

**Lumen Technologies, Inc. NYSE:LUMN**  
**Company Conference Presentation**  
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# Call Participants

## EXECUTIVES

**Christopher David Stansbury**  
*Executive VP & CFO*

## ANALYSTS

**Brian Badillo**

**Unknown Analyst**

# Presentation

## **Brian Badillo**

Okay. Great. Well, thank you all for coming. Appreciate you've taken the time to join us here. I have the pleasure to be joined by Chris Stansbury from Lumen. Myself, I'm Brian Badillo from Citi. I'm part of the sales team at Citi. So some of you might be aware that we are restricted on the name. So Mike Rollins could not host this. So I'm gracefully filling in for him.

So I'll be leading the session. Lumen has a short video that they'd like to start with. So we'll queue the video, and then we'll go to the Q&A.

[Presentation]

## **Brian Badillo**

Great. Well, thanks again for joining us. I'm going to start out.

# Question and Answer

**Brian Badillo**

It's obviously been an exciting time for you guys recently, very volatile markets, volatile time for the stocks that, if you will, that are around the AI sort of atmosphere. But there's been some very positive news from your company recently. So maybe if we can start out with the strategy of the company here as the financial performance continues to improve. If you can kind of talk about what investors should see going forward, what areas of improvement you're most excited about?

**Christopher David Stansbury**  
*Executive VP & CFO*

Yes. I mean, really, as we've said consistently, we're here to transform telecom. And when you think about the enterprise telecom space, it's a space that has had little-to-no investment in terms of innovation for decades. And as a result, everything kind of gets commoditized and moves down into the right. And at the same time, that's happened when you think about tech players, right, that have now deployed what is the cloud as we know it today and the ability to consume your compute and storage needs on demand. That's exactly what we're doing in enterprise telecom.

And so the digital ability to light up port-to-port connectivity to consume edge, to secure your workloads and to do that in a low latency, high-speed environment is something that no one has invested in. And so we're here to change that. And I think the first, real proof point is what you're seeing happen driven by those cloud providers and hyperscalers who are spending billions of dollars with Lumen to build out the AI ecosystem to support the training of their algorithms.

And so that's the first phase of what we see as a 3-phase journey around AI. It's what we would say are right to win, given the breadth and depth of our network. And as a result, we're winning that business, and it's great to share with the market.

**Brian Badillo**

That's awesome. Great. Thank you. So kind of carrying along on that theme, as you sort of look at the portfolio and you sort of have the growth parts of the portfolio and then you have some of the other parts of the portfolio in harvest mode and such. Can you kind of talk to us about the assets that you have and the portfolio optimization, how you sort of think about the future of those assets? And what kind of plans that you have for monetization on some of the more legacy type of assets like your voice assets?

**Christopher David Stansbury**  
*Executive VP & CFO*

So when you think about the profile of revenue today, roughly 60% of it is in declining categories. You've got our harvest bucket, which is predominantly legacy voice. You've got our nurture bucket, which are things that are still being sold, but sold at declining rates, VPN and Ethernet really drive that. There's things that we can do by improving the customer experience, by improving sales coverage that slow the rate of decline, but we're not going to fix the rate of decline. That's not why we're here.

We're here because of the growth bucket. Dark fiber is a piece of that, but it's IP and waves. I mean, we've invested in 6 million fiber miles over the last few years. There's another 6 million to come very high speed, very modern, 400-gig waves that are scalable to 800 and 1.6 terabyte in the next couple of years as the technology that drives that improves. And that's what companies need because they're trying to get to a certain location, which is generally ubiquitous and everywhere and they're trying to get there quickly.

And so our network supports that. You've got edge and security and a lot of proprietary stuff in that things that have already been built. So a lot of what we're doing is really bringing to market things that have already been invested in. There are some additional investments that come. And again, the fiber that we're pulling and that underlying backbone of conduit, which is really an immensely powerful asset that sits underneath all of that is what gives us the ability to deploy very quickly, both on an intra and intercity basis and no one else can really touch that.

