› **Call Participants**

Presentation

Operator

Good day, and welcome to the Q2 2026 Crown Castle Earnings Conference call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

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

Hamilton West, Vice President, Corporate Finance and Treasurer

Thank you, Nick, and good afternoon, everyone. Thank you for joining us today as we discuss our second quarter 2026 results. With me on the call this afternoon are Chris Hillabrant, Crown Castle's 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 section of the company's SEC filings. Our statements are made today as of July 22, 2026, 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.

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

Chris Hillabrant, President and Chief Executive Officer

Thank you, Hamilton, and good afternoon, everyone. We delivered solid second quarter results, increased our guidance for full year 2026 AFFO and continued to execute against our best-in-class US tower strategy. On May 1, we completed an important milestone for Crown Castle and became the only publicly traded, pure play, US tower operator by successfully closing the sale of our Small Cell and Fiber businesses. I want to thank our Crown Castle teammates for the determination and resilience they have shown as we quickly completed this transition and began the next phase of transforming Crown Castle into a best-in-class US tower operator. Your hard work is making a difference. We now expect to drive additional cost savings this year as we continue to drive operational excellence.

Longer term, we will continue to transform Crown Castle, enhancing our operational efficiency and effectiveness by focusing on the following areas: First, we continue to increase land ownership purchases under our towers, which improves margins, increases operational control of our assets and allows us to deliver more quickly for our customers. Second, we are investing in systems that streamline and automate processes, enabling our teammates to make better and faster business decisions. Third, we continue to improve cycle times and our customer experience.

In the quarter, we also made progress towards recovering the remaining payments owed under our original DISH agreement. In May, the FCC approved the EchoStar spectrum sale transaction to AT&T and SpaceX, but made the transactions contingent on the implementation of a $2.4 billion escrow account for the benefit of its vendors. We applaud Chairman Carr for his efforts to advance spectrum policy to maintain US global telecom leadership while implementing protections for US wireless infrastructure providers. Now that DISH Wireless has filed for bankruptcy, we will be pursuing our $3.5 billion contractual claim in the bankruptcy court. The bankruptcy remote escrow account provides a source of funding that is not subject to the normal bankruptcy estate waterfall and is intended to satisfy network-related obligations, including certain infrastructure claims.

As I step back and look at the discussions we are having with our customers, I am excited about the multiple demand drivers that we expect will benefit Crown Castle's future growth, including increasing deployment of edge compute infrastructure, continued growth in mobile data demand and additional spectrum coming to market. As I mentioned last quarter, we have initiated several trials with edge data center providers and continue to see growing interest in how our portfolio can support distributed compute deployments. We believe the edge opportunity is gaining momentum as demand for storage and compute continues to accelerate, while many large data center deployments face multi-year construction and power delivery delays. Crown Castle is positioned well to serve this demand in a capital efficient manner through its nationwide network of tower sites, each with existing power and broadband connectivity and can provide distributed, move-in ready locations for deployments requiring less than 0.2 megawatts.

We are seeing interest from businesses seeking to deploy scale distributed infrastructure to support inference workloads and other high-value add applications, including cybersecurity, fraud detection and real-time data processing. Additionally, the industry continues to see strong growth in mobile data demand. According to Ericsson, US mobile data consumption per smartphone is expected to more than double over the next five years from 25 to 52 gigabits per month, driven in part by AI-enabled applications and a projected threefold increase in uplink traffic as devices increasingly transmit video, sensor and telemetry data to the cloud. We believe the industry will benefit from an infrastructure demand cycle, as Chairman Carr and the FCC advance, what has been described as the largest spectrum pipeline to date, with at least 800 megahertz of additional spectrum slated to be made available for commercial wireless use over the coming years. In addition to the recently announced EchoStar spectrum transactions, the FCC has announced its plan to auction at least 165 megahertz between 2026 and 2027.

Shifting to a topic that has been top of mind for many investors lately, satellites as a potential alternative to terrestrial networks. Let me summarize the key reasons why we believe that terrestrial networks will continue to be essential for mobile phone service, based on reports available on the WIA website and analysis from sell-side research. First, satellite services generally require a clear line of sight to the sky and provide weaker indoor coverage, which is significant, given approximately 90% of mobile usage occurs indoors or in vehicles. Because satellite signals travel hundreds of miles farther than the terrestrial connections, their signal strength is approximately 10,000 times weaker, challenging performance in dense environments where buildings, obstructions and interference can further degrade the signal. To compensate for the weaker signal, phones must operate at higher transmit power levels, increasing battery consumption.

Second, satellite operators have access to significantly less spectrum. Direct-to-device satellite services generally have access to only tens of megahertz of spectrum, while each major US wireless carrier controls hundreds of megahertz.

Third, a typical satellite beam covers approximately 100 to 600 square miles versus roughly 3 to 20 square miles for a terrestrial cell site, requiring substantially more users to share the same spectrum resources. This means that for every megahertz of spectrum, terrestrial cell sites can support 30x more users.

More importantly, as satellite operators seek to improve capacity, mobility and indoor performance, we believe terrestrial infrastructure will become an increasingly important complement to satellite networks. We believe the long-term outlook for our industry remains bright, given continued mobile data demand growth, upcoming spectrum auctions and the momentum in edge data infrastructure. We believe our clear strategy, investment grade balance sheet and capital allocation framework position Crown Castle to maximize long-term shareholder value.

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

Sunit Patel, Executive Vice President and Chief Financial Officer

Thank you, Chris, and good afternoon, everyone. We delivered solid second-quarter results as we successfully completed the Small Cell and Fiber sale transaction.

