

Q2 2025 Earnings Call *(Corrected version)*

✓ **Event Details**

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Company: Crown Castle, Inc.

Ticker: CCI-US

✓ **Company Participants**

Kristoffer Hinson - Crown Castle, Inc., Vice President-Corporate Finance & Treasurer

Daniel K. Schlanger - Crown Castle, Inc., Interim President and Chief Executive Officer

Sunit S. Patel - Crown Castle, Inc., Chief Financial Officer & Executive Vice President

✓ **Other Participants**

Joshua M. Frantz - Analyst

Michael I. Rollins - Analyst

Michael J. Funk - Analyst

Ric Prentiss - Analyst

Benjamin Swinburne - Analyst

Jonathan Atkin - Analyst

Aryeh Klein - Analyst

Batya Levi - Analyst

Brendan James Lynch - Analyst

Richard Choe - Analyst

Matthew Niknam - Analyst

Nicholas Ralph Del Deo - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good day, and welcome to Crown Castle's Second Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Kris Hinson, Vice President of Corporate Finance and Treasurer. Please go ahead.

Kristoffer Hinson

Thank you, Ishia, and good afternoon, everyone. Thank you for joining us today as we discuss our second quarter 2025 results. With me on the call this afternoon are Dan Schlanger, Crown Castle's Interim President and Chief Executive Officer; and Sunit Patel, Crown Castle's Chief Financial Officer.

To aid the discussion, we have posted supplemental materials in the Investors section of our website at crowncastle.com that will be referenced throughout the call. This conference call will contain forward-looking statements which are subject to certain risks, uncertainties, and assumptions, and actual results may vary

materially from those expected. Information about potential factors which could affect our results is available in the press release and the Risk Factors sections of the company's SEC filings. Our statements are made as of today, July 23, 2025, and we assume no obligation to update any forward-looking statements.

In addition, today's call includes discussions of certain non-GAAP financial measures. Tables reconciling these non-GAAP financial measures are available in the supplemental information package in the Investors section of the company's website at crowncastle.com.

I would like to remind everyone that having an agreement to sell our Fiber segment means that the Fiber segment results are required to be reported within Crown Castle's financial statements as discontinued operations. Consistent with our first quarter reporting, the company's full-year 2025 outlook and second quarter results do not include contributions from what we previously reported under the Fiber segment, except as otherwise noted.

To aid in the review of our second quarter results, we have included in our earnings materials full-year 2024 results on a comparable basis. As we indicated last quarter, within 2025 outlook and in our quarterly results, all financing expenses are included in continuing operations and do not reflect the impact of any expected use of proceeds from the sale of our Fiber Business.

Additionally, SG&A has been allocated between continuing and discontinued operations to develop our outlook. However, these allocations may not represent the run rate SG&A for Crown Castle's standalone tower company.

As a result, adjusted EBITDA, AFFO, and AFFO per share in our 2025 outlook and quarterly results may not be representative of the company's anticipated performance following the close of the sale.

With that, let me turn the call over to Dan.

Daniel K. Schlanger

Thanks, Kris, and good afternoon, everyone. As a result of the great work by everyone at Crown Castle, we are delivering on the three near-term priorities I shared last quarter. First, meeting or exceeding the company's financial and operating objectives for 2025. Second, facilitating the successful close of the sale of our Small Cells and fiber solutions businesses. And third, positioning the tower business to maximize value for shareholders on a standalone basis.

As evidenced by our solid second quarter results and our increased 2025 guidance, we are delivering on our first priority. The increase to our full-year 2025 outlook is underpinned both by higher demand for our assets, as our wireless customers continue to augment capacity in their networks, driving higher leasing and services activity, and by improved operating efficiency.

On the second priority, we believe we are on track to close our sale transaction in the first half of 2026. We've already started receiving state-level approvals and we are actively engaged with the Department of Justice as we process a second request for information that we recently received.

From an operational standpoint, we have delivered to the buyers outlines of the processes, personnel, and support infrastructure required to operate each business, positioning us for a seamless transition at close.

With respect to our third priority, since announcing the agreement to sell our small cell and fiber solutions businesses, we have focused on operating the tower business more efficiently. This focus is already beginning to show up in our results as we have driven shorter cycle times that have contributed to our higher leasing expectations for the remainder of the year, we have improved the margins in our services business by reducing operating costs, and we have reduced expected full-year 2025 overhead costs by \$10 million.

