

# Chris Stansbury Fireside Chat at the NewStreet Research & BCG Future of Connectivity Leaders Conference

---

03/26/2025

**Lumen Participants**

Chris Stansbury - Chief Financial Officer

**Conference Call Participants**

Brandon Magsamen - Boston Consulting Group

**Brandon Magsamen**

Well, good afternoon. Thanks for joining us. I'm Brandon Magsamen, from BCG. And I am delighted to have Chris Stansbury, CFO of Lumen joining us. You've been CFO for three-years, it probably feels like 30.

**Chris Stansbury**

Yes, that's right. Yes, they're like dog years.

**Brandon Magsamen**

Yes. And it's Lumen with an E not an O.

**Chris Stansbury**

Correct.

**Brandon Magsamen**

All the Severance fans out there. So you've had a jam packed three years. I know there's a lot to cover. So today, we're going to talk about a few things on people's minds. So the first is portfolio rationalization, right, with the sale of parts of the consumer business; the path back to growth and kind of the core enterprise services, EBITDA growth, which is always good; and the remaining kind of PCF private connectivity fabric opportunity. So, is that a good thirty minutes for everybody? Good, okay. So Chris, you had a really busy 2024 and even before that. But just can you give us a quick run through of what happened in 2024, your accomplishments and how those are teeing you up for 2025?

**Chris Stansbury**

Yes. I mean, interesting, this morning, Fortune named Lumen as one of the most innovative companies and we're on their list. And it's not lost on us that that's really on the backs of, you know, restructuring of the year last year. So you think about the number of things that have had to happen inside of the company as we dealt with some of those legacy issues around the balance sheet but have really driven an intensity around where we take enterprise networking from here and the recognition from Fortune today. I mean, it really kind of sums it up. The balance sheet negotiation, which took a lot of time and it was what it was, it really was a huge unlock, because it gave us time to address the transition and the transformation of the company but it also cleared the path for us to go sign those \$8.5 billion of PCF deals with an additional \$3.5 billion of opportunity, because look, those are big customers, they didn't want the distraction. And we knew those were coming. We could see it. So getting that behind us, really enabled that, which then solved a lot of cash flow issues. And then we've been able to build on top of that and we'll get into that as we talk more about enterprise and where we go from here.

---

## Question-and-Answer Session

### Q - Brandon Magsamen

Good. Okay. So let's talk about 2025 then. I don't know if we're in the second inning or inning you would call it of the game that we're in. But let's talk about the consumer business, because people want to go right away. So there was also an article yesterday. I know you guys don't really comment on rumors. They are out there. But I have a different question. So if a sale did happen, like, what would that look like for Lumen financially and strategically?

### Chris Stansbury

Yes, and you're right. We don't comment on rumors and specifics of any rumors. I think -- here's the way to think about it. I mean, strategically, our right to win is in the enterprise space and we'll get into that in more detail. We've got a very different way of delivering networking to large enterprise customers. It's disruptive. It'll bring value to those customers in a way that they've never had it before at a time when it could not be more important. So more on that later. As it relates to consumer specifically that's really where, I would say, we don't have a right to win. I don't think there's any disagreement that that market is moving to one of convergence where the sale of wireless, as well as fiber to the home in that bundle allows a strategic buyer, if you will, to drive more enablements, more penetration, less churn, more stable pricing. It's just an economic scenario that Lumen couldn't deliver without that wireless offering. And our footprint is really valuable. So we've been very public in saying that this was a market that needed to consolidate. We've said that for the last three years and I think that's obviously starting to happen. And now as a time for that to happen, we've also said we wouldn't be the consolidator. And given the footprint we have, given the assets we have, there's a lot of interest.

But let's put some context around it. If the rumor were true, right, and I'm not saying it is, I'm not saying it isn't. but if the rumor were true, it would fundamentally change the financial landscape for Lumen, because it would allow us to at close eliminate 25% of our debt. It would mean very little loss in EBITDA, because our fiber business today is in investment mode to drive penetration. And it would mean that we walk away from a continued investment of a billion dollars a year in the consumer business. So the numbers that have been thrown out are actually really close to what people have been paying for consumer fiber to the home. What I think the market at times has missed is that we are not interested at all in selling any of our enterprise assets. The backbone of fiber that last mile is so critical to our enterprise aspirations that keeping it was always the intent. And to sell it would mean we'd have to get an enormous multiple on it and that's just not on the cards, that's not what the market is paying for enterprise assets today. So that's really where it would leave us. But it -- a substantial de-levering of the company, we'd probably be 3 times levered or below with a very stable free cash flow generation, especially with EBITDA pivoting on an annual basis next year and very focused on enterprise as we go forward. So it's a win, win, win across all of the financial metrics and strategically it sets us up to be very focused against our enterprise aspirations.

