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EDITED TRANSCRIPT

T.N - AT&T Inc at Bank of America Media, Communications & Entertainment Conference

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Michael Funk *Bank of America - Analyst*

PRESENTATION

Michael Funk - *Bank of America - Analyst*

(audio in progress) to the Bank of America Media and Telecommunications Conference. Once again, Mike Funk. I head up the telecommunications comm infrastructure and comm software research at the bank. Really very happy to have AT&T and Pascal CFO. He with us this morning to kick off, to kick off day 2. So Pascal, thank you for being here.

I did want to point out first and should be up on the screen. I think we had a safe harbor agreement if you all to look at here, pretty standard, but I just wanted to make sure we covered that first before getting into the Q&A.

Pascal, thank you again for coming.

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

Hey, My pleasure. Looking forward to our discussion.

QUESTIONS AND ANSWERS

Michael Funk - *Bank of America - Analyst*

Absolutely. So wanted to start maybe with current events. So last week, you -- last Tuesday, you announced agreement to acquire EchoStar spectrum, both the 600 and then the mid-band spectrum. You did a call after the announcement. But maybe go back and just give us a little bit of the history to the lead up to the agreement to acquire that spectrum. And then from your seat in the CFO office, the framework that you put around the acquisition and the approach to valuation.

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

Sure thing. Look, if you would ask me at the start of the year, would we have been making a significant spectrum purchase? I probably would have said probably not because the next major auction isn't until likely 2027. But as fate would have it, you had a set of events that really unfolded over the last, say, two to three months that really presented and a unique opportunity for AT&T and its shareholders.

In particular, I think the FCC indicated that they really wanted to have EchoStar deploy some of its spectrum to benefit consumers and that presented us with an opportunity and with that, we had an outreach from EchoStar to see whether or not there was interest in any of their spectrum holdings.

Clearly, the mid-band spectrum was something we thought was fit nicely and was adjacent to our card holding nationwide holdings over 400 markets and we thought it was a no-brainer because it was going to allow us to deploy with virtually no cost.

Also, we were surprised when they showed a willingness to sell the low-band spectrum, you don't get that opportunity very often. And when we looked at those two bands of spectrum, and we said, look, this is something we can deliver a really attractive return on from our -- to our shareholders.

The way I think about it, when you look at any of those acquisitions, first, you say, okay, how much capital is currently in your plan that these acquisitions will allow you to defray and that was fairly meaningful. Even after factoring in the cost to deploy that -- the low band spectrum in this instance because the mid-band doesn't really have much incremental costs associated with it. So that's the first place you start.

Second, you say, okay, does this give me an opportunity to expand the population that I have for driving fixed wireless subscribers. And it does, it expanded a number of locations we can offer fixed wireless services.

Within our footprint, we think that's incredibly important because it allows us to in instances where we haven't gotten to fiber, but we plan to. It allows us to accelerate our legacy decommissioning, which as a reminder, we said at the end of last year, we're currently carrying about \$6 billion of costs associated with our legacy copper network.

So it allows us to be able to accelerate some of that decommissioning. It also outside of our footprint allows us to offer a broadband and wireless product in a converged bundle. And we think that's an incredibly exciting opportunity in particular, when you think about the value segment to be able to really target the value segment using both a broadband and a wireless product at an attractive price point. But we think it's something that we will -- that the opportunity is fairly attractive. Additionally, whenever you have fixed wireless, you will have opportunities to converge both in and outside your footprint.

And finally, look, over time, this also allows us to expand our relationship with DISH. DISH will now expand its existing MVNO agreement with us. As a reminder, when we initially -- we signed a deal with them in 2021 that had a term of 10 years, a minimum of \$5 billion. This allows us to expand upon that. So there are various ways we are getting returns on this.

And I think when I take a step back, this was a unique opportunity that allowed us to accelerate many of the things that we're trying to accomplish. And it does so in a way that it helps us accelerate our revenue and EBITDA growth over -- relative to what we had previously expected. And I think the outcome for AT&T shareholders is a great thing here.

