

NASDAQ:ATNI Q2 2025 Earnings Call Transcript

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Operator | Conference Operator:

At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To participate, you will need to press star 1-1 on your telephone. You will then hear a message advising your hand is raised. To withdraw your question, simply press star 1-1 again. Please note, this conference is being recorded. Now it's my pleasure to turn the call over to the BP Corporate Treasurer, Michelle Satrosky. Please proceed.

Michelle Satrosky | Corporate Treasurer:

Thank you, Operator, and good morning, everyone. I'm joined today by Brad Martin, APN's Chief Executive Officer, and Carlos Doglioli, APN's Chief Financial Officer. This morning, we'll be reviewing our second quarter 2025 results and reaffirming our 2025 outlook. As a reminder, we announced our 2025 second quarter results yesterday afternoon after the market closed. Investors can find the earnings release and conference call slide presentations on our investor relations website. Our earnings release and the presentations contain certain forward-looking statements concerning our current expectations, objectives, and underlying assumptions regarding our future operations. These statements are subject to risks and uncertainties that could cause actual results to differ from those described. Also, in an effort to provide useful information to investors, our comments today include non-GAAP financial measures. For details on these measures and reconciliations to comparable GAAP measures, and for further information regarding the factors that may affect our future operating results, please refer to our earnings release on our website at ir.atm.com or the 8K filing provided to the SEC. Now I'll turn the call over to Brad.

Brad Martin | Chief Executive Officer:

Good morning and thank you for joining us today. Let me begin by recognizing our dedicated team across ATM for their unwavering focus on execution and continued progress in advancing our long-term strategic priorities. Our Q2 results were in line with our expectations and reflect the steps we're taking to optimize our cost structure. As expected, revenue declined 1% year-over-year, primarily due to the wind-down of subsidy programs. While adjusted EBITDA decreased 6%, net cash from operations rose 2% to approximately \$60 million. Across the business, our focus on simplification, operational stability, and disciplined capital allocation is driving stronger cash generation. Consistent with our commitment to delivering sustainable returns to shareholders, I'm pleased to highlight that our Board of Directors approved a 15 percent increase in our quarterly dividend, raising it up to 27.5 cents per share. This reflects the confidence we have in the underlying strength and resilience of our cash flow. It also reinforces our commitment to delivering sustainable value to shareholders while maintaining a disciplined approach to capital allocation. The strategic investments we've made continue to deliver returns. In the second quarter, we expanded the number of broadband homes passed by high-speed data services by 8% and grew our high-speed subscriber base by 1% year over year. We remain firmly committed to our long-term strategy, capitalizing on our fiber, fiber fed, and broader network infrastructure to deliver essential, high-value services in underserved markets. This vision is underpinned by a solid and strengthening financial foundation. Let me take a moment to review the performance of our two business segments in the second quarter. In our international segment, we continue to make steady progress on our strategic priorities, enhancing mobile networks, improving subscriber and service quality, and driving operational efficiency. These efforts are translating into tangible results. Adjusted EBITDA for the segment remained essentially flat compared to last year, reflecting the balance between strategic investment and