### Brandon Magsamen

So staying on this, on the consumer side for a minute. There's obviously a number of strategic scenarios, options, like how far along are you in the process and how well fleshed out are sort of the desires of some of the...

---

**Chris Stansbury**

Well, we haven't announced the process and we never have and we never will. What I would say is there's a lot of interest. And publicly we've said that if there's a transaction to be had, it would very likely be just for the fiber. People aren't paying multiples for the copper. And again, with the copper and those wire centers there's a lot of enterprise assets that we don't want to part ways with. So our view is that the copper EBITDA that we generate today on the consumer side is long term in nature, it's going to decline over time. But it's probably around for seven to 10 years, because it sits largely in very rural areas where it's highly unlikely that fiber will ever get built. And so that value to Lumen is much greater than a low single digit multiple to sell it today. So I think it's -- if something happens, it's fiber only. We largely keep the EBITDA that exists in that business today. We jettison the CapEx and we, day one, reduced 25% of our debt.

**Brandon Magsamen**

Makes sense. And so if you play forward that fiber only thesis and you -- the remaining business is focused around kind of copper, what's the plan for copper decommissioning over time across the business?

**Chris Stansbury**

Yes. So -- and that's something actually BCG has helped with. It's complicated, because if you think about that business, you have to look at it wire center by wire center. So ultimately, you've got a group similar types of wire centers with similar types of wire centers, because in some cases you may not have a lot of land value and you can keep those assets running for a really long time because you're not going to unlock any other asset value. And as long as it's efficient to power those networks, we'll keep running them. In other places where we have more valuable real estate, it's a play where how do we move right where we don't need as much space as we used to need just given technological change, so is there an alternative we can find and then we can unlock that real estate value. So there's so many layers to it. Then there's the whole copper harvesting side of it, right, which, we're only beginning to scratch the surface on. But there's -- it's complicated but it will be by wire center type and I think there's a lot of value that can be extracted there over time.

**Brandon Magsamen**

Okay. I know we could spend a lot more time on the consumer side. I'm sure folks would like to. But in the interest of not addressing rumors, I think we'll move on to enterprise side.

**Chris Stansbury**

Yes, let's see that.

**Brandon Magsamen**

So you've talked to me about turning the page from the old to the new, if you will, in enterprise business. Just to be honest, what does that look like, what does that mean?

---

**Chris Stansbury**

Yes. I mean, the enterprise landscape, historically, I mean, it's really been plagued by underperformance. And I think that's a cloud that does hang over our heads, because I think people are wondering okay, this sounds great, but is it really believable. Here's the fundamental problem with enterprise networking historically. It's only been about connectivity. And there -- with connectivity and with innovation there is price deflation. And we have proven, right, and others have proven in the space that you can not outrun price deflation with scale. It's impossible. Look at where our leverage was, look at the balance sheet that this management team walked into, look at the balance sheet of others who are pure play connectivity providers, right, it screams that that's not a pathway. So what happens is that you end up with people managing that business to harvest for cash. There's been a massive under-investment in that space in terms of innovation, and that's the opportunity. We have a huge footprint, right, that has been underutilized and we've been able to unlock some of that with PCF and I know we're going to talk about that. But we've also got the opportunity at a time where you've got a multi-cloud environment in large enterprise with AI layered on top of it where you can't have latency, you need immediate access, it's expensive to access today. And all of that we can unlock with the network, that's what we've been investing in. We've got a big head start and that's where we go. So it's just a totally different mindset.

**Brandon Magsamen**

So makes sense. The trusted network for the economy.

**Chris Stansbury**

Yes.

**Brandon Magsamen**

I guess, what are you doing specifically in the enterprise business that you think is differentiated beyond PCF?