We believe our continued focus on operating the tower business more efficiently, along with our previously announced capital allocation framework, will position the company to maximize value as a pure-play US tower operator.

In the second quarter, we made progress implementing our capital allocation framework by decreasing our dividend per share to \$4.25 on an annualized basis, which will increase our financial flexibility going forward.

Following the close of our sale transaction, we intend to grow the dividend in line with AFFO excluding amortization of prepaid rent by maintaining a payout ratio of 75% to 80%. Additionally, we expect to spend between \$150 million and \$250 million of annual net capital expenditures to modify our towers, purchase land under our towers, and invest in technology to enhance and automate our systems and processes.

We believe these enhancements, which are already underway, are fundamental to our operational objectives of improving customer service, becoming the best operator of US towers by increasing productivity and efficiency.

Lastly, after paying our quarterly dividend and pursuing organic investment opportunities, we intend to utilize the free cash flow we generate to repurchase shares while maintaining our investment-grade credit rating, which we believe will drive attractive shareholder returns.

To wrap up, as supported by our updated full-year 2025 outlook, we are making solid progress across our three near-term priorities. We are on track to exceed our financial and operational objectives for 2025. We are making both regulatory and operational progress in the separation of the small cell and fiber solutions businesses, and believe we are on track to close the transaction in the first half of 2026. And we are focusing on driving efficiencies and implementing our capital allocation framework, which we believe will position the tower business to maximize long-term value creation.

With that, I'll turn it over to Sunit to walk us through the details of the quarter.

Sunit S. Patel

Thanks, Dan, and good afternoon, everyone. Starting on page 4 of our earnings presentation. We delivered higher-than-expected second quarter results, demonstrating the solid performance of the underlying tower business, highlighted by 4.7% organic growth, excluding the impact of Sprint cancellations; a \$6 million year-over-year increase in services activity contribution; and a \$37 million year-over-year decrease in SG&A, primarily driven by the reduction in staffing levels and office closures announced in June 2024; and the absence of \$20 million of advisory fees incurred in the second quarter of 2024.

These items, however, were more than offset at the site rental revenues, adjusted EBITDA, and AFFO lines largely due to an unfavorable \$51-million impact from Sprint cancellations, a \$34 million reduction in non-cash straight-lined revenues, and \$16 million decrease in non-cash amortization of prepaid rent.

Our updated outlook for full-year 2025 includes increases of \$10 million to site rental revenues, \$25 million to adjusted EBITDA, and \$35 million to AFFO.

Moving to page 6. The \$10-million increase to growth in site rental revenues is a result of higher organic contribution to site rental billings, driven by higher activity levels. This increase, which brings the full-year outlook for organic growth to 4.7%, excluding the impact of Sprint cancellations, benefits from a \$5-million increase to core leasing activity and a \$5-million increase to change in other billings, which primarily consists of back billings.

We also expect a \$35-million increase at the AFFO line, consisting of, first, the \$10-million increase to site rental revenues. Second, a \$10-million decrease in overhead expenses as we identify opportunities for greater operational efficiency in the tower business. Third, a \$5-million increase in services gross margin driven by the higher activity levels. And finally, a \$10-million decrease in interest expense, due primarily to a pushout in the assumed term-out of our floating debt.

Our outlook for discretionary capital expenditures, which includes modifying our towers, purchasing land under our towers, and investing in technology and systems that will enhance profitability remains unchanged at \$185 million or \$145 million, net of \$40 million of prepaid rent received.

In conclusion, we're making solid progress against each of our top near-term priorities. We believe we remain on track to close the sale of our small cells and fiber solutions business in the first half of 2026. With our increased focus on operating the tower business as efficiently as possible, we continue to expect to meet our range for estimated annual AFFO that we reiterated last quarter of \$2.265 billion to \$2.415 billion at anticipated transaction close.

And we believe our focus on operational execution, investment-grade balance sheet, and our capital allocation framework will position the tower business to maximize long-term shareholder value on a standalone basis.

With that, operator, I'd like to open the line for questions.

QUESTION AND ANSWER SECTION

Operator

Thank you. We will now begin the question-and-answer session. The first question comes from Jim Schneider with Goldman Sachs. Please go ahead.

Analyst: Joshua M. Frantz

Question – Joshua M. Frantz: Hey, guys. This is Josh in for Jim. Thanks for taking the questions. Just two, if I could. Can you give a bit more information on what's driving the higher leasing activity and if this is related to rural builds or some other project that you're seeing from the carriers?

