

## The Sunday Brief: 2Q Earnings Review (Part 2) – Prepaid’s Contribution



\*\* NOTE: For those of you who recently converted from our traditional email format to the website email format, there is a PDF of this [Brief](#) at the end of the post. \*\*

Greetings from Massachusetts, Iowa, Missouri, and Colorado. Pictured is a moose spotted in the Rocky Mountain National Park. Grand County has a different beauty in the summer, and we are very glad to be enjoying a relaxing weekend with family in the Rockies.

Each of the ten companies we track has announced earnings. We will provide balance sheet (net debt) insights in the market commentary, and then dive into telecom earnings. In the last [Brief](#), we tackled the battle cable faces with fiber – many thanks for the commentary and articles about new product adoption. This week, we look at the prepaid to postpaid conversion systems employed by each of the Big Three wireless companies.

This week, look for us at the UNITEL Executive Conference in Omaha; we’ll be joining folks at the Monday night dinner and presenting at a discussion on Tuesday.

### The Fortnight That Was

FAB FIVE	Shares outstanding (end of yr unless noted)					Stock Price (last trading day of year)			Equity Value (\$B)			2025 YTD PERFORMANCE			Current market cap	25-Jul	1-Aug	1-wk change	2-wk change
	Stock Name	Ticker Symbol	Dec-23	Dec-24	Jun-25	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	8-Aug	% change	Value Gained/Lost (\$B)					
	Apple	AAPL	15,441.9	15,022.1	14,840.4	\$ 129.93	\$ 192.53	\$ 250.42	\$ 2,056	\$ 2,994	\$ 3,785	\$ 229.35	-8%	\$ (317)	\$ 3,404	\$ (549)	\$ (722)	\$ 405	\$ 232
Alphabet (Google)	GOOG	12,433.0	12,190.0	11,094.0	\$ 88.73	\$ 140.93	\$ 190.44	\$ 1,136	\$ 1,764	\$ 2,331	\$ 202.09	6%	\$ 142	\$ 2,242	\$ 44	\$ (6)	\$ 148	\$ 98	
Microsoft	MSFT	7,430.4	7,434.0	7,433.2	\$ 239.82	\$ 376.04	\$ 421.50	\$ 1,785	\$ 2,795	\$ 3,134	\$ 522.04	24%	\$ 747	\$ 3,880	\$ 685	\$ 763	\$ (15)	\$ 62	
Amazon	AMZN	10,387.4	10,597.7	10,664.9	\$ 84.00	\$ 151.94	\$ 219.39	\$ 861	\$ 1,570	\$ 2,307	\$ 222.69	2%	\$ 35	\$ 2,375	\$ 128	\$ (49)	\$ 84	\$ (93)	
Facebook/ Meta	FB	2,549.0	2,533.7	2,512.6	\$ 120.34	\$ 353.96	\$ 585.51	\$ 312	\$ 910	\$ 1,478	\$ 769.30	31%	\$ 466	\$ 1,933	\$ 322	\$ 417	\$ 49	\$ 143	
					Totals			\$ 6,150	\$ 10,033	\$ 13,035				\$ 13,834	\$ 631	\$ 403	\$ 671	\$ 443	
					Change			\$ (3,809)	\$ 3,883	\$ 3,002									
					Cumulative Change			\$ 2,817	\$ 6,700	\$ 9,703									