**Chris Stansbury**

So historically, you want network connectivity. You need to get from A to B, you call your provider and they'll tell you that we'll get that figured out over the coming weeks if not months, depending on where you're trying to get to. And we're going to have people in trucks driving around, plugging things into other things so that you can get that connectivity. If you think about compute and storage that's exactly what happened 20 years ago in compute and storage, right? We need more. What do we need to do? We need to find land, we need to build a building, we need to make sure it's got enough power, we need to buy servers and storage arrays and all the things and build it ourselves. And it took time. Today, we're in a world where you log onto your computer and in minutes you can power that up, that's exactly what we're doing to the network. So the ability to deliver port to port connectivity on demand anytime, anywhere in a very efficient way in minutes is step one. But the big unlock, again, in a world where AI really matters and we'll talk about that when we talk about PCF, you can't have that latency.

And today, if you're a large enterprise and you want to access your own data that sits in the third party cloud, you've got to go through a third party location, pay across connect fee for every bit that runs through that wire back and forth to access the data. It's slow, it's clunky and it's really expensive. Well, in our network, there'll be direct cloud on-ramps. So from your enterprise to the cloud data, you could pull it down to our edge of network compute environment, manipulate the data, do what you need to do around your API development or whatever it is and then push it back where it needs to go. All on demand, all without paying cross connect fees in a really low latency way. And so that's the huge unlock. There's services that can layer on top of that around security, as I said, edge compute and other things that we'll ultimately talk about later this year. But no one else is focused on it. Everybody else, in our space, is focused on the consumer side and harvesting cash from enterprise to fuel those desires. So that's our right to win, as I said earlier.

**Brandon Magsamen**

So -- but you have -- old habits die hard, right? You have a large installed base that's got ingrained buying behaviors. What's happening to price as you go through this evolution?

**Chris Stansbury**

Yes. So again, price deflation over time. And if you look at our legacy business and you talk about turning the page, our legacy business really is the past and that's real. If you look at our revenue today, about 60%, just under 60% of our revenue are those legacy products. And if you look at their declines over time, they're going to be around for a long, long time. And those businesses are businesses that we manage for cash that we do our very best to manage churn, not have a lot of price erosion, because it's enormously valuable to use those resources to reinvest in the future, which is the next side of the page and that's the digitization, that's the ability to consume those products on demand. As that happens and as we're delivering value to enterprise through disruptive means, like not paying cross connect fees, we believe that that's, A, a share taking opportunity, right, because people need to be on our network to consume those things. But B, that actually slows a lot of that price erosion, because we're bringing financial value to enterprise. We're bringing it in a different way. It's not by reducing price, it's by disrupting other expense streams that they have in a beneficial way to the customer that's beneficial for us. So that's really where we're taking this.

**Brandon Magsamen**

Okay. So bending the curve turning the inflection point on pricing or push up...

**Chris Stansbury**

Yes.

**Brandon Magsamen**

But if you put that all together, I mean we all know the enterprise segment here is in mid single digits decline kind of, right, in aggregate, right. So -- but you're saying that the revenue is going to come back to a point of growth at some point in the next few years. How is that? Is it that you're just taking share, is it playing in specific pockets. What's the view there...

**Chris Stansbury**

If you look at our portfolio today and everything in that portfolio grew or declined at market rates. So IP and waves grow at market, legacy voice, VPN, Ethernet decline with market. Just take that as a base assumption. You layer in the PCF deals that we've already signed and don't count anymore, right, and again there's a real opportunity there. And then you put a little bit of digital innovation on top of that, a few hundred million, not a ton. You actually get to a point of inflection in '28 or '29. So this isn't high hopes and big bets that we're making on revenue inflection. It's really the starting point of where we are with over 42% of our revenue and well over 50% of our sales being in newer growth products today. And basically, projecting those trends forward, we get to a very good place. So we're already declining at a rate that is much better than the market, because of that mix. And again, the innovation on top of that, the hard part to predict is where in time do what we think is a real explosive J-curve come into play, we're not betting on that when we say '28 or '29. So there's an opportunity if we can get those things pulled forward and adopted faster than we could grow faster than that. But the goal has always been cash flow first, EBITDA second, both of those we've talked to and then revenue And I think we're well on the path to doing that.

**Brandon Magsamen**

Okay. So you're seeing that the inflection point for revenue at some point, you're also talking about inflection point for EBITDA.

**Chris Stansbury**

Yes.