And then secondly, each of the carriers is talking about – or spoken about their timeline for 5G deployments. But from your standpoint, relative to this point in 5G versus 3G and 4G cycles, how should we think about what's left to deploy? And how do you think about the tail of 5G being longer or shorter than those? Thanks.

Answer – Daniel K. Schlanger: Thanks, Josh. The higher leasing activity really is across the board from all of our customers and across our footprint. I think what we're seeing is a continuation of our customers seeing a need to augment their network capacity because they're seeing subscriber growth as they each – most of them announced over the course of the last few days and they're seeing an increase in churn.

And I think when you see those types of things, from our perspective, subscriber growth and increased churn usually leads to an increase in activity because the network needs to be augmented to keep up with the incremental demand that's being placed on it.

So, there's nothing I would point to specifically other than its just activity levels are higher than what we expected when we gave guidance at the beginning of the year.

On the timeline of 5G, this deployment cycle versus others, the 4G cycle was 10 to 12 years that took to go from the beginning of the 4G cycle until we really started 5G in earnest. I don't think there's anything that would lead us to believe that the 5G cycle would be any shorter.

I think there is something that would say that the 5G cycle might be longer just because the quantum of incremental data continues to grow. So, even though the percentage of data growth in the US is relatively consistent, because the base is growing, you're getting an increase in just the amount of data that needs to be trafficked over the networks, which think – we think is going to take a long time for our customers to continue to build out their networks to withstand all that incremental demand.

Question – Joshua M. Frantz: Got it. Thank you.

Operator

The next question comes from Michael Rollins with Citi. Please go ahead.

Analyst:Michael I. Rollins

Question – Michael I. Rollins: Thanks and good afternoon. I'm curious to ask about the pro forma post-divestiture Crown Castle. So, in the past, I think you talked about generating, and you referenced it, I think, earlier, enough AFFO per share so the dividend payout at \$4.25 would be 75% to 80%. And then, there could be a second leg after that in terms of efficiencies beyond just the general organic growth of the business.

So, curious, as you've been focusing more on the go-forward Crown strategy and efficiencies, what you're learning about the size of opportunity in that second leg of maybe how much more incremental efficiency you can generate and the speed at which you could get to the first leg and the second leg once the deal closes. Thanks.

Answer – Daniel K. Schlanger: Thanks for the question, Mike. I'm going to try to use the language you used, and use the first leg, second leg, even though that's not exactly how we've said it. But I'll use that language to be consistent with how you asked the question.

We've – and we've given in the first quarter, and Sunit said in the prepared remarks, that we still believe we will be able to reach the range of outcomes for the annualized period after close that we had in our

presentation last quarter of around \$2.3 billion to \$2.4 billion of AFFO.

Obviously, we expect to get there by the time we close the transaction or we wouldn't put that out as our expectation. So, we believe we will be able to get to that level of savings that would allow us to reach and generate that level of AFFO by the time we close the transaction. So, that, I think, covers your first leg question.

Your second leg question is beyond just being a simpler business that allows you to operate more efficiently and drive costs out, what can you do going forward that would be even more? We don't really have a timeframe on that nor do we have a way to quantify it at this point because we are working on that currently. We are updating our systems. We are updating our processes currently. And as we go through that process, we will identify places where we believe we can get more efficient that will drive higher AFFO growth over time, but we're not in a position now that we will be able to quantify when or how much.

Question – Michael I. Rollins: Thanks.

Answer – Daniel K. Schlanger: Thank you.

Operator

The next question comes from Michael Funk with Bank of America. Please go ahead.

Analyst: Michael J. Funk

Question – Michael J. Funk: Yeah. Thank you for the question. And good evening, everyone. So, Sunit, maybe a question for you, if I could. Going back to the post-close structure, and you've talked a lot of allocation of expense between the standalone business versus the divested business. Where are the most questions on overlapping costs left to evaluate in deciding the final breakdown of expense between the divested and then the core tower business?

Answer – Sunit S. Patel: Yeah. I think if I understand your question right, Michael, I think, look, it's – there are dissynergies in running three disparate businesses. We've got the Fiber Business, the small cell business, and the tower business. So, I think just with a simpler business, that helps a lot, whether it's at corporate levels, IT functions, the tower level.

So, I think that as we have been going through the course of this year through some of our separation activity, it's beginning to highlight areas that we'd have to take a look at post closing. So – but the main point I would make is running three businesses versus one is a big, big difference in simplification, which is why we think we should be able to drive efficiencies over time. Dan, if?