disciplined cost management. Importantly, we are seeing improvements in the quality of our mobile consumer base. In our largest mobile market, post-based subscribers grew by 4% year-over-year, and we continue to experience positive momentum in the number of customers purchasing and consuming data plans, which rose by 25% year-over-year. We've also delivered two consecutive quarters of improvement in customer retention. Mobile churn rates declined by more than 5% for the second quarter in a row, driven by better network performance, automation, and a sharper focus on operational execution. While overall consumer fixed revenue remains flat, we saw encouraging signs of stabilization and growth. High-speed data ARPU and subscriber churn both improved by 3% year-over-year, offsetting the ongoing decline in legacy services. Our focus remains on driving sustainable value across our international footprint by deepening customer engagement, optimizing operations, and enhancing profitability. In the U.S. segment, our performance continues to reflect the anticipated impacts of discontinued subsidy programs and the continued phase-out of legacy consumer service technologies. Despite these known headwinds, we are seeing early signs of progress. The demand for carrier services, such as backhaul, is strong, and we are progressing nicely on our carrier-managed services bills. Additionally, we have seen improvement in our sales execution, specifically in the rural healthcare marketplace. Although this segment is primarily focused on business and wholesale markets, we have made progress in delivering fiber and fiber-fed high-speed data broadband services. Our consumer broadband subscriber base grew more than 10% this quarter, and we are seeing positive trend in our people. We remain focused on the strategic transformation, expanding fiber and fiber-fed fixed wireless across markets where we have durable consumer market presence, while growing our base of business and carrier solutions. We are aligning our network or to market approach and capital investments with this long term vision. So the transition continues to weigh on revenue. We are laying the foundation for a more resilient and higher margin domestic business. We are moving forward with more than \$300 million in broadband infrastructure initiatives backed by government funding, with more than half of these projects slated for completion in 2025. These projects are a key pillar of our long-term U.S. growth strategy, allowing us to broaden our fiber network more efficiently and positioning us for future revenue gains as they come online. On the policy side, we continue to closely track evolving subsidy programs, FCC policy advancement, and trade and tariff developments. We remain confident in our ability to absorb any short-term effects within the parameters of our current 2025 financial guidance. We're actively collaborating with vendor ecosystems, local and federal regulators, and state broadband offices to manage outcomes in the best interest of ATN shareholders. Looking ahead, our improved cash generation in the first half reflects the disciplined approach we continue to take toward both cost management and capital deployment, positioning us well for the second half of the year. These early results reinforce our confidence in the path forward, and we are reaffirming our full-year guidance as outlined during our fourth quarter earnings call. As we look to the remainder of 2025, our strategic priorities remain clear. Continue improving quality and efficiency of our operations, especially in international markets where we see strong demand and steady performance. advance the transition of our U.S. business by growing fiber and carrier services while managing the phase out of non-strategic legacy products, and maintaining financial discipline to support long-term value creation. While macroeconomic conditions and competitive dynamics remain fluid, our results this quarter demonstrate we are moving in the right direction, strengthening our operational base and positioning ATN for durable growth. With that, I'll turn it over to Carlos to review the numbers.

Carlos Doglioli | Chief Financial Officer:

Thank you, Brad. Good morning everyone and thanks for joining us. Today I'll walk through our second quarter financial results and outlook for the back half of 2025. Our second quarter results were consistent with our expectations and reflect disciplined execution across our operations. While year-over-year revenue comparisons continue to reflect headwinds, on a quarter-over-quarter basis, we're seeing improved top-line momentum and benefits from our focus on operational efficiency, cost control, and capital discipline. With that, let's now review our P&L results. Total company revenue for the quarter was \$181.3 million, down 1% year-over-year. As expected, this decline reflects the wind down of certain subsidy programs and the decommissioning of legacy mobile consumer services partially upset by an increase in construction revenue