Michael Funk - Bank of America - Analyst

Great. Thank you, Pascal, for that. I think you touched on it, but the cost to deploy the 600, I think last week, you said that the cost of deploying the spectrum will fit within your capital spending plan envelope that you've already provided to us, right? But that's also net of less densification and maybe some other factors as well. Can you discuss the cost broadly on a gross basis to deploy? I think there's some debate about how much it's going to cost to deploy this 600?

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

Yeah. Just as a reminder, in the second quarter with the passage of the One Big Beautiful Bill, we announced that we plan to spend more capital -- we were -- our previous guidance was that we were going to spend \$22 billion, around \$22 billion annually. With the One Big Beautiful Bill, we've increased that to between \$23 billion and \$24 billion. And that was principally because of incremental fiber locations. We believe we can manage within that \$23 billion to \$24 billion of annual capital spend and still roll out the spectrum that we acquired the 600.

We haven't said specifically how much, but there is, on the one hand, we're going to save money as a result of not having to densify because of the spectrum acquisition -- the mid-band spectrum acquisition and the low band spectrum acquisition. But going against that is the deployment cost, and we think we could manage within the \$23 billion, \$24 billion portfolio spend.

Michael Funk - Bank of America - Analyst

And one more question on this. We'll move on to more looking forward or operating. You could avoid that capital spending simply through a spectrum swap and a carrier that has 700 rebar deployed and they've already deployed the 600. Is there a reason or a logic behind why that type of swap, would it make sense to AT&T?

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

Look, we're really happy with the position that we're in with this acquisition. As people who are responsible for generating value to our shareholders, if there are opportunities that somebody believes that they can unleash more value to us, we'd consider it. But it would only come if we believe that it was going to generate more returns to our shareholders.

Michael Funk - Bank of America - Analyst

Great, thank you. I want to skip over to talking about the wireless market in general. So looking back entering 2025, I think there was a pretty broad consensus that we were in a sweet spot for wireless, where carriers were able to take price and you had relative stability on a competitive basis and churn rates were stable and relatively low. And then we came into the year and the promotional activity may be higher than people expected, churn rates ticked up, maybe more negative reaction to price increases some carriers talk.

So the concern was elevated going through 2Q about competitive activity, churn rates and SAC. And I think at Q2 if I'm going to paraphrase for you. But you said, look, we expect a similar environment in the second half of the year, right, implying flattish churn rates going through -- going through the second half.

So now that we're basically two-third of the way through 3Q, in my opinion, it seems like maybe it's been more rifle shot or targeted competitive activity relative to 2Q maybe it's slackened a little bit. Can you comment on what you're seeing during the quarter and your previous comments about churn rate and that remaining consistent?

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

Yeah. Just to level set, coming into the year, we expected there to be less industry growth than there was last year. And we saw the same phenomenon '23 to '24, there was less industry growth. And we -- our planning assumption coming into the year was that there was going to be less growth, in part because of the headwinds associated with immigration. We started to see those probably in the middle of last year when the Biden administration began to tighten the border, and we expected that to continue, if not accelerate with the new administration.

And that has, in fact, played out as we anticipated. Also for us, we were coming to the end of our device promotional cycle for many contracts. And so we expect it as a result, there would probably be some level of elevated churn associated with that. In addition to those two factors, which we cited at the very beginning of the year. I think Doge has had an impact on the activity in the first half of the year.

So you have seen headwinds in the public sector. And on top of that, I think there was some elevated activity in the first half of the year associated with the tariffs, the concern around tariffs and consumers trying to get out ahead of that. All those factors played out in the first half.

And look, I'd take a step back in the first half of the year, we performed really well, and we're really pleased with how that went. Now with all those factors at play, in the second -- when we reported second quarter results, we said, look, our planning assumption for the back half of the year was that things were going to -- the environment is going to continue in the same -- being impacted by the same factors that we saw in the first half of the year.

And we're two months into the third quarter. We haven't hit the peak of the holiday season, which typically starts mid-September and goes through the end of the year. But so far, I'm really pleased with how we're doing. And the business is performing well. We're executing well and things are playing out as we anticipated.