Question – Michael J. Funk: But are there areas like maintenance, for example, there's still some questions on how to allocate that cost between the two businesses or is it more the overlapping costs, business support, IT accounting, things of that nature that you're still questioning?

Answer – Sunit S. Patel: Yeah (17:42). On the corporate side, not as much, because the businesses are run fairly separately, otherwise, meaning the fiber and small cell and the tower business, so not much overlap on things like maintenance that you mentioned. It's more on the corporate side.

Question – Michael J. Funk: Okay. One more quick one, if I could, please. When thinking about capital allocation priorities, how should we think about programmatic versus opportunistic buybacks?

Answer – Sunit S. Patel: Yeah. I mean, I think we mentioned this at the announcement of the transaction. But clearly, with the proceeds, debt reduction is key if you want to keep, make sure we have an investment-grade rating balance sheet, if you like. We talked about our dividend policy. As Dan mentioned, we have set the dividend at a new level. And then going forward, post the close of the transaction, the dividend will grow and we'll be in that range of 75% to 80% of AFFO.

And then thirdly, we also talked about buying shares back, so that's, as you point out, more discretionary. But we also talked about what we're going to do there. So, the idea is to do all three, which we think really maximizes shareholder value over time. And then I'll let Dan add any thoughts he has.

Answer – Daniel K. Schlanger: The only thing I would add to that, Michael, is we're going to have, again, I think, kind of two stages of what you would call a share repurchase. The first is what do we do with the proceeds that we get from the transaction and how are we going to allocate those proceeds. As we've talked about, we're going to use the vast majority to pay down debt, and then we're going to use some to buy back stock to maintain an investment-grade rating. How we ultimately execute on that stock repurchase program is going to be a function of the timing, the market, and what we think will deliver the best results for our shareholders. And so, we don't have a view yet on how we will ultimately execute.

And then ongoing, we believe we will generate additional free cash flow and leverage capacity that we can utilize to invest in our business, pay our dividend, and buy back stock, as Sunit pointed out. And again, how we ultimately structure all of that stock repurchase will be predicated on what the market looks like and how we think we'll be able to generate the best value for our shareholders.

So, I don't think, at this point, we can give a really good sense for what that execution's going to look like. But I think what we can say is we understand there are pros and cons to having a programmatic share repurchase, and we're having an opportunistic share repurchase. We will weigh all of that and come up with what we think is the best-case scenario.

Question – Michael J. Funk: Great. Thank you both for the time.

Answer – Daniel K. Schlanger: Thank you.

Operator

The next question comes from Ric Prentiss with Raymond James. Please go ahead.

Analyst:Ric Prentiss

Question – Ric Prentiss: Thanks. Good afternoon, everybody, on a busy day. First, our thoughts are with everybody in Texas. That was a very difficult time over the 4th of July. So, hopefully, everybody on the team and families made it okay.

Answer – Daniel K. Schlanger: Thanks, Ric.

Question – Ric Prentiss: First question I've got, Dan, you mentioned that something you've already been achieving has been shorter cycle times. Where are we at right now? What are you guys hitting and what kind of cycle times are you achieving that's helping results?

Answer – Daniel K. Schlanger: Yeah. Overall, I wouldn't say that the cycle times would show something that would be a dramatic change from when we get an application to when we put something on air and generate revenue. Those are still for most of the applications we're talking about now in the 6 to 12-month range.

What we're talking about is the average cycle time. We've been able to reduce the amount of process that we put in and streamline what we do in order to drive incremental and relatively marginal changes to our cycle times.

But when you're talking about a book of business the size of ours and the number of applications that we process on a yearly basis, those incremental and marginal improvements add up to enough to – enough outcome to impact the new leasing activity that we have in our assets. But we increased the core leasing activity by \$5 million, so it's not a tremendous impact, but it's a proof point that what we're doing is working.

We're putting in place incentives and getting people to work really hard to try to figure out what can we do to make our business better. And we're seeing the very early stages of all those things coming through, both in those cycle times that we're talking about, but also in the improvement to our services margin and the improvement to our cost structure.

So, it's just little things over and over again, we think will allow (22:26) us to be the best-in-class operator of towers. And it won't be one dramatic event that we can point to and say our cycle times move by 180 days. There are going to be little things here and there, like cycle times, like light (22:37) cost improvements that, over time, we think are going to add a tremendous amount of value through the ability to grow our cash flows more than we otherwise would have.