**Brian Badillo**

That's great. As you sort of think about this growth mode, obviously, AI has a tremendous buzz around it right now. When you sort of think about investing in a theme like that, can you kind of talk to the challenges and the -- I guess the pros and cons of trying to invest for a theme? And sort of how do you have the visibility to do so?

**Christopher David Stansbury**

**Executive VP & CFO**

Yes. I think -- I mean, first of all, if anybody tells you that they know what the TAM looks like for AI, they're lying, because no one does know. And we're really in its infancy. I mean we view this first phase. We view it as a 3-phase process. This first phase is training, and that's where the companies that are driving these AI learning algorithms are training those algorithms, they're getting smarter. There's enormous demands around that. That's why you see data center explosion. That's why you see pressure on utilities.

And the further and further away those data centers get from where the data is consumed in search of power and cooling, the more connectivity they need and the faster they need that to be. That's what we see right now in the \$5 billion of business that we announced and the \$7 billion opportunity. The second phase, we would call the inference phase, and that's where large enterprise starts to push new data through those learning algorithms to drive efficiency. And that will be big because that's really where financial services, health care, big, big verticals are going to be driving to improve the efficiency of their operations.

And then the last phase which we think could be another phase of explosive growth is really when AI starts talking to AI. It's machines talking to machines and that will have huge connectivity demands as well. So it's an imprecise science. In total, we think there's at least \$50 billion of TAM as it relates to the connectivity piece. And given the way we're positioned with the underlying conduit-based network, but also the digital services that we're bringing to the market where customers can consume on demand, not just network connectivity but edge compute and their security needs that really unlocks a pathway for us back to growth. And so it's super exciting. It's where our focus is, and we're getting a lot of positive feedback from customers as we start to light up those services.

**Brian Badillo**

And since you brought up those contracts, obviously, a very recent exciting announcement, can you talk more about those, the -- I guess, starting with the structure of why you structured them the way you did. And then can you talk about when you might have some more visibility into the pipeline that you mentioned? And when we'll see more updates on that?

**Christopher David Stansbury**  
**Executive VP & CFO**

Yes. So the \$5 billion of deals that we talked about on earnings, it's more than 10 customers. So it's more than just a few. And the structure is really a structure that's been in place for years. So I've talked about our conduit-based infrastructure. And that's important not just because of its reach, but it allows us to quickly deploy fiber and not have to dig a lot of trenches to go do that.

And so it's a very efficient way to drive enormous scale very quickly. And the way that works is it's a 20-year effectively a lease for that conduit. And then there's construction costs around the fiber that goes into the conduit huts along the way that boosts the signal, that can be computed at those locations. So it's an enormous construction project, but we've built a reputation for doing that extremely well and that bodes well for us in this.

So you end up with a, call it, a roughly 3-year construction window where a lot of cash is received and cash is spent to build that. We're never in a position where we're outlaying cash before we receive cash. So it's very lucrative in that regard. And then roughly 10% of the contract value comes over the time that, that fiber is lit and deployed, where we're earning fees for operating maintenance, space and power colocation-type stuff. So the IRRs on this are very, very large, particularly given the fact that the conduit that is being leased has been in the ground for many decades now. It was very visionary when it was done. But it was never fully utilized, and that time is now with AI.

**Brian Badillo**

So on the contracts themselves, one of the questions that's come up is around margins around those contracts because of the structure. Are you able to share any visibility on that? And how accretive those are?

**Christopher David Stansbury**  
**Executive VP & CFO**

So from an EBITDA margin standpoint, it's very high double-digit, but that's because the conduit was invested in 25 years ago. In fact, it was on the front page of Barron's June of 1999. So almost 25 years later, here we are. And so that asset has been paid for, been depreciated, and so we get great EBITDA margins.

The way we've characterized it is from a cash contribution margin, so EBITDA less the CapEx that's associated with the build, that's roughly equivalent to our current EBITDA margin, so roughly 30% pretax. So there's no way to calculate an IRR, because there's no outflow before the inflow. But the NPV on these deals is significant. It's in the billions of dollars when you take the 5 plus the 7.