Starting on Page 3. Second quarter organic growth excluding the impact of Sprint cancelations and DISH terminations was 3.9% or $38 million and included a $5 million increase in other billings. Second quarter organic growth increases to 4.2%, if DISH revenues are excluded from prior year site rental billings. Excluding the increase in other billings, organic growth was 3.6%. This growth was more than offset at site rental revenues by $5 million of Sprint cancellations, $49 million of DISH terminations and a $25 million decrease in noncash straight-lined revenues and amortization of prepaid rent.

Second quarter selling, general and administrative costs included a one-time $7 million increase in stock-based compensation expense, which is not expected to recur and does not impact adjusted EBITDA and AFFO. AFFO in the quarter benefited from a year-over-year $35 million decrease in interest expense and $14 million increase in interest income due to the receipt of $8.4 billion in net proceeds from the sale transaction closing on May 1. We do not expect the higher level of interest income to recur in the second half of 2026.

Turning to Page 4. We are increasing our full year 2026 outlook for site rental revenues by $5 million at the midpoint and maintaining our adjusted EBITDA outlook as the increase in revenue and a $15 million reduction in costs are expected to be offset by a $20 million decrease in services' contribution driven by lower services activity primarily in the third quarter. We also expect a $5 million decrease to interest expense resulting in a $5 million increase to our full year 2026 outlook for AFFO. The higher site rental revenues are driven by a $5 million increase to other billings resulting in 3.4% full year 2026 organic growth excluding the impact of Sprint cancelations and DISH terminations compared to our prior guide of 3.3%. Full year 2026 organic growth increases to 3.6%, if DISH revenues are excluded from prior year site rental billings, which compares to our prior guide of 3.5%.

We continue to expect 2026 to mark the low point for organic growth. As of the end of the second quarter, more than 90% of our full year 2026 organic growth excluding the impact of Sprint cancelations and DISH terminations was contracted compared to approximately 80% at the beginning of the year. Our full year outlook for straight-lined revenues remains unchanged at negative $60 million at the midpoint as we continue to expect a decrease in the second half of the year. The expected $15 million cost reduction consists of a $10 million decrease in site rental cost of operations and a $5 million decrease in selling, general and administrative expense, excluding the impact of stock based compensation expense, as we are seeing success with our ground lease buyout program and continue to drive operational efficiencies across the business. We also expect a $10 million decrease in full year 2026 stock-based compensation expense at the midpoint which does not impact adjusted EBITDA and AFFO. We remain on track to deliver our outlook for the second half of 2026 and first half of 2027 AFFO of $2.1 billion at the midpoint.

Turning to the balance sheet. We ended the quarter with leverage at 6.3x net debt to EBITDA which compares to our target investment grade leverage range of 6x to 6.5x net debt to EBITDA. On May 1st, we received $8.4 billion in sale transaction net proceeds which we used to repurchase $1 billion in shares and repay more than $7 billion in debt, in line with our previously announced capital allocation framework. We completed the $1 billion in share repurchases in the second quarter at an average per share price of $88.66, allowing us to retire more than 11 million shares and lowering our annual dividend obligation by $47 million. Since last quarter, we repaid approximately $7.2 billion in debt, including approximately $5 billion of floating rate debt across our commercial paper program, revolving credit facility and term loan, $500 million in open market debt repurchases, $750 million in unsecured notes maturing on June 15th, and $1 billion of unsecured notes maturing on July 15th. In connection with the sale of the Small Cell and Fiber businesses, we decreased the capacity of our revolving credit facility from $7 billion to $4.5 billion to better align with becoming a standalone tower business. Lastly, our outlook for discretionary CapEx remains unchanged at $200 million or $160 million net of $40 million of prepaid rent received at the midpoint.

To wrap up, we believe we have an opportunity to generate attractive long-term shareholder returns with our investment-grade balance sheet, disciplined capital allocation framework and goal of becoming a best-in-class US tower operator.

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

Question And Answer

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question will come from Michael Rollins with Citi. Please go ahead.

Michael Rollins, Analyst, Citi

Thanks, and good afternoon I was curious if you could discuss a little bit more detail around the lower services activity that you're now expecting for the third quarter. Does that affect the leasing activity that you're seeing from your customers? And then just finally, you mentioned that 2026 to be the low point for organic. I think it was growth or organic activity. If you could maybe frame that a little bit more and share maybe some of the things that are giving you the conviction on the opportunity to improve organic growth going into 2027? Thanks.

Chris Hillabrant, President and Chief Executive Officer

Yes, great. Hey Mike, thanks for the question. We'll start with the first one, which is that the lower services activity, there isn't a straight line that you can draw just between the service levels and the leasing activity. And so we kept the guide for leasing unchanged with the range of $60 million to $70 million. If you look at our progress over the course of the year, we started off the year with about 80% of our organic growth was contracted. We're now at 90%. So we've made progress there throughout the course of the year.

In terms of the, is this why we're saying this is the low point for organic growth, I think there's a number of factors that I'd share with you now. Kind of frame these in my mind in short, medium term and long term. In the short term, as we've stated previously, we do have MLAs in place that give us strong visibility into the future contracted activity. And then as you look at the mid-term, you look at the spectrum acquisition that AT&T has with the 600 megahertz, I think I read this morning in the release, that's expected to close later this month. And once that transaction closes, I think that's a mid-term driver potentially for that 600 megahertz to be deployed. We're seeing additional activity in new products for us that I mentioned in my comments here around edge infrastructure and that ecosystem, which currently is in the trial phase, but I think we have hopes that this could be something more significant over time.

Then as you start to look from the mid to long term, there's the mobile data demand that continues to grow. I think it's expected to double over the next five years. And that's supported by the emergence of new AI-enabled applications that drive increases in uplink traffic. Think across smartphones, think across smart glasses, wearables, the agentic AI assistance again that the operators are talking about to drive that demand. And then longer term, the FCC has earmarked the 800 megahertz of spectrum that's starting to be auctioned in 2027. It's the combination of all of these activities which have led us to be able to make that statement that we believe this in fact is the low watermark in terms of that growth.