Question – Ric Prentiss: Okay. I think you also mentioned on the deal closing, you're still looking at first half. You got some state levels that are making good progress or approved, DOJ. Is there anything with the FCC? And of course, we've been watching T-Mobile-UScellular, Paramount-Skydance, a lot of these DEI discussions or need for a letter sometimes comes out there. But is there any FCC requirement? And where are you guys at as far as any kind of DEI issues?

Answer – Daniel K. Schlanger: Yeah. There's nothing that we can speak to one way or the other at this point because we're just not far enough along in the process. What we can say is that we have tried to manage our business for the interest of our shareholders because we believe that's the most important thing to do, and we continue to manage our business in the interest of (23:30) our shareholders.

Some of those things, when we are trying to drive the best outcomes for shareholders, also means we try to drive the best outcomes for our customers, and our communities, and our employees. But the driving factor in how we make decisions is what do we think is going to make the best sense for our business overall.

Question – Ric Prentiss: Right. And last one from me is you laid out your three objectives and what you're working on. Good progress on all of them. Maybe an update on, is the board actively searching for a new CEO? Are they waiting for the deal to close? Because it mean – it sort of seems like the process is going well.

But what is the update kind of on a CEO search? And could there be any changes in capital allocation or stock buyback plans if there was a change at the C-level?

Answer – Daniel K. Schlanger: The board is actively searching for a CEO. I don't think that they are waiting for the deal to close. I think that they are trying to find the right person to lead this company going forward. They have not put a timeframe on it, as we discussed last quarter, because they don't – as you said, things are going well enough at this point where we don't need to make a change.

But I think that they want to find the CEO who is no longer interim as quickly as they can because it would be something that would clear up another level of uncertainty on our company, and we've had plenty of uncertainties. So, it would be very good, I think, to have an announcement, and I think the board understands that. So, they're working towards it.

And I forget the second part of what you asked.

Answer – Sunit S. Patel: Capital allocation.

Question – Ric Prentiss: Okay.

Answer – Daniel K. Schlanger: Yeah. Could they change the capital allocation? I think what you can take away is that the board has made some decisions on the strategy and the future of this business, that any person who would step into the role would have to agree with or they wouldn't take the role. Because I think the board will be very clear that we are going to be a tower-only business that is focused on the US and that they're going to want somebody who's going to come in and be able to make that tower-only business the best operator of towers in the US that we possibly can be. And I think that they will make that clear to any person who's going to come in to be the CEO.

Question – Ric Prentiss: Great. Thanks, guys. And again, our thoughts are with everybody in Texas.

Answer – Daniel K. Schlanger: Thanks.

Operator

The next question comes from Ben Swinburne with Morgan Stanley. Please go ahead.

Analyst: Benjamin Swinburne

Question – Benjamin Swinburne: Thanks. Good afternoon. I guess two questions. One, kind of bigger picture, I know it's early, Dan, but I was wondering if you had any updated thoughts on how GenAI or AI could drive incremental traffic by your customers, and therefore, incremental tower revenue, particularly as we see inferencing as a bigger and bigger part of the AI use cases.

And then second, I know it's a smaller part of the business, but service gross margins are coming in better. You guys – that's part of the guide raise. What – can you talk a little bit about what's happening there? How much of that might be kind of structural or what changes you've made to help drive that and how we should think about the service margin opportunity going forward? Thank you.

Answer – Daniel K. Schlanger: Thanks, Ben. The first question on what do we see as incremental data in AI, as you pointed out, it's pretty early on to come up with a specific use case. But I think, like any other technology that has come into our lives, as long as we see value in that technology, that technology will ultimately follow us where we are, which is mobile. We don't sit in our desks and only do work at our desks anymore.

So, anything you can think of that drives AI traffic that people currently are using when they are at the office will likely make it into a world where we're going to want to use that technology as we move around the world. And I think that that is going to be a potential significant increase in data demand, but the exact use case is really hard to pinpoint right now of what it would be. It could be healthcare or autonomous driving or any of the ones we've talked about. It could be how do we implement better manufacturing techniques and how do you use mobile networks to be able to make that happen.

But those types of things are hard for us to see. All we know is that, as technology increases and technology moves, that we as consumers wanted to move with this (27:43), and that's what Crown Castle provides to the world. It's connectivity for whatever data you want to utilize wherever you are.