**Brian Badillo**

Okay. Great. One of the areas that we've seen some movement in and some progresses on the public sector for you. Could you provide visibility on the public sector? Is that an area of growth for you? And sort of what do those contracts look like?

**Christopher David Stansbury**  
*Executive VP & CFO*

Yes. The public sector is -- if you think about our enterprise business, and we think about it in terms of large enterprise, mid-markets, public sector and wholesale, public sector is, I would say, the closest example to a very customer-focused structure that always existed inside of Lumen. And as a result, we do very well at understanding the customers' needs and making sure that we're bringing services and solutions to the table that meet those needs.

And that drove a lot of big, big contract wins that we've announced over the last 18 months or so, things like USDA as an example, USPS. Those things take a long time to build. Those are well underway now and it's starting to hit revenue, and that's why we've got good line of sight to seeing that revenue recovery. And so we feel very good about that. I would say that on the large enterprise and mid-market space, a little further behind because there was more rebuilding that needed to be done within the selling organization.

But again, tremendous progress, and that's where we see improved rates of sales, and we've disclosed that, obviously, in earnings. I do want to go back, because you asked about where we were on the \$7 billion, and we're making great progress on that. I think the most important data point to share is, we've seen no fallout from that list and the demand for what we have is very high. So while the deals are chunky and it's hard to predict the exact timing of closure, some are closer, some are further out, the reality is we're confident and excited in our ability to execute against that.

**Brian Badillo**

Can we talk a bit about the core business versus the wholesale and sort of with respect to the sales and trends in both of those businesses?

**Christopher David Stansbury**  
*Executive VP & CFO*

Yes. So again, when you think about the way legacy telecom has worked, it's an interesting space. And it's an interesting space because outside of us, there's not too many providers who view enterprise telecom as an opportunity. It's really viewed as a cash cow so that those dollars can go into other things like fiber-to-the-home, wireless, whatever it is. And that's their next best dollar of spending.

But what that leads to over time is as customers are looking for a footprint solution across their ecosystems, while they may deal with Lumen, they may deal with one of our competitors, we all buy and sell to each other. That's the wholesale business. So there's on-net, there's off-net. And what's happened over time as companies have focused less on the enterprise space is you end up getting into a lot of rerate activity. And the rerate activity ends up driving customer disconnect, right? And so we're in this weird moment where legacy is being impacted by that.

Legacy is also being impacted by the fact that companies, while they're encouraging people to get back to the office, they're also shrinking the size of their footprint. That's impacting legacy. So we see that in wholesale, kind of as a leading indicator, we also definitely see it every day in large enterprise and mid-markets.

But when you look at the digital portfolio that we're bringing, which is a big reason why we've won these large deals because the companies that we're selling to want access to those tools as well is -- that is going to allow companies to consume network more efficiently. You'll be able to -- just like you can go in and buy cloud storage and compute through your laptop, you'll be able to buy networking that way and instantly fire up port-to-port connectivity as an example. So companies will be able to pulse up as they need to. They'll be able to easily self-provision. And we think that's a huge share-taking opportunity for us as we unlock the flexibility around that consumption.

**Brian Badillo**

Great. And then some of the other businesses, the services side, can you give us some sort of clarity on how those businesses can become sort of steady, if you will? Are you thinking about them as recurring sort of revenues? Or are those always going to be treated as more one-offs? And are you planning on growing that business? Or is that maybe something you would divest?

**Christopher David Stansbury**  
*Executive VP & CFO*

So when we think about services, there are certain aspects of services that we would sell. And we've obviously sold some things over time. I don't think inside of the portfolio, there's a lot in terms of upsize that's still there to sell within enterprise. There's the consumer question, which we can get into, and we can talk about. But there's probably some pockets inside of Enterprise.

The real opportunity for us is how do we drive more efficiency inside of the network, because while we do have a declining legacy portfolio, it can be enormously cash-rich for our investors. And more specifically, today inside of Lumen, we operate -- in enterprise specifically, we operate 4 networks. And it's really driven through acquisition. They were never integrated.