Michael Rollins, Analyst, Citi

Thanks very much.

Chris Hillabrant, President and Chief Executive Officer

You bet.

Operator

The next question will come from Michael Ng with Goldman Sachs. Please go ahead.

Michael Ng, Analyst, Goldman Sachs

Hey, good afternoon. Thank you for the question I just have two. First, just on network activity, I was just wondering if you'd comment on what you're seeing from a network densification and kind of FWA-driven densification this quarter? And then, second, I was just wondering if you could comment a little bit about the $240 million combined DISH and Sprint headwinds for the full year? Pacing a bit below that through the first half. Anything that would drive the incremental headwind in the second half?

Chris Hillabrant, President and Chief Executive Officer

Yes, I think the activity levels have been much in line with what we forecasted. Hence the progress we've made on leasing in the first half of the year. This has pretty much played out as expected from our perspective. I think more broadly across all three MNOs, there's been some pullback in the services activity that obviously showed in the results. What's driving that? We think it's a combination of some of the leadership and strategy changes that have occurred across those companies, but again, we've kept our leasing guide unchanged for the year.

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, I think on the DISH thing, it's just timing. I think we've talked about it previously. The timing was more back-end loaded and it's contracted. So that was just what we had expected. And I think we talked about it before at the beginning of the year.

Michael Ng, Analyst, Goldman Sachs

Great. Thank you for the color.

Operator

Thank you the next question will come from Ric Prentiss with Raymond James. Please go ahead.

Ric Prentiss, Analyst, Raymond James

Thanks. Good afternoon, everybody.

Chris Hillabrant, President and Chief Executive Officer

Hey, Ric. How are you doing?

Ric Prentiss, Analyst, Raymond James

Great, thanks. Hey, a couple quick questions for you. Obviously, glad to see AT&T, seems like you can finally get the spectrum purchase over the finish line this month. Does that then trigger the contribution to the escrow account? And then, we've been getting the question a lot lately, who owns the equipment that's still on your towers that DISH put there? That's something DISH owns. But with the agreement termination, do you guys own that equipment versus does the escrow get funded with the AT&T closing and who owns the DISH equipment? And I have a follow up.

Chris Hillabrant, President and Chief Executive Officer

Yes. So your assumption is right, the funding of the $2.4 billion escrow is tied to the AT&T transaction being closed. In terms of the equipment itself, and I think this is a broader context of the bankruptcy proceedings that are ongoing now, is that this will be determined along with a number of other issues related to the bankruptcy itself as to who owns that equipment. But as far as we've seen, they've abandoned it and although we've requested for them to take it down, they have not acted to this point.

Ric Prentiss, Analyst, Raymond James

And what's the process -- can you give us a timeline on the bankruptcy courts? We've heard some stuff might be coming up on August 10, but what do you envision the timeframe on the BK effort?

Chris Hillabrant, President and Chief Executive Officer

Yes, I think a couple things as we've guided in earlier calls as we lodged our lawsuit against both DISH and EchoStar was that the timing was less clear. We thought it would take some time to go through the process of filing the suit and discovery. I think the good news story from the bankruptcy perspective is that this is likely to move faster than a traditional lawsuit would have. The original lawsuit, by the way, has been suspended. While they wait for the outcome of the bankruptcy proceeding. That said, I think, DISH came in with some very aggressive attempts to speed along a pre-negotiated bankruptcy filing which we have and others have vigorously contested in court and successfully been able to slow down to be able to actually get the facts on the table for us to be able to proceed down that route as an unsecured creditor. In fact, we've been appointed to the unsecured creditor committee and believe that we will be successful in prevailing with our suit ultimately.

Ric Prentiss, Analyst, Raymond James

Great. And my follow-up question is obviously to talk to the spectrum pipeline. We're glad to see the FCC get the auction authority back, start that flywheel going again. But as we look beyond the upper C-band of what might come down the pike in the 2028, '29, '30, '34 timeframe, what frequency bands are you hearing about? And is it frequency bands that will actually get deployed on towers, given where the range is as far as what gigahertz it might be at?

Chris Hillabrant, President and Chief Executive Officer

Yes, well, starting with upper C-band, which I think is exciting for us, 440 megahertz of combined spectrum, I think, globally, it puts us in a position to lead here in the US based on the decision of the FCC to focus in on bringing that to market first. The additional spectrum bands are between -- my understanding is between the 1 gigahertz and 10 gigahertz band, so obviously considerably higher than what has been put out up to this point in the low band and mid-band 5G spectrum. I think, as we look at this, and obviously there's a lot of work still to be done and the strategies for each of the companies as they develop their 6G strategies to come to light, in general, the higher spectrum bands is a good thing for the industry in that it will drive greater densification of the networks in order to provide a consistent user experience. This is how we're looking at it, at least initially here.

Ric Prentiss, Analyst, Raymond James

Okay, but you think it'll show up on towers, too, even if you get into the 5 gig, 6 gig, 8 gig stuff, you can see deployment on towers?

Chris Hillabrant, President and Chief Executive Officer

Yes, Ric, I don't know, to be frank on this. What I can tell you, which is what we were told when we visited the White House several months ago, is that there is a strong intent by this administration, including FCC, to put the US as a global leader in 6G technology. They see this as how we win as a country, and therefore, all the might of the federal government working with industry, which would include both the mobile network operators and us as tower infrastructure providers, working in combination to bring the spectrum to market as soon as it's practical. I mean, there's still a lot of work to be done in finalizing standards and the like, but I think ultimately they're making this 800-megahertz available to actually put to use, which obviously is a good thing for us and the industry as a whole.

