## **Q1 2025 Earnings Report**

### **For the Quarter Ended March 31, 2025**

## **Executive Summary**

Desert Connect Wireless delivered strong first quarter results, exceeding revenue guidance while maintaining disciplined cost management. The company continued its strategic network expansion and customer acquisition momentum, positioning itself well for sustained growth throughout 2025.

**Q1 2025 Highlights:**

* Total revenue of $238.7 million, up 12.3% year-over-year
* Net income of $18.2 million, up 15.8% year-over-year
* Subscriber base grew to 1.28 million, adding 42,000 net new customers
* 5G network now covers 68% of population in service area
* Rural Connect Initiative ahead of schedule with 12 communities connected

## **Financial Performance**

### **Revenue Summary**

| **Revenue Streams** | **Q1 2025** | **Q1 2024** | **Change** | **% of Total** |
| --- | --- | --- | --- | --- |
| Consumer Wireless | $162.3M | $145.8M | +11.3% | 68.0% |
| Enterprise Solutions | $52.4M | $46.2M | +13.4% | 22.0% |
| Wholesale/Roaming | $16.7M | $14.9M | +12.1% | 7.0% |
| Other Services | $7.3M | $5.8M | +25.9% | 3.0% |
| **Total Revenue** | **$238.7M** | **$212.7M** | **+12.3%** | **100.0%** |

### **Key Financial Metrics**

| **Metric** | **Q1 2025** | **Q1 2024** | **Change** |
| --- | --- | --- | --- |
| Total Revenue | $238.7M | $212.7M | +12.3% |
| Operating Revenue | $235.1M | $210.2M | +11.8% |
| Cost of Services | $142.6M | $129.8M | +9.9% |
| Gross Profit | $96.1M | $82.9M | +15.9% |
| Operating Expenses | $68.4M | $63.2M | +8.2% |
| EBITDA | $81.2M | $69.7M | +16.5% |
| Net Income | $18.2M | $15.7M | +15.8% |
| EPS (Diluted) | $0.42 | $0.37 | +13.5% |

### **Balance Sheet Highlights (as of March 31, 2025)**

* **Total Assets:** $2.1 billion
* **Cash and Cash Equivalents:** $145.2 million
* **Total Debt:** $892.4 million
* **Shareholders' Equity:** $741.8 million
* **Net Debt-to-EBITDA Ratio:** 2.3x

## **Operational Performance**

### **Customer Metrics**

| **Metric** | **Q1 2025** | **Q4 2024** | **Q1 2024** |
| --- | --- | --- | --- |
| Total Customers | 1,280,000 | 1,238,000 | 1,165,000 |
| Net Customer Additions | 42,000 | 38,000 | 35,000 |
| Postpaid Customers | 945,000 | 915,000 | 865,000 |
| Prepaid Customers | 335,000 | 323,000 | 300,000 |
| Monthly Churn Rate | 1.6% | 1.8% | 1.9% |
| ARPU (Postpaid) | $68.50 | $66.75 | $63.25 |
| ARPU (Prepaid) | $42.80 | $41.90 | $39.50 |

### **Network Performance**

* **5G Population Coverage:** 68% (up from 45% in Q1 2024)
* **5G Sites Deployed:** 1,245 (added 127 sites in Q1)
* **Network Reliability:** 99.4% uptime
* **Data Usage per Customer:** 18.2 GB/month (up 24% YoY)
* **Network Investment:** $42.3 million in Q1 2025

## **Business Segment Performance**

### **Consumer Wireless**

**Revenue: $162.3M (+11.3% YoY)**

Strong performance driven by customer growth and increased ARPU. The launch of new unlimited plans with enhanced 5G features contributed to higher revenue per user. Customer acquisition costs decreased 8% due to improved targeting and retention strategies.

**Key Drivers:**

* Net additions of 32,000 postpaid customers
* ARPU growth of 8.3% year-over-year
* Improved customer satisfaction scores (NPS +12 points)
* Successful "Unlimited Southwest" plan launch

### **Enterprise Solutions**

**Revenue: $52.4M (+13.4% YoY)**

Enterprise segment continued strong momentum with growth across IoT, managed services, and government contracts. The Rural Connect Initiative contributed $3.2 million in new government revenue.

**Key Highlights:**

* 15 new enterprise customers added
* IoT connections grew 35% year-over-year
* Average contract value increased 18%
* Government revenue up 28% YoY

### **Wholesale/Roaming**

**Revenue: $16.7M (+12.1% YoY)**

Increased roaming revenue from national carrier agreements and improved wholesale rates. New reciprocal roaming agreements with regional carriers expanded coverage for Desert Connect customers.