Michael Funk - Bank of America - Analyst

No, that's outstanding. You touched on it for a moment, but Doge, do we feel that, that impact is behind us? Or could there be more to come, do you think, from Doge and then linking the immigration question too. Some have suggested that impact of immigration plus just fewer second line additions than we saw kind of during even post COVID, could shave \$3 million off of net adds in 2026. I'm not asking to give '26 guidance -- does that rough math, at least the scale of it? Does that make sense to you? -- the Doge and then the trending in net adds.

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

I would say, relative to what we had said previously, Doge is playing out as we saw in the first half of the year. And notwithstanding that we're performing very well. I'm not going to speculate on what the future holds in that regard. And similar with immigration, we're really happy with how we're performing, even though immigration is not the tailwind that has been the last several years.

Michael Funk - Bank of America - Analyst

Okay. I wanted to maybe skip a little bit more higher level strategic if that's okay, okay with you. You've made significant investments in the last year and highlight a lot of opportunity, whether it's inspective investment or expanding the fiber footprint. So how have your financial priorities changed or shifted over that same period of time?

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

Look, they really haven't. If you think back to what we have said the last several years is, our priorities are investing in our business for growth. Most of that investment has come through organic investments that we've made in both spectrum and fiber build. But we saw an opportunity with both the Lumen transaction and now with the EchoStar transaction to add to those investments and to accelerate that.

This is about accelerating revenue and EBITDA growth, and we think these assets allow us to do that. And then on top of that, because of the great work we've done on the balance sheet in the last several years, we can do all of this and still return pretty significant value to shareholders in the form of dividends and buybacks.

And one of the reasons why we spent so much time getting to the 2.5 times range is because we felt that, that was the level that gave us an opportunity to continue to invest for the growth, we believe, is available in the industry.

And at the same time, take advantage of opportunities that come to market like the EchoStar spectrum. And we're able to do that without disturbing the return that we've committed to shareholders. So we feel really good about where we're at, and I think AT&T and its shareholders are -- have a lot to be proud of and excited about.

Michael Funk - Bank of America - Analyst

Great. Thank you for that. In your updated guidance at a 2Q '25 results, obviously, before the announcement you made last week. So can you update us on how the EchoStar transaction impacts your thinking on short and long-term guidance?

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

Sure thing. First, for 2025, we don't anticipate any impact on our guidance. And we reiterated when we announced the transaction, our 2025 guidance. Similarly, when you think about the long-term guidance we provided, here's what we've said. We expect the EchoStar transaction to close around the middle of next year.

So for 2026, there will only be a partial year impact. We would anticipate having higher revenues as a result of, whether it be fixed wireless incremental MVNO revenues, wireless attachments, so higher revenues, higher EBITDA. But those will be more than offset by the higher interest costs associated with the incremental debt that comes with the transaction. But all of this, we think, is manageable within the long-term guidance we provided. Upon the close of the EchoStar transaction, we're going to update our long-term guidance.

And I would anticipate there relative to what we've previously said that there would be -- we expect incremental revenues and EBITDA within 24 months, we don't -- we expect the transaction overall to be accretive to EPS. In the short term, there will be dilution, but manageable dilution.

Michael Funk - Bank of America - Analyst

Okay. And just to touch on.

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

Yes, and free cash flow.

Michael Funk - Bank of America - Analyst

Accretion, EPS and free cash flow.

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

Yeah, after 24 months. In the first 24 months, there will be some dilution to EPS, free cash flow, but there will be an accretion to revenues and EBITDA.

Michael Funk - Bank of America - Analyst

And I want to make sure I have the building blocks to that correct. So I guess, number one, you'd be contemplating more revenue from EchoStar, being the preferred provider on the MVNO side, right? That's number one. Second, you are probably rolling out FWA more aggressively, so higher FWA revenue, right, that's two. Faster decommissioning of the legacy copper plants that be cost savings additive to EPS and free cash flow. And then I guess you know also less densification would be part of that as well. Those the four colors.

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

Less densification. You missed a really important one.

Michael Funk - Bank of America - Analyst

Sorry, which one did I miss?

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

The wireless attach.

Michael Funk - Bank of America - Analyst

The wireless attach.