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, Ric, as you see, the announcement today you saw, but basically by bridging lower and upper C-band, up to the 4 gigahertz level, it actually extends the life of 5G and will further promote densification, which means more sites needed for coverage, which should be a plus for the tower segment.

Ric Prentiss, Analyst, Raymond James

Great. Thanks, guys. Have a good day.

Chris Hillabrant, President and Chief Executive Officer

Thanks, Ric.

Operator

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

Michael Funk, Analyst, Bank of America

Hey, good evening, guys. Thank you for the question. So I had a few. So first one on the escrow account. Can you give me an estimate of the estimated recovery from escrow account for CCI? Obviously a number of claimants to the escrow account. Any estimate that you have?

Chris Hillabrant, President and Chief Executive Officer

When we've looked at this in the past, it's not clear on who will actually come forward to make claims. This is still something that's in progress. When we thought about overall, the share of the pie is that, ourselves at American were the largest two contributors, but I think it's a little premature to say exactly what will be yielded out of this. It will be based on the number of claimants that come into it. And of course, either requires a court judgment or a negotiation with a DISH ultimately to unlock those funds being dispersed. So we continue to pursue both in combination, both as a claimant on the fund and then also in court as part of the bankruptcy proceeding.

Michael Funk, Analyst, Bank of America

Great. And then you mentioned not a straight line between lower service revenue and leasing, I understand that. But any more color on where you're seeing lower services revenue, any specific geographies or any more color you can add there? And then, you also noted more edge activity and wondering from whom, or specifically more detailed in applications and timing for activity around edge.

Chris Hillabrant, President and Chief Executive Officer

Yes, so one of the things that's pretty exciting if you look at the industry as a whole, data centers are having some of the same challenges that maybe tower companies did in the decades past, which is namely getting the leasing, zoning and permitting of these facilities in addition to power delivery and some of the other challenges that they face. One estimate I read said there was something like a 15-year backlog of data center demand versus what the data center companies could currently actually deliver based on that demand. What that's opened up for us, and I think for others in this space is, here we have sites. There are sites where we have the space in many cases. We have shelters that are actually available for retrofit. We have power, we have backhaul connectivity, and therefore, can provide these edge data center opportunities. These are early days, to be clear. I would still label this as a trial that we're doing with several companies that we're engaged with currently. But as we look at this and the ability to scale over time combined with the demand in the data center industry as a whole, this is something that we're very interested in pursuing and we'll attempt to accelerate as a future revenue source for the company. I think we'll have more to update you as we get a little further in the process, but things look promising in the current trial.

Michael Funk, Analyst, Bank of America

Any more color on the lower services revenue expected?

Chris Hillabrant, President and Chief Executive Officer

No, again, I think it depends. More broadly speaking for us is that at any given time we're not the only vendor that provides services to customers. So it's a combination of the services that individual companies require. It's our ability to provide value in the areas where they have the need for services. And as I think you know, we had departed at one point the construction management portion of the services that we deliver, and therefore, have a smaller revenue pie that we're chasing overall in the industry. So it's not just related to one part, it's a general services reduction, is the best way I can describe it for you.

Michael Funk, Analyst, Bank of America

Great. Thank you for the time.

Chris Hillabrant, President and Chief Executive Officer

You bet.

Operator

The next question will come from Cameron McVeigh with Morgan Stanley. Please go ahead.

Cameron McVeigh, Analyst, Morgan Stanley

Hi, thanks. I just wanted to follow up on the plan to purchase ground leases. Saw there was a $20 million increase in land CapEx this quarter, and I'm curious on the expected annual investment pace, maybe the typical payback period you might expect on some of these investments. And then, relatedly, if the competitive environment has changed at all land acquisitions. Thanks.

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, I mean, on the payback and plan to spend CapEx, yes, I mean, we do aim to increase this over the next few years, but in a very financially disciplined manner, making sure that the returns or paybacks translat into returns are well above our cost of capital. So I think that's the key threshold. But we feel we should have the opportunity to do better than what the company has done in the past just by focus on it and attention systems, resources, internal, external. So we are looking to raise that up over the next few years.

Cameron McVeigh, Analyst, Morgan Stanley

Great. Thank you. And if I could just ask one more. I know you said that edge computing opportunity is in the early innings, but from your perspective, what do you think is the current biggest hurdle? Are there additional power requirements when you think through this inferencing and edge computing demand, this type of workloads that will be run through this opportunity. I'd be curious just any thoughts there? Thanks.

Chris Hillabrant, President and Chief Executive Officer

Yes, Cameron, let me frame it up. So look, we're not having to put capital to work. This is just incremental revenue that we can unlock on sites, and they're monetized fairly quickly. And therefore, for us, this is a newfound opportunity that seems to have a great return profile comparative. There's clearly demand for larger data centers that would have more power than what we have at a site. And where we might be able to do that easily and inexpensively, we can look to improve that over time. The reality is the hardest thing is getting the power delivered to the site to begin with. Once you have it there, there's ability to do transformer swaps and bring in additional leads to increase the power over time. We are focusing on what we can execute on now, which is monetizing the assets that we have with the power that we have, with the space that we have. But it doesn't preclude us over time if this business grows and it seems to be a good return on investment for us to look at additional investments because that demand doesn't seem to be going away anytime soon.

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, the only thing I would add to that is, to recognize we have a fairly distributed solution that we can offer at scale. We're talking about commercially available power that doesn't require, as Chris said, investment on our side. So if you do the math, you can get it anywhere from 100 amps to 400 amps, 110 volts, 220 volts, you can get three-phase power. So what we offer really makes sense for applications or installs that don't need a big power footprint. So more edge requirements, more high value-added edge for specific applications. But this makes a lot of sense and we are seeing increasing interest in this area now. As Chris said, it's still early days, but we are seeing increasing momentum.