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	Stock Name	Ticker Symbol	Dec-23	Dec-24	Jun-25	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	8-Aug	% change	Value Gained/Lost (\$B)					
	AT&T	T	7,150.0	7,178.2	7,150.4	\$ 18.41	\$ 16.78	\$ 22.77	\$ 131	\$ 120	\$ 163	\$ 28.08	23%	\$ 38	\$ 201	\$ 38	\$ 36	\$ 2	\$ 1
Verizon	VZ	4,204.1	4,209.7	4,216.3	\$ 39.40	\$ 37.70	\$ 39.99	\$ 165	\$ 158	\$ 168	\$ 43.15	8%	\$ 13	\$ 182	\$ 13	\$ 12	\$ 1	\$ 0	
T-Mobile	TMUS	1,186.9	1,141.7	1,125.4	\$ 140.00	\$ 160.33	\$ 220.73	\$ 171	\$ 185	\$ 256	\$ 244.98	11%	\$ 28	\$ 276	\$ 26	\$ 19	\$ 9	\$ 2	
Comcast	CMCSA	3,971.9	3,781.0	3,692.2	\$ 34.97	\$ 43.85	\$ 37.53	\$ 147	\$ 176	\$ 144	\$ 31.67	-16%	\$ (22)	\$ 117	\$ (15)	\$ (19)	\$ (3)	\$ (8)	
Charter	CHTR	145.2	141.9	136.6	\$ 339.10	\$ 388.68	\$ 342.77	\$ 52	\$ 57	\$ 49	\$ 256.57	-25%	\$ (12)	\$ 35	\$ (5)	\$ (11)	\$ (1)	\$ (8)	
					Totals			\$ 667	\$ 698	\$ 780				\$ 810	\$ 57	\$ 37	\$ 8	\$ (13)	
					Change			\$ (212)	\$ 31	\$ 82									
					Cumulative Change since 1/1/2019			\$ (16)	\$ 15	\$ 98									

Relative Market Capitalization 9.23 14.38 16.71 17.07

August tariff impacts have largely been dismissed by the market. We expected a negative reaction to inevitable price hikes, soft jobs numbers (especially the revisions), and inflation that is higher than target. Instead, the Fab Five were up \$671 billion this week (\$443 billion over the last two weeks). Headscratching times.

The latest Consumer Price Index (CPI) numbers will be released by the Bureau of Labor Statistics on Tuesday, followed by Producer Prices on Thursday. With energy declines abating (prices still low, but now have been low for a year), all eyes turn to rent/ housing and other items (such as insurance) which have been slower to decline. Our view is that inflation is coming down faster than the official numbers show, and likely 30-40 basis points lower than [July 2024](#) (our friends at [Truflation](#) would back this up as well).

On Friday, the Congressional Budget Office [released](#) July and fiscal year-to-date federal deficit figures ([here](#)). Overall, spending is still rising faster than receipts, but the gap is lower due to tariff revenues. Here is the chart that outlines the year/ year changes in receipts:

**Table 2.**  
**Receipts, October–July**

Billions of Dollars

Major Program or Category	Actual, FY 2024	Preliminary, FY 2025	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	2,039	2,208	169	8
Payroll Taxes	1,436	1,482	45	3
Corporate Income Taxes	413	386	-27	-7
Other Receipts	196	272	76	39
<b>Total</b>	<b>4,085</b>	<b>4,347</b>	<b>263</b>	<b>6</b>

We find this data interesting as it shows a 6.4% increase in overall receipts, driven by a 39% increase in “other” (which is substantially due to tariff increases). We expect the “other” to grow by \$50-60 billion per month under the current proposed rates. If that occurs, and the current spending curbs are still in place, the only deficits will come from Social Security, Medicare, and Medicaid – receipts will more than cover discretionary spending which includes defense and interest on the debt.

There are profound impacts of this spending slowdown on interest rates, Treasury debt issuance, and the economy. We think that the recent decline in mortgage rates (and Treasury 10-yr notes) are signalling the increased availability of capital for the private sector (see [FreddieMac](#) mortgage rate chart nearby). Few economists are expecting a housing rebound in 2026, but that could be around the corner if the 90-day trend continues.