So you've got Global Crossing, Level 3, CenturyLink and TW Telecom and we refer to them by colors, just for internal nomenclature. And if you talk to some of our bigger customers, they know they've got to buy this much green and this much red and this much blue to build out a solution. But that drives enormous complexity because there's a dozen order entry systems. And those order entry systems each drive a piece of a customer solution and the customer can't see one thing, right, that's being delivered at the other end.

So there's a lot of human intervention to make all those things work. By the end of this year, 70% of that network will be unified. By the end of next year, the entire thing will be unified into one. That allows us to go hard at legacy IT that needs to be turned off once and for all. It allows us to more efficiently manage truck rolls where a truck roll is required.

And most importantly, it allows us to get to the digital future where you don't have as many truck rolls. And that's why we see \$1 billion coming out of the business over the next 3 years as we push to unify that. So I think that's our bigger opportunity inside of the enterprise space -- the core enterprise space than divestitures. There'll be some, but that's the big one.

**Brian Badillo**

Okay. Great. And while we're on divestitures, consumer is going to be the next one, maybe you can provide an update on that.

**Christopher David Stansbury**  
*Executive VP & CFO*

Sure. I mean there's no formal announcement. We've been very clear in saying we've got 2 great businesses. We're going to invest in both. But ultimately, the consumer space was one that needed to be consolidated and we weren't going to be the consolidator. And I think what we're seeing now in the market is things are heating up, right? There's more transactions. The assets we have are desirable.

And certainly, with the investments we've made and the penetration we've continued to drive, so we're hopeful that the current environment is bringing closer in the ability to monetize that. I think the important thing from our standpoint is, we're happy to think about the whole thing. We're also happy to think about it in pieces. And the reality is that we have a copper business that drives a lot of cash flow and EBITDA, and it's obviously in decline. And we have a fiber business that because it's in a heavy investment mode and driving penetration doesn't generate a lot of EBITDA and consumes a lot of CapEx.

So when you think about either a whole or a part of that, it can have a material impact on leverage, on free cash flow and just the underlying valuation of the company. So we'll continue to explore that and as we have more to share, we will. But the team is doing a great job, and we're really thrilled with the work they're doing.

**Brian Badillo**

Great. By the way, if there's any questions from the audience, happy to just jump in, and I'll keep going. Can we talk about financial milestones. You kind of brought up debt there, just in general. Can you maybe talk about when you guys will be returning to EBITDA growth, revenue growth and generate sort of sustainable free cash flow?

**Christopher David Stansbury**  
*Executive VP & CFO*

Sure. And we view it really as 3 things in order. First is free cash flow and the \$5 billion in deals. The way we've talked about it externally is the market, we were all modeling a funding gap, right, over the next 3 years or so. And that funding gap was driven



by the investment needs of the core business, the higher coupon as we pulled forward some of the maturities as part of the debt renegotiation, some pension funding and also the pay down of near-term maturities.

The \$5 billion filled that gap. So from a free cash flow standpoint, we're good. And that's with some pretty conservative assumptions on legacy declines. I mean, I think some very realistic assumptions there. So to the extent that we're successful, and again, we're really excited about where we are in those conversations on the \$7 billion that adds to that. So free cash flow, we feel very good about.

EBITDA comes next. And it comes before revenue because of our ability to drive cost out as we drive a better customer experience and get rid of some of those technical debt that we've talked about. And so we've said consistently that we felt that the bottoming out point would be '26 and we grow thereafter. We're still committed to that window but I think it looks a little different.

Next year, we still have declines because we have legacy. We've got some added OpEx to support these big network builds. And we've got some pull forward on OpEx to unify the network. I think '26 EBITDA actually bounces back up. So our early read at this point is '26 EBITDA looks a lot like '24 and grows thereafter. So it's almost a V-shaped recovery.

And then on revenue, that's going to be a little further out. That's probably another 18 months, 24 months beyond that. But you will see a rate of improvement in the declines as we move through that window, where it's pretty clear that those lines are going to cross and we'll get back to growth on the revenue side.

### **Brian Badillo**

Great. And then I guess, just on that same thing, because AI is becoming such a big part of this equation. That TAM expansion that you -- or the TAM you mentioned earlier, do you see that growing as those years go by? Or is the inference phase sort of take over and it's sort of stabilized for you?