On the second question, with the service gross margin coming in better, I would say that recent improvements have been structural. As we talked about, we've been looking at our processes, looking at our cost structure and trying to save money. And the tower team has done a fantastic job identifying what they can do to try to increase revenues while increasing the percentage of that revenue that falls to the bottom line. And what you've seen is an increase in service gross margin consistently over the course of the last 6, 12 months. And we believe that there is – those are sustainable increases in service gross margin.

Question – Benjamin Swinburne: Thank you so much.

Operator

The next question comes from Jonathan Atkin with RBC Capital Markets. Please go ahead.

Analyst:Jonathan Atkin

Question – Jonathan Atkin: Thanks. Just a couple from my side. Wondered if you're noticing anything different around carrier activity with respect to doing their own greenfield builds. I think one of them kind of referenced an elevated pace doing their own builds rather than perhaps commissioning build-to-suits from third parties. Any observations on that?

And then with regard to just private market M&A activity in the US, anything that you're seeing in terms of multiples?

Answer – Daniel K. Schlanger: Thanks, Jon. You may have cut out a bit. So, if I don't get to the second question fully, just please ask again. We have not really been in the build-to-suit market very much over the course of the recent past because we have not seen an opportunity to generate returns over and above our cost of capital given the terms that we've seen coming from carriers. So, we haven't been involved all that much in build-to-suit. And therefore, we haven't seen much of a change because we just haven't been all that involved.

I would find it – I find it hard that our customers are able to drive a lower all-in cost of operation over the life of an asset for the tower business that wouldn't be third-party given the ability to share that asset is so much easier as a third-party than it is as a carrier. And that has been proven over and over again over the history of the tower business.

So, even though that might happen – even though it might happen that our customers want to build their own towers for a period of time, it has generally been that they ultimately sell those towers to a third-party operator because that's where the lowest total cost of operation can occur because of the sharing of the capital among all customers.

On private market multiples...

(30:29)

Answer – Daniel K. Schlanger: No, sorry, go ahead.

Question – Jonathan Atkin: Oh, yeah, no, go ahead. I have a quick third one. Go ahead and address the M&A.

Answer – Daniel K. Schlanger: Okay. Thanks, Jon. On private market multiples, we've said this before, I've said this before, it has always been interesting to me in my experience with this industry that private market multiples have been higher than public market multiples. And we've never really figured out exactly why. I think that there's some theories, but it's hard to pinpoint. And we have not seen a significant change in the market dynamics for private tower assets in the US.

Again, that really hasn't impacted us all that much. We haven't been in the market to do so. And we're not in the market now to try to go expand our footprint in the US because we have enough to do right now to get the deal closed that we're already working on. So, I don't think the private market multiples where they are, where they sit today, have much of an impact on Crown Castle's outlook over the course of 2025 and even into 2026 as we get the sale of our fiber solutions and small cell businesses completed.

Question – Jonathan Atkin: Thanks. You mentioned operations and execution in both the prepared remarks and then in response to Ric's question. On ground lease purchases, the pace of it, anything around whether that could increase in terms of outright purchases of lands or lease extensions? Anything different going forward than what we've seen over the last couple quarters?

Answer – Daniel K. Schlanger: We have not increased over – you can see no (32:09) increase over the course of this year thus far, our purchases of land under the towers. However, we are putting a focus on trying to identify the places where we think that we can generate a good return by buying that land and reducing our cost structure. We think that drives value as long as it's a good return for us and it reduced our operating costs. Those things are things that we think are really valuable and can generate incremental shareholder value.

So, we are looking to increase the amount of land that we purchase over time. And you should see in the back half of the year a little increase in the amount of capital that we are allocating to that land purchase program.

Question – Jonathan Atkin: Thank you.

Operator

The next question comes from Aryeh Klein with BMO. Please go ahead.

Analyst:Aryeh Klein

Question – Aryeh Klein: Thanks. Dan, you mentioned capacity additions. Curious if that suggests you're seeing an uptick in colo activity. And maybe you can talk to the colo versus amendment mix and how that might be changing?

And then maybe separately on EBITDA, you've had two quarters of outperformance at the start of the year that amounts to more than the amount that guide was raised. And if we simply annualize the first half of the year, it would get to above the high end of the range. So, just curious if you can provide some color on the moving parts and maybe what's been sustainable cost savings versus seasonality or timing. Thanks.