Cameron McVeigh, Analyst, Morgan Stanley

Makes sense. Thank you.

Operator

The next question will come from Jon Atkin with RBC. Please go ahead.

Jonathan Atkin, Analyst, RBC

Thanks. A couple questions. The escrow payments, if you could maybe drill down a little bit around the pecking order that maybe your attorneys and consultants have told you to expect around who gets first dibs, so would it be the workers, the contractor crews, the tower companies? Where does Crown sit within that pecking order to the best of your estimation? And then, secondly, interested in more of a medium to longer term question around the AT&T and T-Mobile assets that you bought many, many years ago under the sale leaseback. I think you have the option to start paying for full ownership of those sites, I think, in one case in 2032. And is there any merit to the idea that you could accelerate that process given the free cash flow that you generate? It helps, obviously, the cash balances of your customers and maybe helps them deploy their network faster. So any notion towards fast forwarding that process. Thanks.

Chris Hillabrant, President and Chief Executive Officer

Yes, maybe starting with the $2.4 billion escrow. I think while there is a hierarchy, until the total number of claimants are known and until people actually start either getting negotiated settlements or court findings that would allow them to start to draw on that, it's very difficult for us to really speculate and know what will go to whom. There were certain classes of claimants in terms of how they were paying. I think they looked at smaller claimants, more of the mom-and-pops that would have contributed maybe in the first tranche, and then, ultimately leading up to tower companies like ourselves. So again, it's just early for us to comment on that, but again, I think the flip side of that is, we have probably one of the largest claims out there, and ultimately, therefore, depending on the total size of the claimants, would be in a position to best settle on this in the end.

Sunit Patel, Executive Vice President and Chief Financial Officer

On your second question, yes, we have options like that. They are out there a number of years away in size. I think our view is, we always look for opportunities where we can create win-win outcomes with our clients and we'll continue to look at that. But as you pointed out, they're still out there a number of years, but we're always looking at win-win outcomes between our clients and us.

Jonathan Atkin, Analyst, RBC

Thank you.

Operator

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

Richard Choe, Analyst, JPMorgan

Hi. I wanted to follow up on the new leasing guidance. You're trending towards the $60 million, but you did say that 90% of the business is kind of booked for the year. So should we expect an acceleration and can you reach that midpoint to high-end? And then a clarification on maybe the edge opportunities. If you do get leasing this year in that, would that go into other billing or would that be a part of new leasing?

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, so if you do that, it'd be part of new leasing activity. And I think on the guidance, in general, obviously we'll have more to talk about it when we report the third quarter. So I think we feel comfortable with the guidance we have basically. It's where we are and we made a fair bit of progress, to your point, from the beginning of the year to where we closed out the second quarter.

Operator

The next question will come from Nick Del Deo with MoffettNathanson. Please go ahead.

Nick Del Deo, Analyst, MoffettNathanson

Hi. Thanks for taking my questions first, Chris, circling back to the edge discussion. I appreciate the details there. How did you come up with 0.2 megawatts as the relevant breakpoint? Is that just like what former deployments at sites with empty shelters would have previously drawn? Do you think that's something you get across all your sites? Just trying to understand how you got to that number?

Sunit Patel, Executive Vice President and Chief Financial Officer

Sure. As I mentioned earlier, Nick, if you were to assume three-phase power, there would be 480 volts. You can get commercially up to 400 amps. You multiply the voltage by the current by the square root of 3, you'd be at over 300 kilowatts. I think we have other clients on this site, so I think all we were trying to do is not to be precise, but more to just give a sense for anywhere in the tens of kilowatts to low hundreds of kilowatts could be a good avenue for people that need at scale distributed infrastructure. That's all we were trying to say.

Nick Del Deo, Analyst, MoffettNathanson

Okay. So maybe just to put a finer point on it, you think that at your average site you could get that as opposed to just at sites where you have empty shelters and there may have been a customer previously drawing more power than is currently being consumed?

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, the mobile operators that have their own power meters at the sites don't draw that much power, so it just depends on the site and availability. For the most part, we don't need three-phase power. So applications that are in the tens of kilowatts, not a problem where you have to have three-phase power might take a little longer, but again, it doesn't mean capital investment on our part. It's more a supply chain thing with power companies.

Nick Del Deo, Analyst, MoffettNathanson

Okay, okay, makes sense. And then, Chris, given your background, I thought you might be able to share some thoughts on some of the tensions we're seeing between tower cos and carriers in Italy and Spain. And in particular, any aspects of those disputes that may or may not be relevant as you think about the US tower business.

Chris Hillabrant, President and Chief Executive Officer

Now it's a distant past for me, 10 months into this gig. All kidding aside, I would say, the European markets are highly fragmented. The number of operators and tower companies is sometimes out of balance. Spain is a good example of that, Italy less so. But there's a dynamic tension between lease rates that have escalated over years with operators that have a much less healthy ecosystem from the MNO perspective. The ARPUs available in Europe are a fraction of what they are here and so it's not that healthy an environment. As opposed to the US where based on the AT&T results today and several years of good, solid steady growth we have a very healthy ecosystem where it allows the operators to actually invest in their networks, which again, is why this is the best wireless market globally, in my personal opinion. There's always some level of tension between MNOs and tower companies just in terms of the cost of this. But when those operators went back in time and decided to monetize their assets and got paid billions of dollars, or in this case euros, to go and invest in their networks, to roll out 4G and eventually 5G technologies, this is the decision that drove the best use of capital in this case. And the ownership of towers, providing them to multiple customers was a much more efficient use and purpose for the tower companies to provide. So I think it's really apples and oranges based on the market dynamics. And again, I wouldn't expect to see anything even remotely similar to that here in the US.