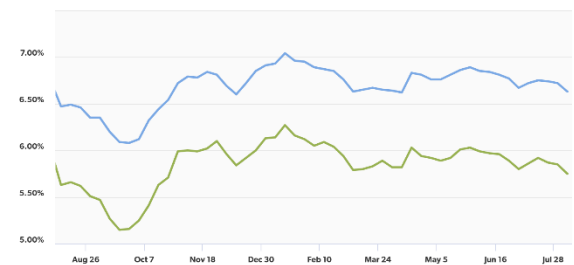
What increased tariffs mean to economic growth remains to be seen. Currently the Atlanta Federal Reserve estimates Q3 real GDP growth to be 2.5% ([here](#)) but, as we have outlined in previous [Briefs](#), that figure is subject to weekly revisions. **Bottom line:** If we manage to generate \$60 billion in monthly tariff receipt increases, achieve 2.5% real GDP growth with 2.5% inflation and 4.1-4.4% unemployment (admittedly a lot of “ifs”), the country will be on the strongest economic footing since the late 1990s.

**Primary Mortgage Market Survey®**

U.S. weekly averages as of 08/07/2025



Zoom 1Y 3Y 5Y 10Y All 08/07/2024 - 08/07/2025



## The Impact of Artificial Intelligence Spending on Fab Five Net Debt Is...

During a recent dinner with several telecom leaders, the comment that “We are back to the craziness of the dot.com 1990s.” As we will discuss below, there is a lot of capital spending going on with the Fab Five but, as the chart shows, much of that capital spending is being funded with cash from operations. Here is the net debt chart through 2Q 2025 (note, we show sequential and year-over-year only but the full sequential quarterly data is available in the spreadsheet distributed with each Interim [Brief](#)):

6/30/2024	Cash	Mkt Sec	Total	S-T Debt	L-T Debt	Total	Net Debt
Apple	\$ 25,565	\$ 127,476	\$ 153,041	\$ 15,108	\$ 86,196	\$ 101,304	\$ (51,737)
Google	\$ 27,225	\$ 73,500	\$ 100,725	\$ -	\$ 13,238	\$ 13,238	\$ (87,487)
Microsoft	\$ 18,315	\$ 57,228	\$ 75,543	\$ 8,942	\$ 42,688	\$ 51,630	\$ (23,913)
Amazon	\$ 71,178	\$ 13,393	\$ 84,571	\$ -	\$ 54,889	\$ 54,889	\$ (29,682)
Facebook	\$ 32,045	\$ 26,035	\$ 58,080	\$ -	\$ 18,389	\$ 18,389	\$ (39,691)
<b>Fab Five totals</b>	<b>\$ 174,328</b>	<b>\$ 297,632</b>	<b>\$ 471,960</b>	<b>\$ 24,050</b>	<b>\$ 215,400</b>	<b>\$ 239,450</b>	<b>\$ (232,510)</b>

3/31/2025	Cash	Mkt Sec	Total	S-T Debt	L-T Debt	Total	Net Debt
Apple	\$ 28,162	\$ 104,790	\$ 132,952	\$ 19,620	\$ 78,566	\$ 98,186	\$ (34,766)
Google	\$ 23,264	\$ 72,064	\$ 95,328	\$ -	\$ 10,886	\$ 10,886	\$ (84,442)
Microsoft	\$ 28,828	\$ 50,790	\$ 79,618	\$ 2,999	\$ 39,882	\$ 42,881	\$ (36,737)
Amazon	\$ 66,207	\$ 28,358	\$ 94,565		\$ 52,623	\$ 52,623	\$ (41,942)
Facebook	\$ 28,750	\$ 41,480	\$ 70,230		\$ 28,829	\$ 28,829	\$ (41,401)
<b>Fab Five totals</b>	<b>\$ 175,211</b>	<b>\$ 297,482</b>	<b>\$ 472,693</b>	<b>\$ 22,619</b>	<b>\$ 210,786</b>	<b>\$ 233,405</b>	<b>\$ (239,288)</b>