### **Christopher David Stansbury** *Executive VP & CFO*

Again, very early days. We see all 3 phases as a \$50 billion-plus TAM opportunity. We believe that's our right to win because we're the only ones really investing in that space. And so we'll be very focused on that. But the reality is that AI and the digital consumption of networking is what's transformative. And if you think about it, I mean, Lumen built the backbone of the Internet, right, and the companies that it's acquired over the years.

And we see most of the Internet's traffic today. We're now building the backbone of the AI economy. And so we don't know where that ends. But the reality is, when you look at the explosion of data centers and whatnot, yes, we're in a hyper growth mode right now. But those machines that are learning and driving algorithms don't go to sleep at night. They don't take vacations. They're insatiable. And that will require high capacity, high reach and low latency. And we think in that is an enormous amount of opportunity for us as we go forward.

### **Brian Badillo**

Great. Can you talk about the customer verticals. We kind of touched on them in high levels, but just sort of if you were to bucket them and sort of the revenues across them and sort of how you improve share in each of those buckets as you go forward?

### **Christopher David Stansbury** *Executive VP & CFO*

Yes, they look a little different from one to the other. As I said, I think we're doing really well in public sector. In mid-markets, there's been a really concentrated effort to increase our partner ecosystem. There's no way to really efficiently sell to that segment of the market purely on a direct basis. Direct has a role, but you've got to rely on a partner ecosystem that has much greater reach.

And that's been a huge part of our focus over the last 18 months. And we're starting to see some benefits from that. Large enterprise, it's really some of the same. So if you think about large enterprise, where direct has a much greater role, I think there are certain selling motions where a partner ecosystem can help us enormously. So you think about things like renewals, which is a big piece of the business, right, customers out of term? How do we sell them the next best thing. That's where we can rely more heavily on a partner ecosystem, and that's being built as we speak.

So each segment required something a little bit different, but there's been an enormous amount of work done there. We're starting to see some improvements, but we're also adjusting on the fly, again, we've got to be nimble as we work through the turnaround, and we continue to improve.

**Brian Badillo**

So macro. One of the things that's obviously topical given especially these choppy markets these days and everybody is trying to figure out soft landing, recession, et cetera. Can you kind of talk about how that affects you? Do you guys think about that internally? Does it change your plans and how you invest and sort of any sort of enlightenment, if you will, and perhaps opine on interest rate impact as well?

**Christopher David Stansbury**  
*Executive VP & CFO*

Yes. I mean, obviously, we look at it -- I mean, my team looks at a great deal, because of the impact on rates. Obviously, we're highly levered right now, and we're continuing to chip away at that, but rate changes do have an impact on us. And we just reduced our cash interest guide for the year because we do see, obviously, rates coming down as we go into the back part of the year. So that's a good thing.

The broader economic context, I don't want to say it's not a concern, because it obviously is. But it's to a lesser concern because of where we're focused. Again, when you think about efficient networking and easier to consume and turn up, turn down and the ability to consume, compute on-demand through our edge nodes rather than having to build it yourself or using AI algorithms to drive efficiency and ultimately needing the high speed and the reach of the Lumen network that only bodes well for us, right?

So I think in a growth environment, companies are going to be leaning into that to see what they can do to drive growth as well as to drive efficiency. And in a tough market, I think AI is going to be a huge lever that companies have as we go forward. But that underlying connectivity is a critical part of that build. And so I think we're well positioned under either scenario.

**Brian Badillo**

Sort of a broader question on AI just because you're so close to these customers. One of the big things that everybody tries to figure out is we're in growth mode for AI, but a big question is ROI for these businesses that are investing. Do you get any insight into that and how the -- your customers are thinking about that and when there's actually a business impact for them that allows them to keep investing?

**Christopher David Stansbury**  
*Executive VP & CFO*

It's interesting. I would say that, again, the cloud providers, the hyperscalers in this first phase, they're not concerned about that, right? These are obviously companies with very deep pockets. They're cash rich. Their decision is, do I buy it from Lumen or do I build it myself, right? But the entirety of their focus, and it's one of the reasons why we're attractive in that conversation is speed. I think there is a race to make sure that no one gets behind the other one because whoever is out there with the best algorithm first is going to have a huge first-mover advantage.