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

It comes with fixed wireless. And so being able to offer a fixed wireless product, nation-wide allows us to perform better, in particular, outside of our footprint, where we're not performing and where we're not performing at the same level that we are performing within our footprint. So this presents us a great opportunity, and I'm really excited about it.

Michael Funk - Bank of America - Analyst

And I guess the counterbalance, that's going to be the cost of the deal, right, \$23 billion, whatever, 500 basis points cost to debt, whatever the number is, you're over \$1 billion and just for funding the deal.

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

Yeah, you are over \$1 billion in interest costs. One factor as you think about your modeling to keep in mind is that as we are deploying the 600, some of the interest associated with that gets capitalized. So you're not going to see an impact on our reported free cash flow or EPS. With that said, it is -- it is included in our overall deleveraging targets because it's real cash. And we expect with -- even with our continuation of our capital return program to be able to deliver -- to get back to our target range within 36 months.

Michael Funk - Bank of America - Analyst

Okay. I'm going to follow up with Brett later on the capitalized interest for my modeling purposes, I don't go in the rabbit hole right now with that one. I want to come back to seasonality because there were a couple of things that you mentioned. You mentioned greater upgrade rates around April, I think, around some tariff fears, which you've heard pretty broadly, right, that makes sense, human behavior.

But then you also mentioned the expected uptick in competitive seasonal activity, as we head through September into the back half of the year. So should I expect that seasonality is going to be less because maybe some pull forward we saw? And then how does the seasonality and general effect your thinking around the churn rates that we saw in the beginning of the year continuing through or even being higher in the back half of the year?

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

Yeah. Look, we all know there is always some level of uptick in activity in the latter part of the year in conjunction with the introduction of new devices. Ultimately, whether or not we see that, I think it will depend upon the device cycle and will be determined by the consumers. For planning purposes, we're assuming that we're going to see more of the same, but we don't know until we start to really get into it. We're not going to know for sure. That's our planning assumption. The outlook that we gave and reiterated is based upon that planning assumption. And -- but for now, it's too early to tell.

Michael Funk - Bank of America - Analyst

Okay. Just for your consensus gathering, I think we're forecasting 1% increase in iPhone sales year-over-year? So BofA is not expecting a big upgrade cycle this year?

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

Whatever happens, we will be ready.

Michael Funk - Bank of America - Analyst

Okay. Outstanding. You made several changes to guidance during 2Q around the mobility business. What's driving those guidance changes from mobility?

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

Just to level set, coming into the year, we expected wireless service revenue to grow between 2.5% and 3%. And we expected EBITDA to grow between 3% and 4%. And we had guided to the higher end of the 3% to 4% range. And in the second quarter, what we said is we expected because of the elevated growth that we saw in the first half and our planning assumptions around the fact that you -- we expected that activity to continue the back harder the year that we were probably closer to around 3% for EBITDA.

But because of our success in executing in the first half of the year, we expected our revenue, wireless service revenue growth to be more than 3%. So we feel bottom line is we are investing for growth, and we saw high-quality subscribers coming in the first half of the year. That requires some investments. But long term, the return is really attractive on that. And that was the foundation of what the tweaks we made to our guidance in the second quarter.

Another important factor to note is as we are spending to acquire new subscribers. Oftentimes, those subscribers come not only with mobility services, but with either fiber or fixed wireless. Most of the customer acquisition cost is coming from -- is being burdened in the mobility segment but the benefits are showing up in our Consumer Wireline segment. So all in all, I feel really good about how we're performing and the quality of the subscribers we are attracting.

Michael Funk - Bank of America - Analyst

Now it's a great segue into the next question. You touched on a bit high-quality subscribers with something that you just mentioned. And I think when I spoke with you all a few months ago, something that stuck with me was the thought of improving execution on migrating subscribers up during their life cycle. And actually we have Jen here today, thank you again for being here.

Can you just talk a bit about that, about the potential to further improve the mobility business as you start to, I guess, execute better on migrating customers up during their lifetime, right, to become higher premium customers?

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

Yeah. Look, it's a play we've been running for some time. Over the last several years, we've seen improvements in ARPU. Part of it were through pricing actions, but our pricing actions have there really been broad, very broad-based. They've been targeted in trying to encourage customers to change, to get off of some of our legacy plans. And oftentimes, when we do that, we give them a choice. We give them a choice, okay, if you want to pay the same amount, here's another plan for you. Alternatively, we can give you more value.