Sunit Patel, Executive Vice President and Chief Financial Officer

Nick, to clarify one of your points of your earlier question. We do not have shelters in all our sites, to be clear, but we don't think that that is as much of a capital cost per se in the scheme of things.

Nick Del Deo, Analyst, MoffettNathanson

Yes, okay, appreciate that. All right, thank you both.

Chris Hillabrant, President and Chief Executive Officer

Yes, you bet.

Operator

The next question will come from Eric Luebchow with Wells Fargo. Please go ahead.

Eric Luebchow, Analyst, Wells Fargo

Great. Chris, maybe just a higher level question. There's been a lot of debate and speculation in the industry about SpaceX potentially launching a Starlink mobile service and questions on how they get there, whether it's a terrestrial build, an MVNO, an acquisition. I'm curious, if you've had any discussions with them at this point, and do you think it could create opportunity on your sites, particularly given that they're more urban in nature versus some of your peers?

Chris Hillabrant, President and Chief Executive Officer

I think it's probably way too early to tell and to speculate on what the various satellite operators might do in terms of creating a fourth competitive network. At the end of the day, I would tell you we have space, we have power, we have backhaul at our sites, and ultimately, we love all of our customers. And so, if for some reason, they decide that this is something that they want to do, for all the reasons that I laid out in my comments, in terms of why satellite as a complementary technology would have to look at a terrestrial-based network to really cover and mimic what the big three MNOs do today, we stand ready. But there's nothing I can share with you at this time that I know of in terms of what their plans are long term, but let's see where they end up.

Eric Luebchow, Analyst, Wells Fargo

Great. And just one follow-up for me. How should we think about capital allocation from here, given you exhausted the $1 billion buyback after closing on the fiber sale, obviously, the stock's been under some pressure, so the buyback math seems to make sense, but rates are also up. So how do you think about prioritizing between buybacks deleveraging and then some of the CapEx, such as ground lease purchases that you talked about as well?

Chris Hillabrant, President and Chief Executive Officer

Yes, look, nothing has changed with our capital allocation framework that we've talked about and I'd probably beat to death after funding our dividend, which is sacrosanct, and the CapEx needs that we have, which have a very good return profile. Any excess cash we have goes to target investment grade leverage range of 6x to 6.5x, and anything left over could be potentially used to purchase shares. I don't think anything has changed in the allocation and we continue to be really, really judicious in the use of capital, making sure that we're seeing great risk-adjusted returns as a result.

Operator

The next question will come from Ari Klein with BMO Capital Markets. Please go ahead.

Aryeh Klein, Analyst, BMO Capital Markets

Thanks, and good afternoon. Just on the guidance, you include some incremental cost savings benefit. Hoping maybe you can talk a little bit about the broader cost savings potential you're targeting across the business ? And is that opportunity larger than you previously thought or Are you just realizing those savings maybe a little bit more quickly than previously anticipated? Thanks.

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, so I think you've heard us say earlier that we think we can expand our margins, EBITDA margins, by a couple 100 basis points over the next year. So nothing's changed with that. The benefits really come from two buckets. One is the structural cost. We talked about the ground lease buyouts. And the second comes from a fairly wide ranging transformation effort through investment in systems, processes to continue to improve productivity and efficiency, but also our service levels of customer experience as measured in cycle time. So I think that that's a program that we are executing on over the next couple of years that should continue to drive further margin expansion. I don't know, Chris, if you want to add anything to that.

Chris Hillabrant, President and Chief Executive Officer

No, I mean, look, this is part of our DNA. We won't always be able to control what our customers do and when they do it. But what we can control is having a laser-like focus here on driving efficiency and effectiveness and serving our customers. And so, we will continue to look for those opportunities wherever we can. We have a very well laid out strategy of what we're attempting to do and Sunit really talked about it. It's about the investment in tools and processes that will unlock some of that value. That will take some time. If we can accelerate it, we will. But we've got a lot of work to do ahead of us and this has been a big year of transition, which I think we've executed very well. But there's still more work to go and we won't rest until we reach that best-in-class that we're talking about so much as our aspirational goal.

Aryeh Klein, Analyst, BMO Capital Markets

Thanks. And then, Chris, last quarter you talked a little bit about new tower builds. Just wondering if you had any update on that front in terms of what you're seeing out there. Thank you.

Chris Hillabrant, President and Chief Executive Officer

Yes, up to now it's been fairly limited because as I think I shared with you in the capital allocation process, we're not going to overpay for an asset, whether it's an existing tower or work in progress. Where we have been successful is identifying where there are coverage needs or potential capacity needs by multiple customers, so that we can build towers for multiple clients. This is what makes sense to us versus doing something more speculative, as some have done on the private side. So it's similar to the edge compute. I would say, for us, it's a work in progress, it's a trial. We would like to build more. We are a tower company, but we are only going to do it where it makes absolute financial sense for us to do so in a very disciplined approach.

Aryeh Klein, Analyst, BMO Capital Markets

Appreciate it.

Operator

The next question will come from Madison Rezaei with Bernstein. Please go ahead.

Madison Rezaei, Analyst, Bernstein

Thanks guys. Just a quick one for me. On the AT&T book, you've got roughly $774 million of annualized rent concentrated in that 2028 renewal. Clearly, those are from the leases struck in 2013 with the sale leasebacks and the escalators are pretty modest. Knowing that you're looking for win-win, I hear you on that, Sunit, and obviously, please don't give away the negotiation tactics. How are you guys thinking about that conversation? Is that a mark-to-market opportunity? Is it a term extension? Are you thinking about wrapping that into purchase option buyout discussion? How should we think about that looking forward?