And so there's an enormous concentration of investment around that. And the belief is the returns will follow like has happened in so many other places in tech. And so I think that's what's driving a lot of the dialogue today. The proof will be ultimately when large enterprise will be the first adopters is how far they push that. I think we're at the early phases. I think companies have dabbled.

We're certainly using it internally in our partnership with Microsoft around things like Copilot, but taking it to more of physically doing thinking with inside of the enterprise, we're not quite there yet. And so we have to see how that monetizes. But when you think about what that could look like in terms of capacity and cost it's pretty attractive. So the answer is no, not yet. And I think if anybody tells you they do know, they're lying. But just logically, it makes enormous sense given what these algorithms are starting to do.

**Brian Badillo**

Any questions from the audience? I can keep going, otherwise. Yes, please.

**Unknown Analyst**

So you mentioned that you have some -- a number of customers like up to 10 for the \$5 billion deal, and that's the situation. But given that they are hyperscalers, how big are the biggest customers and then \$5 billion of the \$7 billion opportunity?

**Christopher David Stansbury**  
*Executive VP & CFO*

So the -- so it was over 10 in the \$5 billion. I would say that the construct of the \$7 billion looks much the same, so it's over 10 as well. There's a little bit of overlap. So some additional things for some companies that were in the first batch, but there's also a lot of net new. But the underlying structure of those deals looks a lot the same as the \$5 billion. Did that answer your question?

**Unknown Analyst**

I was just wondering how big does the largest customer get in these deals given that they're hyperscalers?

**Christopher David Stansbury**  
*Executive VP & CFO*

It's -- we haven't disclosed that. We obviously have to be careful for competitive reasons, and we're not going to say anything that would expose any one customer. We're very protective about that. But there are some really big ones and there are some smaller ones. But it's not concentrated to just a handful of customers.

**Unknown Analyst**

What impact, if any, does BEAD funding have on your business?

**Christopher David Stansbury**  
*Executive VP & CFO*

So that obviously is an impact for the consumer business. Our view has been that we'll obviously participate if we think that there's an opportunity there. The reality is, is that the returns around the BEAD funding are often hard because it's a bid down process.

And so we're not going to do anything that just doesn't make sense to do. And it's easy to cross that line, if you're not careful. We want to expand connectivity wherever we can do it, but we've got to do that in a smart way. I think the way that we can impact that in a more positive way is through things like we did with the state of California, where we're taking capacity we have in our network to help build the backbone of what they will ultimately build off of that. And that's where we see ourselves as being able to achieve both, right, to get the Internet into more people's hands, but also do it in a way that makes economic sense for us.

**Unknown Analyst**

Curious. Did you see the Unity deal? And is it very similar to the \$5 billion that you've already signed?

**Christopher David Stansbury**  
*Executive VP & CFO*

I'm not as familiar with that, no. I can tell you that the conversations that we had were do the customers build it on their own? Or do they buy it from us? There was no one else and the competitive conversation, because no one has the intra and intercity reach that we have. There's no one -- there's really no one else that can do that at the scale or speed that we can because of the conduit-based nature.

**Unknown Analyst**

Yes, that's my question. Do you think you did not have a conduit in the ground already that the economic decision for the customer would come out the same way where they've built in both instances?

**Christopher David Stansbury**  
*Executive VP & CFO*

I think if it was a greenfield situation, it potentially could have gone the other way. I mean, candidly, I would say had we not gotten through the debt noise of last year, I'm not sure we would have won the deals either, right? Because the amount of focus that would have taken away from the business as we were navigating through that, would have been noise. And these customers, they've got financial options, they're worried about execution and speed and the focus that drives that. So I think for us, the debt piece and getting that behind us was most important.

**Unknown Analyst**

The deals that we're doing right now, do they require -- you're doing a lot of fiber development -- deployment and then a lot of obviously network upgrades, which would cause whatever the CapEx amount would be and then it would be just essentially, but that would take a while for that to happen, right now...