during the quarter. Operating income for the second quarter decreased to \$0.2 million versus \$24.3 million in the year-ago period. The year-ago quarter included a \$15.9 million gain from the disposition of assets in one of our international markets. The quarter's results reflect ongoing cost containment efforts, leading to a reduction in selling general and administrative costs. These savings were partially offset by \$4.9 million in restructuring and reorganization charges. Net loss for the second quarter was \$7 million, or \$0.56 per share. This compares with the prior year's net income of \$9 million, or \$0.50 per share, as the factors influencing operating income similarly impacted the net loss for the period. Adjusted EBITDA was \$45.8 million, down 6% from the prior year, mainly due to the impact of lower US telecom revenues. Turning now to segment performance. Beginning with our international segments, Q2 revenues were essentially flat at approximately \$95 million as growth in fiber and fiber-fed services was offset by a decline in legacy technology services and lower mobility equipment sales. During the quarter, we recorded restructuring and reorganization charges of \$1.4 million, reflecting our ongoing efforts to simplify the organization and better position the business to improve margins over time. Adjusted EBITDA for the international segment was essentially flat at \$33.3 million for the quarter, reflecting our continued focus on cost containment. In our domestic segment, second quarter revenues were \$86.4 million, down 1.7% year over year. As previously mentioned, revenue was impacted by the conclusion of the ECF and ACP programs, as well as the decommissioning of our legacy consumer mobility solution. This year-over-year decline was partially offset by an increase in construction revenues. In addition, we continued to gain traction in our carrier service revenue as we replaced legacy roaming contracts with carrier managed service solutions. During the quarter, we took restructuring and reorganization actions resulting in charges of \$2.4 million as part of our strategy to improve operational efficiency and drive margin improvement over time. At the end of the quarter, it was \$18.3 million, down 16.7% compared with the same quarter last year, primarily due to revenue performance and the timing of certain expenses in the prior year. Moving on to the balance sheet and cash flow highlights. We ended the quarter with \$113.3 million in cash, up from \$97.3 million at the end of Q1. Total debt stood at \$583.4 million and our net debt ratio was 2.58 times. Net cash provided by operating activities for the first half of the year increased 2% year-over-year to approximately \$60 million, driven largely by working capital improvements. Capital expenditures for the first half of 2025 totaled \$42 million, net of \$45.9 million in reimbursable capital spending. This compares to \$61.8 million in capex and \$46.2 million in reimbursables in the first half of last year, reflecting our plan to moderate spending and enhance operational cash flow. We returned \$7.3 million in capital to our shareholders in the form of dividends during the first half of 2025. With that, let's move to our outlook for 2025. We are reaffirming the outlook for 2025 that we provided in our fourth quarter release. We continue to expect revenue for the year to be in line with 2024 of \$725 million excluding construction revenue. Adjusted EBITDA to be essentially flat with last year's \$184 million. Net capital expenditures between \$90 and \$100 million down from \$110.3 million in 2024. A net debt ratio to remain flat to year-end 2024 with a slight potential improvement exiting the year. We see positive momentum in the business as our efforts to stabilize revenues, gain operational efficiencies, and increase cash flow are beginning to gain traction. As we look ahead to the balance of the year, we continue to expect the second half to contribute a larger share of full year results. The size of these quarters restructuring and reorganization charges was greater than originally expected as we accelerated some actions planned for the upcoming quarters into the second quarter. As a result, we expect to incur residual reorganization and restructuring expenses in the third quarter as we complete organizational transitions, although at a lower level than in the second quarter. To wrap up, we're executing against a clear set of priorities, managing costs, strengthening cash flow, and positioning our network and services for sustainable growth. Our continued operational discipline and focus give us confidence in our ability to meet our 2025 targets and deliver long-term value to our shareholders. Thank you, and now I'll hand the call back over to Brad.

Brad Martin | Chief Executive Officer:

Thanks, Carlos. Before we open the call for questions, I want to leave you with a clear takeaway. We are focused on disciplined execution, grounded in financial responsibility, and confident in the strategic path we've chosen. This is a year of transition. we're beginning to see encouraging momentum. We're generating

stronger cash flow, advancing our grant-funded bill, and digitally empowering people and communities so they can connect to the world and prosper. Our long-term objective remains unchanged. We build a stronger, more efficient, and more resilient ATN for the future. With that, operator, we'd like to open it up for questions.

Operator | Conference Operator:

Thank you so much. And as a reminder to ask a question, press star 11 to get in the queue. and wait for your name to be announced. One moment for our first question. It comes from Rick Prentice with Raymond James. Please proceed.

Unknown Participant:

Yes.

Rick Prentice | Analyst, Raymond James:

Good morning, everybody.

Unknown Participant:

Hi, Rick. Hey, Rick. Hey, Rick.

Rick Prentice | Analyst, Raymond James:

Hey. A couple questions on my side. First is, what was the impact of the 1-triple-B bill on you guys? Anything on cash taxes? Anything on other aspects of the bill.

Carlos Doglioli | Chief Financial Officer:

Hey, Rick. This is Carlos. Thanks for the question. At this point, it hasn't had an impact. Given our jurisdictions and tax positions, we're not expecting an impact in the short term. We're looking into it, but that's the current rate. We like some of the elements, obviously, the 100% points of depreciation and some of those other elements, but at this point, we're not expecting a short-term impact.

Rick Prentice | Analyst, Raymond James:

Okay. Related question is, there obviously is a fiber race going on in the United States. Other companies have talked about the bill driving increased pacing of fiber deployment. How is that going to impact you all from a standpoint of either competition or access to labor and materials as fiber kind of, becomes a heated up spot.

Brad Martin | Chief Executive Officer:

Yeah, Rick, I mean, those certainly, you know, those policies to help to really help expedite permitting are going to be very helpful for us. So, you know, where we operate and build, we build a lot of Bureau land management land. So, you know, these can be very slow permitting and regulatory process.

Unknown Participant:

So we do expect that's going to help speed up pace. So we are looking forward to that. But that's still to be seen.

Rick Prentice | Analyst, Raymond James:

And as far as access to labor, supply, materials, all that, there's starting to be a little bit of buzz in the community about it's going to tighten up stuff if everybody starts trying to race ahead.