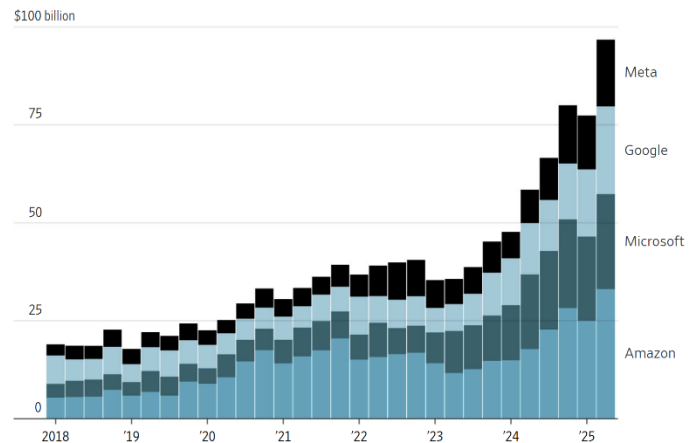
6/30/2025	Cash	Mkt Sec	Total	S-T Debt	L-T Debt	Total	Net Debt
Apple	\$ 36,269	\$ 96,717	\$ 132,986	\$ 19,268	\$ 82,430	\$ 101,698	\$ (31,288)
Google	\$ 21,036	\$ 74,112	\$ 95,148	\$ -	\$ 23,607	\$ 23,607	\$ (71,541)
Microsoft	\$ 30,242	\$ 64,323	\$ 94,565	\$ -	\$ 43,151	\$ 43,151	\$ (51,414)
Amazon	\$ 57,741	\$ 35,439	\$ 93,180	\$ -	\$ 52,623	\$ 52,623	\$ (40,557)
Facebook	\$ 12,005	\$ 35,066	\$ 47,071	\$ -	\$ 28,832	\$ 28,832	\$ (18,239)
<b>Fab Five totals</b>	<b>\$ 157,293</b>	<b>\$ 305,657</b>	<b>\$ 462,950</b>	<b>\$ 19,268</b>	<b>\$ 230,643</b>	<b>\$ 249,911</b>	<b>\$ (213,039)</b>

As a group, cash + marketable securities are down \$9 billion, and debt is up slightly more than \$10 billion, leading to a reduction in negative net debt of \$19-20 billion vs 2Q 2024. Of greatest interest is that net debt is down the most at Apple, a company not associated with AI spending (\$20.5 billion net debt decrease). Most of this comes from the \$15.4 billion of payment as a settlement with Ireland. Apple also purchased \$21 billion in shares in the most recent quarter.

What’s amazing with the remaining four companies in the Fab Five is that they spent \$95 billion in the quarter on capital expenditures (\$315 billion for the preceding 12 months). See nearby chart from [The Wall Street Journal](#) (article [here](#)) for a longer-term capital spending trend by company. Excluding Apple, net debt decreased by \$22-23 billion in the quarter but spending was \$95 billion. Meta funded its 2Q AI expansion with cash on hand – debt was unchanged. Amazon’s 1Q to 2Q cash and debt were also unchanged. Google’s debt increased by \$13 billion in the quarter but they are still highly underlevered.

**Bottom line:** Telecom expansion (fiber, electronics, systems) has traditionally been debt funded, leading to the boom/bust cycles of the past. The computing and non-telecom critical infrastructure powering today’s telecom expansion is largely funded by the shareholders and management (those who decide that returning cash to fund the business is a better long-term decision than dividends or stock repurchases). As cloud and AI continues to scale, more cash will be available for expansion. This is not your father’s investment cycle.