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, so without getting into specifics of any clients, generally we have long-term arrangements, and I think that as you know, with AT&T, and if you look at the FCC language, they're looking to deploy the 600 megahertz spectrum, which we think should be a plus for us as tower operators. Those radios and antennas do require a fair bit of space. So I think we work closely with AT&T and all our clients as they think about their plans, how we can help support that. So I think there's plenty there from a win-win outcome perspective for us.

Operator

The next question will come from Matt Niknam with Truist Securities. Please go ahead.

Matt Niknam, Analyst, Truist Securities

Hey guys, thanks so much for taking the question. Just one for me. I want to go back to the satellite topic. Have you seen any change to the way carriers are approaching coverage-related builds or even renewals of sites that are in more rural and remote footprints by virtue of incremental satellite coverage and some of the recently announced partnerships with satellite operators? Thanks.

Chris Hillabrant, President and Chief Executive Officer

No. Nothing.

Matt Niknam, Analyst, Truist Securities

Okay, that was great. So if I can, I just want to squeeze in one second, just on transformation. I know it's only a few months since the fiber sale was formally closed, but where are you in terms of organizational transformation? I know you talked about some of the different cost opportunities, but are there incremental milestones, bigger milestones that we can anticipate over the second half of the year?

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes, so look, this effort started right after Chris joined us last October. And I would say at this point we have a fairly well-mapped out series of transformation initiatives both across each of our various functions and also across all of our major work streams combined with an IT systems and platforms deployment to go along with that, in some cases, taking advantage of AI orchestration software and other tools like that. So I think it's well-mapped out. They still include, as I told you, a goal to look at our ground lease buyouts and how do we multiply that compared to the various levels of pace we had there. So it's well-mapped out, some mapping to do, but I think you'll see us executing on that over the next 24 months or so and it's fairly tangible. I don't think it's theoretical. We waited until the close of the transaction, some of that planning work started last year.

Chris Hillabrant, President and Chief Executive Officer

The only thing I would add is I think we're not just focused on the organizational structure, but we're also focused on what we can do culturally to support this best-in-class strategy. And that involves things like developing the teammates here at Crown, automating manual tasks through AI and systems and tools, making those kind of cultural changes that make it a great place to work. And we believe that through these changes, we're going to see improvements in employee engagement and productivity, and ultimately, customer satisfaction. And so that part takes a little more time and effort to get right. I mean, making the actual changes in the org structure was one piece of it, but the second piece is really investing in our employees and unleashing them so that they can really go back and hopefully delight the customers in a way that helps us win share. We want to win 100% of the jump balls. That's the way I describe it.

Matt Niknam, Analyst, Truist Securities

Thanks guys.

Chris Hillabrant, President and Chief Executive Officer

You bet.

Operator

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

Brendan Lynch, Analyst, Barclays

Great. Thanks for taking my questions. Chris, maybe to follow up on that, just in terms of cycle times and improving customer experience, how should we assess the progress you guys are making on these initiatives and the best way that we can monitor it going forward?

Chris Hillabrant, President and Chief Executive Officer

Yes, I think one of the things that we probably need to do a better job and we've been focusing on developing these measures internally as a way of measuring our progress across the business and creating scorecards that show the progress and things like cycle times from application to NTP and generating revenue, but we have a series of initiatives underway here. So there's best-in-class measures around trying to lead the organic growth. There's best-in-class measures around lowering the unitary cost of the products and services that we actually sell, so that we can be more competitive in the marketplace. There's ones around having a lower land cost. As an example, we talked about the ground lease buyouts, we have roughly 11% delta between ourselves and American and SBA. We aim to close that gap over the next couple of years. So I think this is something where we're doing those internal measures now. I think as part of -- as we look forward, you guys have asked for, and I think we're looking in the future providing a longer-term guidance than just in year. This is maybe something we can come back to you and say, here are those internal benchmarks that we've set that we believe will show that we're best in class on the things that matter most to customers.

Brendan Lynch, Analyst, Barclays

Yes, that would be great. We look forward to that. Maybe also on the service offering, you mentioned that you're going after a more narrow set of opportunities. Do you have any interest in expanding the services offering again in the future to capture more opportunities?

Chris Hillabrant, President and Chief Executive Officer

Well, here's the good news is, Brendan, is that our customers are asking us to do more for them. So that's usually a good sign when your customers say, hey, I want to do more business with you, particularly on the services side. We had pulled back from some of the construction services that we had offered previously. I think we're looking at that, again, if it makes sense for us. We know that the customer demand is there. We know that they like the convenience of having a one stop shop and our competitors have provided this. So it's not something we're ready to announce today whether we would go down that path, but we're certainly looking at it. At the end, for us, we believe if we can offer value in services that are scalable, where we can derive a good value for money in terms of what we provide for the customer, this is what we aim to offer in the service portfolio. It's probably just a little bit early for me to fully define that for you and what that looks like, but these are ongoing negotiations we have with our customers to try to figure out how we can deliver the best, most optimized services that meet their needs, but also generates the returns that our shareholders expect.

Brendan Lynch, Analyst, Barclays

Great. Thank you for the color.

Chris Hillabrant, President and Chief Executive Officer

You bet.

Operator

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

Batya Levi, Analyst, UBS

Great. Thank you. Couple follow ups. First on AFFO. The quarter came in better than expected. You started to lower the cost earlier, but there was only a small raise for the year, I think mostly on the lower interest. Can you provide more color on why that performance is not flowing through the year or should we just expect a higher end of that range is more reasonable? And one more follow up on network services, if you don't mind. The softness versus the guidance that you gave earlier in the year, is that a change, do you think, due to a pause in decision-making, given some management changes at the carriers, or are you seeing some cancelation of prior projects? Thank you.