**Christopher David Stansbury**

*Executive VP & CFO*

Yes.

**Unknown Analyst**

So the revenue that you talk about, is that like starting from 2026 or 2025?

**Christopher David Stansbury**  
*Executive VP & CFO*

So a couple of questions in there. The CapEx that's required to deploy the \$5 billion and a huge piece of the \$7 billion is new fiber and huts along the way where the signal is powered where there can be racks and whatnot. So there's a -- it's a huge undertaking. But there's very little new conduit that's going in the ground. Now in the \$7 billion, there's a piece that could be new routes, but that would be the case, but they would be priced accordingly.

So no, there's no kind of trailing CapEx surprise at the other end of this. The front end of the project, the first roughly 3 years, is where 90% of the cash is received and all of the CapEx is spent. And that yields a very attractive cash return for the company. Over the -- on the revenue side, there's 2 components to the revenue, if I oversimplify.

Once the services are lit up, we start to amortize in the revenue that's associated with that build upfront. Now that will be noncash, right, because the cash is received upfront. Roughly 10% of the contract value is revenue and cash that's earned in year as services are lit up, and that is for space and power, colocation, operating and maintenance if customers ask us to maintain those networks, which they usually do. So that's how that flows.

**Unknown Analyst**

Just a quick follow-up on that. So that means that all of these projects you're talking about are brand new fiber and optical builds or do you actually have a lot of extra capacity right now that can be sold to these customers right now?

**Christopher David Stansbury**  
*Executive VP & CFO*

It depends on the specific route that you're talking about. But the reality is, is that as -- there was a vision 25 years ago that the CEO of Level 3 had to build this conduit ecosystem. And over the last 25 years, the fiber technology has advanced dramatically. So not all of the conduit had been utilized, and that's allowing us to do these things.

Now we do think that because of the relationship with Corning, that we disclosed and the advances in fiber, we have the ability to increase the capacity in existing conduit that's used by ripping and replacing. And that's something that we can do in time as we need to. But obviously, it's not infinite. Yes, there is capacity that exists, but we're smart in how we deploy that. We're smart in how we price that. And as we go forward, we can look at other ways to increase capacity as I said.

**Unknown Analyst**

By unifying the networks that you have, does that create opportunities to simplify the cap structure or to introduce new elements to it?

**Christopher David Stansbury**  
*Executive VP & CFO*

Yes. Yes. I mean, again, I think if you look at our capital structure, it didn't do us any favors last year, obviously, when you got competing interest inside of what we think as a management team of just Lumen, right, that business we're trying to run. So over time, we'll definitely look for ways to do that. The unification of the network less so because the reality is a lot of that does sit inside of Level 3 today. It's really more what happens with consumer. And those proceeds, if there was a transaction there would be very focused on Lumen and Quest. And then obviously, the \$7 billion in deals allow us to do things as well. So over time, you will continue to see a desire from Lumen to simplify that structure because it's not doing us any favors.

**Brian Badillo**

Just a question, we're almost out of time, but just a question around the IRUs. With regards to the credit agencies, how do they view those type of contracts, do they give you credit for those? And then can you talk about the tax treatment of those -- of that structure as well?

**Christopher David Stansbury**

*Executive VP & CFO*

Yes. So the tax, even though the revenue is amortized over the life of the contract, the IRS likes to get paid upfront. So we will be paying tax on those -- on that profit, if you will, the year after the cash is received. And so that's part of our thinking when we talk about funding the gap.

As it relates to the agencies, we had some great conversations. I mean this was an oh wow moment for them. Obviously, they're conservative. That's their job. We have seen some movement, and we're pleased with that, but we'll continue to keep them informed as we move along the journey. And I think as we attack that \$7 billion and have the bigger conversations around consumer, there's a lot of opportunity there.

**Brian Badillo**

All right. With that, we are out of time. So thank you very much for spending the time with me and I appreciate it.

**Christopher David Stansbury**

*Executive VP & CFO*

I appreciate it.

**Brian Badillo**

Alright. Thank you.

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