Answer – Daniel K. Schlanger: On your first question, Ari, the capacity additions, we have not seen a significant change in the mix of colocation and amendment activity. So, what we're talking about when we say adding capacity, that addition can be based on adding capacity at a tower that our customers are already on or adding capacity on towers that they are not yet on, which would be the colocations. So, we're seeing both augmentation and some densification, but not at a pace that's any different than what we've seen historically.

Answer – Sunit S. Patel: Yeah. On your second question, I mean, as we mentioned in the last call, we do have some seasonality in the business. So, some of the expenses were running lower, but some of them will be back-ended for the rest of year. So, I think the range we provided captures that for the EBITDA level.

Question – Aryeh Klein: Thank you.

Operator

The next question comes from Batya Levi with UBS. Please go ahead.

Analyst:Batya Levi

Question – Batya Levi: Great. Thank you. Can you remind us your exposure to USM and maybe the remaining deal terms with the company? And do you have a sense of the overlap with T-Mobile, I think they just suggested that they will take on more towers from USM, and how that could potentially impact you? Thank you.

Answer – Daniel K. Schlanger: Batya, I'm really sorry, but you broke up when you asked that question. Do you mind asking again? I apologize.

Question – Batya Levi: Sure. The exposure to USM and maybe the remaining deal terms with the company. And I believe T-Mobile is looking to acquire more towers from USM. And how could that impact you?

Answer – Daniel K. Schlanger: Thanks for repeating and sorry about that. We have minimal exposure to UScellular towers – UScellular on our towers. It is a negligible amount that would not have an impact on our overall financial results.

Question – Batya Levi: Thank you.

Operator

The next question comes from Brendan Lynch with Barclays. Please go ahead.

Analyst:Brendan James Lynch

Question – Brendan James Lynch: Great. Thanks for taking my question. I wanted to follow up about allocating costs between continuing and discontinuing ops. It sounds like the default is to keep expenses in continuing ops, and so it's clear that it can be moved over. So, should we expect that more costs are going to be moved over each quarter until the deal closes? Looks like you did this with \$15 million of stock comp this quarter.

Answer – Daniel K. Schlanger: Yeah. Brendan, I don't think that we're going to have a consistent move of costs from continuing to discontinuing. But as you pointed out, there is a requirement to identify, to put costs into discontinued operations, that those costs are allocated solely to those discontinued operations. Anything that is shared stays with the continuing operations.

And we will have some minor moves here and there to change what moves into discontinued operations and what's in continuing. But I wouldn't say that it's going to be a systematic march each quarter. So, what you're seeing is kind of the – ensuring that we've made those allocations as well as we possibly can. We think we've done a very good job, and we might have some minor changes over time, but nothing that would be significant would be the way I would say it.

Question – Brendan James Lynch: Okay. Thanks. That's helpful. And then it looks like you only incurred about \$14 million of maintenance CapEx year-to-date, but guidance implies \$31 million in the second half at the midpoint. Can you provide any details about on what might be planned to get you to the \$45-million midpoint or even into the range that you're suggesting?

Answer – Sunit S. Patel: Yeah. Some of that is just timing and seasonality. I think we'll see a heavier expense in the second half of the year, consistent with our guidance.

Question – Brendan James Lynch: Okay.

Answer – Daniel K. Schlanger: There's nothing planned that's specific. It's just the way that we spend money sometimes is not ratable. And we're going to make sure that our towers are maintained in a way that keeps them safe and upright and appropriate for the weight and distribution that we have on them. And the way the capital ultimately plays out over the course of the year sometimes has lumpiness to it, like this year.

Question – Brendan James Lynch: Okay. Thanks for the color.

Operator

The next question comes from Richard Choe with JPMorgan. Please go ahead.

Analyst:Richard Choe

Question – Richard Choe: Hi. I wanted to ask about as two of your, I guess, biggest customers and national carriers get to 80%, 90% 5G coverage, do you expect any sort of, I guess, fall-off next year as second carrier reaches that level? And maybe along with that, what are you seeing in your pipeline of business for next year?

Answer – Daniel K. Schlanger: We're not at a point right now that we think we can give or should give 2026 guidance. So, we're not going to talk through what leasing activity is going to be going into 2026. Having said that, clearly, by our increase in guidance for 2025, we're seeing a higher level of activity through this year than what we expected at the beginning of the year when we gave guidance.

And if you look at the first half of the year in core leasing activity and then what we expect in the second half of the year, we expect more core leasing activity in the second half than we have experienced in the first half of the year.