Capital expenditures, quarterly



Note: Data are for calendar quarters and include finance leases.  
Source: the companies

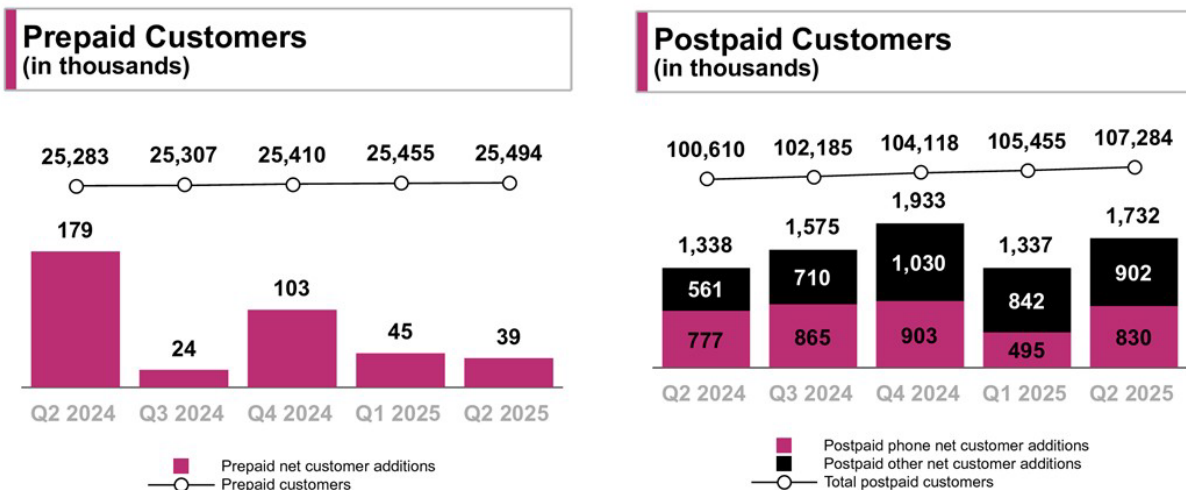
## 2Q Earnings Review (Part 2) – Prepaid’s Contribution

We had plenty of comments on Part 1 of our 2Q earnings review (called “Battling New”). Several of you sent me articles that we vividly recalled from our B-School marketing classes (Everett Rogers’ Diffusion Theory [here](#)) as support. The question for the cable industry is “How do we win back the early adopters?” The answer is simple – market DOCSIS as newer and better (and prove it to skeptical customers beyond a reasonable doubt).

This week, we focus on three events that flew under the radar screen but are indicative of larger positive (and negative) outcomes. Prepaid customers always play second fiddle to their postpaid counterparts. This market has recently faced additional competition from cable MVNOs (although, as we shall see later, they are increasingly moving into family plans and small business segments). Verizon has prioritized positioning Tracfone as the entry point into the larger Verizon postpaid experience.

A large, vibrant, and improving base can serve as a postpaid “farm team.” Verizon’s Consumer Division CEO recently reiterated at last May’s Moffett Nathanson Conference that “north of half” of all postpaid net additions come from branded prepaid customers. This makes a lot of sense if the costs (and efforts) to migrate to postpaid are minimal (a key objective of the handset divisions of the Big 3 carriers). As expected, migrating prepaid customers nearly always become postpaid phone customers (a few data device and smartphone migrations, but the vast majority are smartphones).

As a result, when one of the large wireless service providers post larger than expected gains in their postpaid phone base, it’s good to see where those gains came from. Here are the gains for T-Mobile (from their Q2 Fact Book):



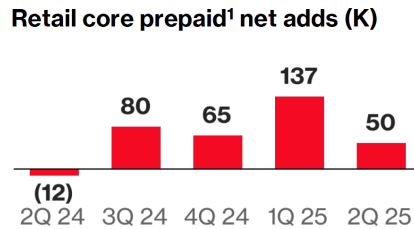
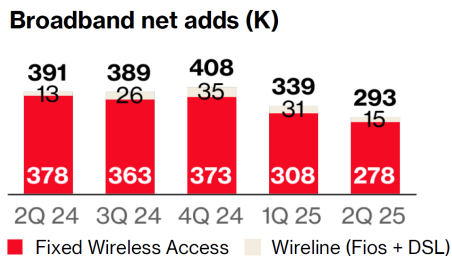
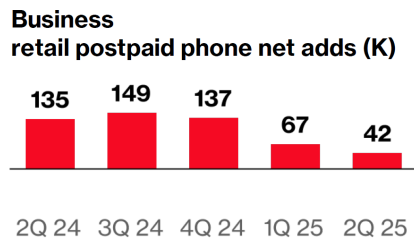
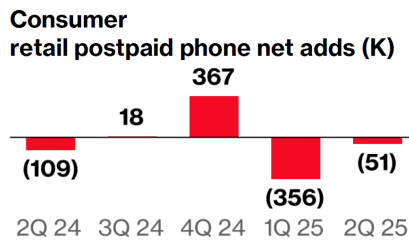
During Q2 2024, we acquired 3.5 million prepaid customers, net of certain base adjustments, through the Ka’ena Acquisition.