Brad Martin | Chief Executive Officer:

And we're not seeing that. In fact, we're seeing people coming to us quite regularly looking for work. So, no, we've not seen that yet. That could potentially be a constraint as things move forward. But right now we're seeing there's enough capacity for facilities.

Rick Prentice | Analyst, Raymond James:

Okay, last one for me. It's kind of a bizarre question, but since you do have fiber, have you ever looked into the possibility of could the fiber portion of the business be converted into a REIT type of structure, a real estate investment trust for taxation purposes? Still trying to figure out. Obviously, towers are very readable data centers, but we see fiber as another digital infrastructure category that some people are trying to ponder it. Is it something that could be turned into a REIT structure?

Brad Martin | Chief Executive Officer:

So, at this point, Rick, yeah, that's not something we've, you know, we've looked at. So, there are, you know, as you mentioned, you know, there are certainly opportunities and powers and beyond. And there are other mechanisms out there, asset back, securitization, that, you know, are kind of taken advantage of.

Unknown Participant:

But from a REIT perspective, not yet. Okay. Thanks, guys. Have a good day.

Operator | Conference Operator:

Thank you. We have a question from the line of Greg Barnes with CDOTI. Please proceed. Good morning.

Greg Barnes | Analyst, CDOTI:

In the U.S. markets, do you have a line of sight on when we might see the inflection of growth in the fiber-led newer services finally offsetting the declines you're seeing in those legacy services and getting back to growth in that part of the business?

Brad Martin | Chief Executive Officer:

Yeah, so certainly, you know, as we mentioned, you know, we're certainly, Greg, in a transition stage in our U.S. market, something we're watching very closely. You know, we are optimistic with the progress we've made with our fiber builds, and we are seeing demand from the carriers starting to increase. So we are seeing a decent pipeline. We are also seeing some better execution within our sales organizations in areas like rural health care. So again, we are expecting to see some improvements here in the second half of the year. We typically do see a better second half with federal funding and state funding cycles and the consumer Q4 strength. So we are expecting to continue to see improvements. But again, the pipeline is building. And getting through, in Carlos's prepared remarks, I referenced the year-to-date CapEx, 42 million, in addition to the 40, almost 46 million of reimbursable. That's all U.S. So there's quite a bit of activity, quite a bit of capital intensity happening in the U.S. market. So, yeah, we have not guided beyond the 25 window. We'll be guided for 26, a few more earnings, But ultimately, we are hopeful and we are seeing the demand that that is going to start to lift.

Unknown Participant:

And we're working diligently to deliver that.

Greg Barnes | Analyst, CDOIT:

All right. And then internationally and on the mobile side, I know the focus is on growing those higher valued postpaid subs, but it looks like the the competitive pressures of ease somewhat, maybe a little bit, on the prepaid side? Has there been any changes in the competitive dynamics, or has the market just kind of stabilized to a level where you're not going to see the types of declines we saw there over the last year or so?

Brad Martin | Chief Executive Officer:

Look, I still think there's competitive pressures, Greg. So I do think the initial new entrant in our largest market That was disruptive last year, even in late 23. We think that is normalized to a degree. Again, our focus has been let's get the quality of our subscriber base moving, and that's true in all markets. So data consumption, data plan expansion, which we're seeing, contract expansion, which we're seeing in our more mature markets. So that has been the thesis. We're happy with that thesis, but the competitive pressures are still there. And what we're seeing is the impact really on prepaid you know, that's really where the competitors come into these markets. But, you know, we're happy with where we're going. You know, we are really in a number one, number two position in most of these markets. So it's really a defense play going forward.

Unknown Participant:

So that's why it's important that we see these good trends in data consumption. Again, we're happy with that progress.

Operator | Conference Operator:

All right. Thank you. Thank you. And as a reminder, to ask a question, simply press star one one to get in the queue. As I see no further questions in the queue, I will turn the call back to Brad Martin for final comments.

Brad Martin | Chief Executive Officer:

Great. Thank you, operator. Thank you all for joining us today. We appreciate your continued engagement as we execute our strategy. We look forward to sharing more progress in the course ahead. Have a great day.

Operator | Conference Operator:

Thank you. And with that, ladies and gentlemen, we conclude our program today. Thank you for joining. And you may now disconnect.