So, we're pleased with that result. It's good to see more revenue growth than we expect. Moving our midpoint of our guidance from 4.5% growth excluding Sprint churn to 4.7% growth excluding Sprint churn is a meaningful move for us, and we think that that positions us well for the future as we continue to focus on growing the revenues of the company.

Question – Richard Choe: And some of the increase, but not all of it obviously, but some of it was from the back-billing. It seems like that's been also an improvement benefit from operations. Should we see more of this going forward as you continue to improve operations or will it be a little bit more episodic?

Answer – Daniel K. Schlanger: I think it will be episodic when we are able to raise our guidance. But as we put into the guidance that we've updated today, there's a \$5-million increase in other billings, which is mostly in back-billing. Some of that already occurred in the year, and some of it is yet to occur for – based on the work we're doing to identify where we need – where we have equipment on towers that we need to get paid for.

So, we are improving all of the process around how we operate as a tower company, and that's just yet another proof point that we're making some progress. But like we said, these are pretty small moves, and – but small moves over a long period of time will generate a whole bunch of value.

So, I can't say that we're always going to have consistent improvements based on the activities that we are undertaking now. What I can say is that, over time, we believe those improvements will come, and whether they're episodic – which I think definitionally means they're episodic.

Question – Richard Choe: Thank you.

Operator

The next question comes from Matt Niknam with Deutsche Bank. Please go ahead.

Analyst:Matthew Niknam

Question – Matthew Niknam: Hey, guys. Thanks for taking my question. Just one from me, any implications on the pacing of carrier investment post recent tax reform that you've picked up in conversations with customers? Thanks.

Answer – Daniel K. Schlanger: Yeah. The carriers have all released their earnings and guidance at this point, the three large carriers have. I think each of them said that they were going to use those tax savings to invest in their network, but I think that the majority of that increase was being directed towards fiber and not towards wireless. So, we have not seen, thus far, any significant impact from the tax reform.

But it's a little early to tell, because even if they're talking about utilizing most of those – the cash flow to go into capital allocation priorities in fiber, we're also seeing an environment in the wireless market that is a good environment, saying traffic is increasing, subscribers are increasing, churn is increasing. And like I said before, when you have that type of environment, it generally leads to investment in the wireless network.

So, I think we will see continued investment. I think we need, as a country, we need to see continued investment in the wireless infrastructure to withstand the demand that we're all placing on that infrastructure. But I don't – the carriers have not said publicly that they are utilizing the tax savings to make those investments in the wireless technology – in the wireless infrastructure.

Question – Matthew Niknam: Appreciate it. Thanks, Dan.

Operator

Our last question comes from Nick Del Deo with MoffettNathanson. Please go ahead.

Analyst:Nicholas Ralph Del Deo

Question – Nicholas Ralph Del Deo: Hey, thanks for taking my questions. Just two relatively quick ones. So, you're projecting \$185 million in discretionary CapEx for the year. Think in the first half, it was \$66 million, which implies a pretty sharp increase in the second half.

Is that from planned investments in systems or seasonality? Or are you budgeting for something else in there? And then, on the \$10-million reduction in G&A that you're expecting, did that primarily relate to power G&A or share G&A?

Answer – Sunit S. Patel: Yeah. So, on the capital, yeah, I mean, we'll have a whole bunch of things, as I mentioned, but one of them will be land purchases. So, you'll see capital for that. Some will be in systems, some will be in sustaining CapEx that we talked about to kind of maintain our infrastructure. So, it happens to be a little more back-end-loaded this year, as Dan pointed out. But we also said we are stepping up our land investments. So, that's what's driving that.

On the \$10 million, yeah, I mean, most of that is at the – is G&A, but G&A generally, some at corporate levels, some within the tower business.

Question – Nicholas Ralph Del Deo: Okay. Thanks, Sunit.

Answer – Daniel K. Schlanger: Part of it is the result, Nick, of some of the actions we took last year. As you remember, we reduced our costs last year in the middle of the year, and we continue to see benefits from having taken both people and non-labor costs out of G&A. And some of it is just the continuation of all of that work we did and a real strong focus on ensuring that every incremental dollar that we're spending is doing something very positive for the business. And I'll give a lot of credit to the managers in our company who are really focused on ensuring that our cost structure stays as tight as it can while still providing the service we need to our customers.

Question – Nicholas Ralph Del Deo: Okay. Great. Thanks, guys.

Operator

This concludes the question-and-answer session and today's conference call. Thank you for attending today's presentation. You may now disconnect.

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