**Brandon Magsamen**

And you said publicly billion dollars in savings, I know you've been working at that. We've been working at that. How are you feeling about that? What are some largest levers you're seeing to drive that billion dollars in cost out and how you're thinking about it?

**Chris Stansbury**

Yes, we feel very good about that. We're very confident in our ability to deliver against it. We said that we'd exit this year at \$250 million and again, we feel very confident about that number as well just in the interim. Really, what's underneath all of that is and again this speaks to the space and why I think it hasn't been successful and why there's such an enormous opportunity. Like all of our competitors, we have multiple networks today. We have four networks. So if you're a customer that is used to buying networking from Lumen, you know how much CenturyLink, Level 3, TW Telecom and Global Crossings you have to buy. You don't have one customer experience. Our own operations team that has to deliver those services to customers can't see one order to the customer. It's coming from 13 order entry systems, it's a mess. And it's a mess because it's never been invested in the back to that kind of outrunning price deflation with scale. It's always been about reducing headcount not investing what really needed to be done in the IT stack to clean things up. So the big opportunity here is to combine those four networks into one, which then allows us to digitize when you think about the product road map going forward but it unlocks an enormous amount of cost around real estate and IT and things like that. So that's really what's driving it. And by the end of this year, we will effectively be one network. We can go forward with one order entry system on everything new coming in. We're not going to try to consolidate the old that's messy and expensive and time consuming. We'll let those run down over time. But that's really what's driving a lot of the savings.

**Brandon Magsamen**

Yes. So the savings is in service of the growth, obviously...

**Chris Stansbury**

Absolutely. And so from an EBITDA standpoint, there's really, I would say, two things that are driving the inflection. One is the modernization and simplification. The other is the rate of decline in revenue will start to slow. It gets back to that mix that I talked about earlier. Without making huge aspirational assumptions, we should see the rate of decline on enterprise revenue in '26 be notably improve to where we were last year and what we expect this year.

**Brandon Magsamen**

Yes. As you think about the timing of all this, right, you said 250 million this year in EBITDA improvement. How do you see that playing out towards the billion dollars over the next few years, and also on the investment side, like it's not cheap...

**Chris Stansbury**

No, it's not cheap. And we've got -- we've highlighted in our special items, a big investment to go do this. It's got a very quick payback just given the size of the dollars we're talking about. We have said 250x at this year, a 1 billion x at 2027. We haven't said what that is yet for '26. And frankly, we've got some estimates obviously in there for what ultimately led to our guidance for '26, our preliminary guidance for '26. But we're hard at work right now trying to define just how much that really is and pushing as hard as we can.

**Brandon Magsamen**

Okay, very good. Should we talk about private connectivity fabric, PCF?



---

**Chris Stansbury**

Sure.

**Brandon Magsamen**

8.5 billion realized, another 3.5 billion out there you're still chasing. How are you feeling about the remaining 3.5 billion?

**Chris Stansbury**

Look, we feel good about it. And again, I think there's a lesson in this. First of all, what I want to be really clear about is we love the PCF deals. That first 8.5 billion monetized an asset that hadn't been monetized in 25 years, it's conduit that was put in the ground 25 years ago. And because of the advances in fiber technology, it was never needed. And so that asset has enormous value in a world where hyperscalers are trying to train their AI learning algorithms, because the conduit's already there and we can deploy very quickly. So love it but it's not our future. Our future is the service layer, and I want to be really clear about that. On the 3.5 billion, those are new builds. And I think what's really interesting there is we can effectively get pretty much from any major metro to any major metro today with our footprint. A lot of what we're talking about in that second phase is eliminating nodes. But why is that important? Because latency kills AI. Why is that important? Because today's way of networking for large enterprise has lots of nodes. It's a precursor to what's coming in the large enterprise segment and that's why what we're doing is the right thing at the right time. So on the 3.5 billion more specifically, deep in conversations, we'll say more when we can complicated, much more complicated. There's a lot of technology being used to come up with good cost estimates, LiDAR on drones kind of things. So that we can get to good numbers with our customers but the conversations are progressing really well.

**Brandon Magsamen**

Good to hear. And you talked about it, right, I mean, the upfront margins on that first 8.5 billion was fantastic. As you go into these new builds and have to invest more, how do you think about those margins and those deals and making sure that's still very...