If you move up to a higher price plan. And so the overall mix of subscribers has been positively impacted the last several years by customers choosing the more valuable plans. And that's a phenomenon we have seen continue through the first half of the year.

On top of that, look, periodically, we do make certain moves to drive more value to the base. As an example, we made a change in our auto bill pay discount, the amount of discount that you get for credit cards will be less than what you get for direct pulling from -- directly from your bank account.

So all those things are different ways to extract and manage the value of the base and we feel really good about our ability to do that, but we always do it with a goal of trying to make sure that we are conveying value to the consumer.

Michael Funk - Bank of America - Analyst

It seems like a very natural playbook.

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

Indeed. The team does a great job in really making sure that we do all this. And at the same time, what's really impressive is, we're able to do this and continue to keep churn relatively low. If you look -- we've led the industry in churn 16 of the last 18 quarters. So we feel that the value equation is always there whenever we make a pricing action -- and oftentimes, consumers are selecting higher value plans because of the value we're conveying to them.

Michael Funk - Bank of America - Analyst

And I can't believe I'm just getting to fiber now because a big part of your story now going on, well, quite a long time, but you did increase your fiber passing target to, I think, 60 million plus or more than 60 million, I forget the most recent comments around that more than 60 million. Brent is shaking his head.

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

Yes. More than 60 million.

Michael Funk - Bank of America - Analyst

Yes. I think John went on TV a while ago and said more than 60 million, so I'm safe with there. As you expand your fiber footprint, does it change your return profile, right? Because obviously, you're hitting different homes, different types of consumers. And then what levers do you have to pull as a CFO to ensure that you meet the expected or the mandatory rate of return?

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

We couldn't be more pleased with how we're executing on fiber. When we first started to look at the opportunity, we understood it cost a lot to deploy fiber. And it does, but it's an investment that produces returns for decades to come. As we've expanded our base, what is really impressive is the team has gotten much more efficient. You start with the fact that our -- the fiber technology that we are using is connectorized.

So what do I mean by that? It's very modular. So not as much of labor to put -- to install the fiber. Labor is our most expensive cost in deploying fiber. So the ability to make the installation is much more modular and making sure we're getting it right the first time. It's been a real efficiency gain as our scale -- as we've scaled the fiber network.

Two, no secret, we are the largest and fastest-growing fiber networks as a result. We get really great prices. And the combination of the efficiencies that we've gained through the installation and our supply contracts has kept our returns pretty attractive. I look at our total cost to build, it's gone up since 2023, less than 2%. And we would expect that we can continue to manage that to reasonably low levels.

The other thing that whenever we are executing on our fiber build, One of the benefits that we know is there is the ability to pair it with wireless. Where we -- within our fiber footprint, our wireless share is 500 basis points higher. And so it's another return factor for our fiber installations. When we first started to greenlight the cases for fiber installation, we never considered wireless to be a part of it.

In fact, today, when the team does there execution in figuring out what can we return on it. Wireless is just an added component. It's not the core of the case. And given the uplift in wireless, these cases are not even -- they are -- the returns are really attractive and it's not even a close call.

Look, over time, does it continue to get a little more expensive to build? Yeah. But the cases are so accretive that I don't expect at any point in the foreseeable future for me to say, no, we're not going to build any more because we're not getting the return on it.

Michael Funk - Bank of America - Analyst

And just quickly on the cost to build comment that you made, I think you said 2%, 3% over the last several years. You see the increase in aggregate, right? That's having annualized, that's total cost increase. So what have you done to keep that cost down. I presume it's probably mostly on the labor and the efficiency side because you're going to do so much about the raw materials and components that you're including? And then why do you think that's going to go up? Is that simply just the math around less population density in areas or are there other expectation from?

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

There is normal annual labor cost increases. But we are, as I said, like the team is able to execute on that more efficiently because of our technology. And we're able to get really good unit pricing on our materials as well. I wouldn't underestimate the benefit of that because of our scale. And our suppliers will make sure that we are getting the best possible deal. So all those things together is really what drives the overall cost equation, but we feel really good about being able to continue to manage that well.