Chris Hillabrant, President and Chief Executive Officer

I'll answer the first one. Yes, I think I mentioned this earlier, but there's been a number of leadership changes and strategy changes at our customers. There's been large-scale waves of layoffs, which has led to some slower decision-making is how I would characterize it in my words. So take it with a grain of salt, which has led to where we are today. Again, not a perfect bridge between what those services are and the leasing activity. So it's not a perfect indicator for that. But finding ways to win the services that we believe that we should win. This is a top priority for us and our services team because we like the services. It's been a good margin. We've improved margin sequentially year-over-year. So we're not looking to exit this space, but the slowdown has been a factor of I think the environment and the leadership changes. But Sunit, over to you.

Sunit Patel, Executive Vice President and Chief Financial Officer

Yes. So I'll break the AFFO change at the EBITDA level and then between EBITDA and AFFO. I think at the EBITDA level, you're right. We have been seeing the benefits from the cost improvements. So $15 million in the cost of sales line, a lot of that in ground rent reductions, some repair and maintenance, and then on the SG&A line, those are durable improvements, and we hope we'll be able to drive more improvements there over time as we've talked about. The service weakness, which takes away from those durable improvements in cost structure have to do just with the environment right now. So this is just what we are seeing currently. We think that will come back again. So that's more just the environment right now. And so, at the EBITDA line, that is why the guidance is not changing.

With respect to the interest expense, you remember when we closed the transaction, we closed it two months ahead of a June 30th assumption. So we updated the AFFO guidance and increased it at the time. And I think this additional $5 million had to do with the timing of how we deployed the proceeds. I think we did a better job between some of the debt pay down. The share repurchase obviously helps some because you do save in dividend obligations that result in some interest expense savings over the balance of the year. And so, it's just timing of debt payments and share repurchases in the quarter. So that's why you're seeing the reduction in interest expense of $5 million, which drives the AFFO guide by $5 million.

Batya Levi, Analyst, UBS

Got it. Thank you.

Operator

The final question will come from David Barden with New Street Research. Please go ahead.

David Barden, Analyst, New Street Research

Hey guys. Thank you for squeezing me in. I appreciate it. I guess I have two questions. One is, Chris, you gave us three growth drivers for the business as we look ahead. Could you step us through the spectrum part of this? So we've got the DE spectrum auction is now closed. And as part of that, we have EchoStar has committed to either selling by 2028 or auctioning by 2029, their spectrum. And then Brendan Carr with their upper C-band auction has come out and said that we might be able to deploy some of that spectrum by the end of 2030 and the balance in 2031. So if you could step us through how you think these things make the growth trajectory for Crown Castle work?

And then the second piece is with the DISH bankruptcy. They are asserting that because they have a lease agreement with you that they can take 85% of a haircut from the net present value of the lease payments that they owe you. Where I think your counterclaim is that it's a contract that has a superior claim. If you could step us through that so we can all understand how you guys think this is supposed to work from your perspective, it would be super helpful. Thank you, guys.

Chris Hillabrant, President and Chief Executive Officer

Yes, I'll start maybe with the last one because I think it's a quick one. Yes, they're attempting to say that the 15% cap would apply to us. If you recall, we canceled the contract early based on nonpayment and accelerated those payments forward. So our position is that the 15% cap under bankruptcy law does not apply because of the natures of our agreements and the claims that we have against them. Classification and size of our claim will ultimately be determined by the bankruptcy proceeding itself, in terms of that. So stay tuned to that. In terms of the spectrum, again, I tried to frame it earlier and I'll try to attempt to do it again for the benefit. There's the short and medium and long-term view of the spectrum and as it will impact, let's be clear, in some cases I'll use one example where AT&T was able to take the 3.45 spectrum and very quickly deploy it through a leasing agreement with DISH across a large number of sites because they already had both the equipment and the antennas that were capable of taking advantage of that additional spectrum. That's one set where it has less effect, overall, other than if they're adding a bunch of additional radios that then break through the loading of our contracts. That's potentially one source of additional revenue.

Secondly, on things like the 600 megahertz which would be a new, new spectrum band, which would require a combination of either new radios or some new hybrid radios to be developed and new antennas to be deployed. Those are types of events which would drive an impact across the industry as a whole. Again, depending on the individual tower company's agreements with the customer is another source of potential growth here, let's say, over the midterm. The larger pool of the 800 megahertz, including the upper C-band which still has to find its way through. There's some clearing phase activities for incumbent users of that spectrum. In addition, there's the issue of some potential issues around FAA and the altimeters that might need to be upgraded.

I think the FCC has actually done a pretty good job in my estimation, having been in the industry a long time, of defining a process by which each of these issues can sequentially be solved. And I would just give you as an example, in the lower C-band where there was an issue with deploying the lower C-band and the industry was able to move fairly quickly and put that spectrum to work very expeditiously. The longer term in terms of the remainder of the spectrum, which I guess is between 1 gigahertz and 10 gigahertz, which you heard me talk about with, Ric, of what goes on the towers and wind loads I think is highly speculative for us. We don't have a sense of that. The only framing, again I would give you, is that the higher the spectrum, the better in use for capacity and soaking up capacity because it doesn't propagate very far, doesn't go into buildings very far. It would lead one to believe that densification would need to happen in order to have a ubiquitous customer experience with customers utilizing those new spectrums being put to use. So it's more of a capacity play than say, the lower band, like the 600, which is more of a coverage play. So this is how we're looking at it, short, medium, long term, 600 megahertz probably being that nearest term driver of potential growth in the industry and then obviously up to what's coming in the future 800 megahertz. I don't know, did that frame it for you how you were looking for it?

David Barden, Analyst, New Street Research

No, that's great, Chris. Thank you so much. And I know we're over time, so thank you and we'll follow up. I appreciate it.

Chris Hillabrant, President and Chief Executive Officer

Thanks, David.

Operator

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