## **Strategic Initiatives Update**

### **Project Horizon - 5G Network Expansion**

* **Progress:** On track with Phase 1 deployment
* **Investment:** $42.3M in Q1 2025
* **Coverage:** Extended 5G to additional 185,000 people
* **Timeline:** Phoenix metro 5G completion expected Q2 2025

### **Rural Connect Initiative**

* **Progress:** Ahead of schedule - 12 communities connected vs. 8 planned
* **Funding:** Secured additional $12M in federal RDOF funding
* **Customer Impact:** 8,500 new rural customers gained access
* **Community Partnerships:** Signed MOUs with 6 tribal authorities

### **Customer Experience Transformation**

* **AI Platform:** Successfully deployed in Phoenix and Tucson service centers
* **Mobile App:** New version launched with 4.6-star rating
* **Call Resolution:** First-call resolution improved to 78%
* **Bilingual Support:** Expanded Spanish-language customer service hours

## **Market Trends and Competitive Position**

### **Market Environment**

The Southwest wireless market remained competitive with continued pricing pressure from national carriers. However, Desert Connect's focus on local service and rural coverage provided differentiation advantages.

### **Competitive Advantages**

* **Rural Coverage Leadership:** Only carrier serving 23 remote communities
* **Local Service:** Average customer service response time 40% faster than national carriers
* **Cultural Connection:** 45% of customer-facing staff bilingual
* **Network Quality:** Ranked #1 in rural network performance by independent testing

## **Guidance and Outlook**

### **Q2 2025 Guidance**

* **Revenue:** $245M - $252M
* **EBITDA:** $83M - $87M
* **Net Customer Additions:** 40,000 - 45,000
* **Network Investment:** $48M - $52M

### **Full Year 2025 Guidance (Reaffirmed)**

* **Revenue:** $985M - $1.01B (+10-13% growth)
* **EBITDA:** $340M - $355M (34.5-35.1% margin)
* **Net Customer Additions:** 165,000 - 185,000
* **Network Investment:** $195M - $210M

### **Strategic Priorities for 2025**

1. Complete Phase 1 of 5G deployment in major markets
2. Connect 35 additional rural communities through Rural Connect Initiative
3. Launch enterprise IoT platform for agriculture and energy sectors
4. Achieve 1.4 million total customers by year-end
5. Maintain EBITDA margins above 34%

## **Management Commentary**

**CEO Maria Elena Vasquez commented:** "We delivered another strong quarter with balanced growth across all business segments. Our strategic focus on serving underserved communities while expanding 5G capabilities is resonating with customers and driving sustainable growth. The Rural Connect Initiative's early success demonstrates our commitment to bridging the digital divide across the Southwest."

**CFO David Chen added:** "Our financial performance reflects disciplined capital allocation and operational efficiency improvements. We're investing strategically in network expansion while maintaining healthy margins and cash generation. The strong balance sheet positions us well to capitalize on growth opportunities throughout 2025."

**CTO Sarah Mitchell noted:** "Our 5G network expansion is ahead of schedule, and we're seeing strong customer adoption of 5G services. Network quality metrics continue to improve, and our investment in rural connectivity is opening new market opportunities while serving our communities' needs."

## **Risk Factors and Forward-Looking Statements**

This earnings report contains forward-looking statements subject to risks and uncertainties. Actual results may differ materially due to factors including competitive pressures, regulatory changes, economic conditions, technology evolution, and network deployment challenges.

Key risk factors include spectrum availability, capital requirements for network expansion, customer acquisition costs, and competitive responses from national carriers.

## **Conference Call Information**

**Date:** April 28, 2025  
 **Time:** 8:00 AM MST / 10:00 AM EST  
 **Dial-in:** (888) 555-0199  
 **Webcast:** investor.desertconnect.com

### **Appendix - Non-GAAP Financial Measures**

**EBITDA Reconciliation (in millions):**

| **Item** | **Q1 2025** | **Q1 2024** |
| --- | --- | --- |
| Net Income | $18.2 | $15.7 |
| Interest Expense | $12.8 | $11.4 |
| Income Tax Expense | $6.1 | $5.2 |
| Depreciation & Amortization | $44.1 | $37.4 |
| **EBITDA** | **$81.2** | **$69.7** |

*This earnings report is prepared for illustrative purposes and contains forward-looking statements. Actual results may vary significantly.*