. When you look at, in addition to adding fixed wireless, the mobility attachment associated with that, currently across our footprint, we are at 50% -- we're better than 50%. So -- and that's really before any meaningful marketing to put behind it. As the spectrum is deployed and as we become more aggressive with marketing, that's another pool of value that we're really excited about.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

Thanks, Mike. We'll take the next question, please.

Operator

Sebastiano Petti, JPMorgan.

Sebastiano Petti - JPMorgan Chase & Co - Analyst

Thanks for taking the question. Maybe Pascal or John, just a clarification question on FWA. You talked about the seasonality within the fiber business, typically in the fourth quarter, as you get towards the holidays, you see a little bit of a step down and 4Q '24 had a little bit of a onetime because of the work stoppage. In FWA, I mean, have you noticed a similar pattern on an underlying basis because obviously, you will see an acceleration? I think, John, you talked about lighting up some of the 3, 4, 5 or 2/3, I think, of PoPs by mid-November.

Just any help on how we think about the pacing of FWA underlying subscriber results and then as we kind of think about the broader expansion from the EchoStar spectrum coming on? And then I guess also sticking with the broadband, I mean, any update on Gigapower and how that's perhaps going? I think there was a press report in the third quarter about Gigapower perhaps bringing on a new ISP onto their network. Just any way to kind of think about that and the risk that your wholesale partners within the, I think piggybacking on Peter's question about getting to the \$60 million. Within that, obviously, a decent portion of that would come from open access wholesale partners, how do you assess the risk of your partners meeting that target over time?

John Stankey - AT&T Inc - President, Chief Executive Officer, Director

Sebastiano, so I'd say there are elements about the holiday season that I can speak to the Stankey household and what we noticed in some of our customer base as people become busy and distracted and they have a lot going on. And as a result of that, I think we all prioritize our time and energy. And while we like to make an acquisition of our product and service seamless and without friction, it isn't yet there.

And so people sometimes do research and have to ask themselves some questions, is this the time they want to change a very important relationship in their life, which is there their Internet service provider? And I think because of the nature of that season and the bandwidth that people have to get things done, there's just some decisions that are deferred as a result of that.

And I don't -- I wouldn't expect that, that would be entirely different for fixed wireless, and it might be for a fiber installation short of the fact that somebody doesn't have to come out to the house. So do I think we can still move the product during the period? Yes, I do.

I think businesses are a little bit different than consumers. And certainly, fixed wireless has a little bit more of event on the business side right now with some of the penetration. So I wouldn't expect that to be as dramatic, but I do believe there's some seasonality that just works its way into consumers and businesses that are busy at that time of year. And that's why you get a degree of seasonality that occurs. Moves were down.

People don't move homes during the fourth quarter. I don't think that's going to change. That's a dynamic of a buying decision. But we don't have multiple years of experience in fixed wireless where I can be perfectly empirical with you and tell you I know exactly where that's going to come in.

On Gigapower, look, I think our relationship with our partner there has been great. I think they're really satisfied. I think we're satisfied. We'd all like to go a little bit faster. But once footprint is turned up, I think people are looking at the model and saying it's working exactly the way it's working.

And I would expect with our partner the way we meet our obligations around rate of penetration and how we bring customers on we are going to continue to be the anchor provider on that network and have the dominant share of customers that are supported over that network. And that is, as it was intended to do when the construct was designed will be the foundation of the profitability and the return on that network.

And I don't see anything changing in our results to date or anything that's going to be done going forward to be inconsistent with that. And I'm confident that we're going to get the customers that we need to get and that we're penetrating and the way we want to penetrate.

And I don't worry about whether or not a second or third provider on the network ultimately creates a problem for AT&T's retail activities and brand in the market as opposed to are we attacking a segment that we just weren't effective at getting that wholesale can be an extension and increase in penetration at the margin.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

Thanks Sebastiano. All right, we'll take your next question.

Operator

Michael Rollins, Citi.