**Chris Stansbury**

Yes, the margin profile will be very similar. It's a more complicated, more lengthy build. But the customers understand what it takes to go do this. The margins look similar we will -- and we'll provide some color around it when we can. We will also choose to make some incremental investment. It's not going to be to the extent that was done 25 years ago. But we will put some additional conduit in the ground to provide some capacity for large enterprise going forward. But the margins look very consistent to what we saw in the first batch.

**Brandon Magsamen**

Okay, good. Look, I guess putting it all together, I mean, you've touched on the balance sheet shore up. You've touched on portfolio moves, right, with consumer business. You've touched on enterprise revenue growth, new products, pricing models. You touched on EBITDA and of course these major deals. How are you doing all of this?

**Chris Stansbury**

---

Yes, if there was a one word answer, and I don't mean this lightly, it's culture. I can not tell you how different the culture is from when I arrived three years ago. It was very much a playing to not lose culture, which is we've got a dividend we need to pay, what can we do to get cost out bit by bit. And at the same time that was going on where we weren't really investing in things like collapsing four enterprise networks into one. We weren't thinking about a digital future. We were staring down the barrel of \$20 billion of debt, 10 of which was due in 2027, right? So the only way we were able to tackle those big issues, eliminate the dividend, deal with the debt, invest more heavily, capture PCF deals, prepare ourselves for the digital future. We've already launched NaaS and we've talked about cloud on ramps, and it'll be more later this year is by changing the culture. And that culture really has shifted from playing to not lose to playing to win. We are a far more aggressive cost company, we're partnering with customers to develop these solutions. These things aren't baked in a lab where we think somebody's going to buy it one day. These are done in conjunction with large enterprise CIOs and they're not asking us why. They're asking us how fast can I get my hands on this, because they see the value that it unlocks for them and what it brings.

And the only way you do that is by changing the culture and the mindset, and the way you do that is you bring in the best talent. And if there's one thing that is enormously rewarding for the leadership team and just as I look at my peers and the people they brought in, the people that have joined this company, it is a staggering roster. And I'd encourage people to take a deeper look at that. And people are coming because they're familiar with the network, they see the opportunity, they want to be part of this disruptive change. And I have never seen this level of talent in one place in my many, many years, right, of doing this. So it's exciting. And yes, there's crazy days, there's good days, there's bad days that'll continue. But I have no doubt we're going to win and it's because of that culture and it's because of that team.

**Brandon Magsamen**

It's a great point. And you're hearing a strategy from [indiscernible], right, I think you have right culture, eat strategy for breakfast in your cafeteria.

**Chris Stansbury**

Yes, I think that's right...

**Brandon Magsamen**

So not lost on us and glad to hear that. So I guess putting it all together then like, when you're successful with this transformation, which is massive and far reaching in three to five years. What does Lumen with an E look like at that point?

**Chris Stansbury**

Yes. I mean, strategically as we said, it's enterprise focused. It is the trusted network for AI. But what that really means is it's not just about connectivity, that's table stakes. It's about unlocking the value in the network for CIOs, for large enterprise to consume their data more seamlessly to be able to actually execute AI and learning algorithms in a way that works for large enterprise. So strategically, that's what it looks like. Financially, it's what we've talked about, it's EBITDA is growing. We've got strong, steady, free cash flow. And I think we're really close on both of those things. We've got revenue that each year is showing signs of improvement and ultimately in flex. And last but not least and this is a big deal, because I think it has material implications for valuations really from the debt side of the equation to the equity side of the equation is significantly reduced leverage, a much more simplified capital structure and a maturity curve that looks normal. In other words, a really boring balance sheet, and I think we're really close on that. So that's what it looks like financially.

**Brandon Magsamen**

And here you're first, good looks like boring balance sheet...

**Chris Stansbury**

Boring balance sheet is a good balance sheet. It's like an exciting audit committee is never good at -- never a good meeting. Boring audit committee meetings are good.

**Brandon Magsamen**

Yes, fair enough. Very good. Okay. I'm sure we can continue on for much longer. I know you're incredibly busy, very popular these days. So thank you for making the time to speak to this audience. Thank you to NSR and team for putting this together and partnering with us, you guys are on a fantastic journey and look forward to seeing more it.

**Chris Stansbury**

Thanks.

**Brandon Magsamen**

Thank you so much.