During Q2 2025, we acquired 97,000 postpaid fiber customers from Lumos.

Note that prepaid customers remained relatively flat even with the May 2024 acquisition of 3.5 million Mint/ Ultra Mobile customers. Yet postpaid phone additions grew by 335K sequentially and 53K annually, thanks to “increased prepaid to postpaid migrations.”

This leads us to conclude that prepaid to postpaid is critical to growing T-Mobile’s postpaid phone customer base. If the earlier “north of 50%” figure is accurate, 380K customers migrate to postpaid each quarter on average. The fact that T-Mobile’s prepaid base remains steady even with the factors mentioned earlier is worth noting (the fact that T-Mobile’s bad debt reserves also rose in the quarter should also be mentioned).

Here is Verizon’s equivalent chart (taken from their 2Q earnings presentation):



Verizon has been growing their prepaid (excluding Safelink) base and ended 2Q 2025 with 19.0 million customers (2Q 2024 figure was 18.7 million customers so slightly more than 1.6% growth. If Verizon is now operating with the same prepaid to postpaid “system,” what does this say about their postpaid base growth? Applying the same percentage base as we assume for T-Mobile (380K/ 25 million = 1.52% of the total base migrates to postpaid per quarter), Verizon depends on their Tracfone unit to contribute 18.7 million \* 1.52% = 280K subscribers to postpaid each quarter.

Let’s assume a broader range of 250-350K subscribers contributed from prepaid to postpaid per quarter. This leads us to conclude that prior to the prepaid migrations, Verizon lost 900K–1.05 million customers in the first half of 2025. The Tracfone acquisition has contributed profitability to the Consumer unit and also provided a needed “farm team” for postpaid.

AT&T takes a different approach to postpaid phone net additions, treating migrations separately (this was reiterated on their 2Q conference call). Here is the multi-quarter trend for both types of business:

**Communications**

**Mobility Operating Volumes and Statistics**

Volumes in thousands; Unaudited	3/31/23	6/30/23	9/30/23	12/31/23	2023	3/31/24	6/30/24	9/30/24	12/31/24	2024	3/31/25	6/30/25
<b>Phone Detail - Net Adds</b>												
Total Phone Net Adds	464	449	494	394	1,801	350	454	358	363	1,525	304	367
Postpaid Phone Net Adds	424	326	468	526	1,744	349	419	403	482	1,653	324	401
Prepaid Phone Net Adds	40	123	26	(132)	57	1	35	(45)	(119)	(128)	(20)	(34)

After several years of stability, the prepaid phone business (doing business as Cricket Wireless) is starting to crack. To the extent that prepaid feeds postpaid (regardless of quarterly reporting), this is a warning sign for Ma Bell.

**Bottom line:** Prepaid does not have the glamour of postpaid but is increasingly playing an important role in the migration of customers as credit improves. T-Mobile appears to be the best at managing this system, but Verizon is catching up.

We have many more earnings-related topics to discuss and will address the various proposed acquisitions by T-Mobile and Verizon in our next [Brief](#). If you have friends who are interested in being notified each time we publish a [Brief](#), please have them sign up at [www.sundaybrief.com](http://www.sundaybrief.com).

Finally – [Go Royals](#) and [Sporting KC!](#)

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