Michael Rollins - Citibank Cameroon SA - Analyst

Thanks and good morning. John, there's some questions about whether or not LEO satellites pose competitive threats to your mobile service as direct-to-device LEO's get access to spectrum and improve their technology. And also whether these constellations will impact the future competitive landscape for broadband to the home and business locations.

So just curious if you can give us an update on your views with respect to these constellations as competitors to your strategic wireless and broadband services. And if you could also give us an update on how you're planning to offer your own direct-to-device satellite offering to customers?

John Stankey - AT&T Inc - President, Chief Executive Officer, Director

Mike, I don't know that I'm going to add anything to what you probably heard me say before publicly. I view the LEO technology is a really exciting technology. I think it's going to be fantastic for consumers and businesses. I think it's going to bring a realm of innovation into networking that we're going to see new things pop up that are going to make networks more resilient, more trusted, do some things that they couldn't do before. So I'm really excited about them.

I think we're a natural integrator of that technology given our extensive customer relationships, our ability to market, use our brand to aggregate, take friction out of acquisition. So I would expect moving forward that we can be a big purveyor of those products and services.

As you know, we have a very close relationship with AST. We want to help them move along and scale their product, and we think it's a unique approach to it where they write from the start. We're designing satellites to be perfectly compatible with consumer end user devices that were out there that didn't require large investment in CPE and equipment to make it work and we think there is a space for that.

And that's why we've advocated for that. I'm interested to see now that others in the LEO space are understanding that they maybe need to engineer these constellations to do more direct to device. And that will be good because I'd like to see a market where there's more than one purveyor of products and services. I think that would be healthy. And we'd certainly support that occurring over time.

The way I think about it is mostly complementary, and I can give you my reasons for that in a minute. But there's going to be places where the LEO constellation becomes maybe a better alternative to a terrestrial solution. Certainly in the IoT space, there's going to be circumstances where it might be easier to use LEO to solve certain types of IoT-related applications. That will be part of the innovation of what they bring forward.

Complete replacement of terrestrial wireless networks strikes me as a -- it's probably not that it couldn't be done, but it would require an awful lot of time and money. I think you can probably ask Charlie Ergen about that people don't always recognize the fact that we do deploy cell sites, and that's part of our capital deployment. We do an awful lot of deployment of capital inside buildings.

Hospitals, stadiums, high-rises, hotels, those are things that are easily served necessarily from just laying up some 40 megahertz of spectrum on a satellite. And so if you really want a cohesive network that is going to deliver on the kind of AI demands moving forward, which is really managing traffic aggressively, giving strong quality of service on the uplink low latency, I would tell you that just generally speaking, it takes a lot of engineering to do that. It's embedded over years and years of deployment of capital and work. It's not replaced quickly. It's not necessarily optimal to see from the sky.

I would tell you the other thing you need to think about is while spot beam technology will, of course, get better than maybe a 20-mile radius over time. There are physical limitations to what that can do. Typical cell site right now is probably running roughly about 2-mile radius, a little bit more, a little bit less, in some cases.

And when you have over 300 megahertz of spectrum in a 2-mile radius, it's really hard to see 40 megahertz of spectrum over a 20-mile radius, replacing that capacity, especially when you multiply the fact that there are providers on a stick that are doing that and have those kind of scaled networks that have massive backhaul at that cell site 10 gig or better. It's hard to replace that, and it's also hard to outperform that from a performance perspective.

So I do believe they can be really complementary. I believe that ultimately hybrid networks can play. I think it's very hard in an AI world to build a hybrid network that's going to deliver the kind of performance indoor and outdoor over time that we're building. That's why we think fiber is so important. When you have dense fiber and you can pick up workloads closer to the customer, you're always going to have a better performing network and a more scalable network and a network that operates at a lower marginal cost. And that's our belief in why we're playing the way we're playing.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

We have come to the end of our time. So that was going to be our last one. Operator, I'll turn it back over to you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over for any closing remarks.

Brett Feldman - AT&T Inc - Senior Vice President of Finance & Investor Relations

We're all said. Thanks for everyone for joining us today.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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