Michael Funk - Bank of America - Analyst

Okay. FWA. We talked about it a little bit earlier when we talked about EchoStar. But has your strategic focus or view of FWA changed recently, especially after the EchoStar announcement, obviously, more focus there? And then how should we think about that strategy or trend versus other recent fiber investments that you've made?

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

Yeah. You take a step back, fixed wireless. One of the things that has happened over the course of this year is we have opened up many more locations. Why is that happening? As we are modernizing our network and deploying mid-band spectrum, our ability to serve customers with fixed wireless has grown. And that's a big part of what you have seen in terms of the acceleration in growth in the last couple of quarters.

Now with the addition of the spectrum from EchoStar and our continuation of our modernization effort, we anticipate being able to further increase the locations served by fixed wireless. And importantly, we're going to -- because we have more locations that are available currently, we're going to put some real marketing muscle behind it. heretofore, we haven't really put a messaging message around fixed wireless

Michael Funk - Bank of America - Analyst

It's in-store promotion pretty much today, right. You have actually been reaching out to consumers in their homes

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

That's right. And so that's why I think the opportunity is really exciting for us. The ability to serve more locations coupled with a really strong marketing message and being able to seize an opportunity in areas where we -- outside of our footprint where we've historically been underpenetrated relative to our own footprint. So I think there's a lot of goodness ahead for us in that regard.

Michael Funk - Bank of America - Analyst

And it also appears opportunistic to lean in a little bit more today given where cable is on their heels, correct? Opportunity to take more share in the broadband market near term?

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

Look, we will take share from where ever it may come, whether it be cable or some of our competitors, we think we have an opportunity to. When you look at some of our major telco competitors, they have considerably more fixed wireless customers. There is no industrial reason why we shouldn't have more over time now that we are continue to expand the locations served.

Michael Funk - Bank of America - Analyst

And I don't want to skip over this one here really quickly. The mid-band spectrum from EchoStar, just to reiterate, once you get FCC approval, you can employ that immediately. You don't have to wait until a deal close, correct?

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

That is correct. As part of the deal with EchoStar we entered into a leasing agreement whereby we can least spec the mid-band spectrum before close. And would that -- but we need the regulators to approve that aspect of the deal. And once it happens, we can start to deploy that. And the way to think about the mid-band deployment is it's more akin to a software upgrade. We don't have to send people out to touch towers to deploy this.

Michael Funk - Bank of America - Analyst

Any anticipated considering or pushback from the regulators in the deal?

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

Look, I'm not going to speculate on that. They will go through their normal diligence and let us know whether they have any concern. I'd point out, we already are deploying 3.45 within our network. So you would anticipate that from an ideology perspective, there shouldn't be any concern, but time will tell.

Michael Funk - Bank of America - Analyst

Okay. Last question for you, Pascal. Purely in your CFO hat. The kind of the future state looking out, we've pulled forward some capital spending now post bonus depreciation reinstatement, you kind of increased the envelope. So future state, are we just a less capital-intensive company with better free cash flow growth, better operating leverage? What does that future state look like?

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

Yeah. One of the things that's really exciting about where we are today and the plans that we have in place is, you think about AT&T towards the end of this decade. AT&T will be largely out of its copper footprint, which comes with a \$6 billion cost base. We will have completed our wireless modernization.

So we are going through a process right now that we expect largely to last the next couple of through 2027, where we are touching every single tower and changing radio access networks to more modern open architecture, that ends 2027. So we will have the most modern wireless network with open architecture. We will be through our fiber build phase over 60 million consumer and business locations passed.

And you think about the margin profile of that business -- and I think the -- it's a really exciting time to be an AT&T shareholder because there's -- this is going to be a business that is going to have the only scaled wireless and fiber network. No one else is going to have that level of scale across both products and the very best technology. So the margin profile on that will be incredibly attractive.

Michael Funk - Bank of America - Analyst

Perfect timing. Pascal. Thank you again so much for doing this.

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

Thank you.

Michael Funk - Bank of America - Analyst

Hey, thank you all for coming.

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

Thank you.

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