

## Telephone and Data (TDS)

**\$40.89** (Stock Price as of 12/30/2025)

Price Target (6-12 Months): **\$44.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 11/07/25)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank: (1-5)**

**1-Strong Buy**

Zacks Style Scores:

VGM: C

Value: C

Growth: D

Momentum: A

## Summary

TDS is benefiting from healthy demand in the tower business. The company is aggressively pushing to extend its fiber networks across its total service addresses. Strategic divestiture to optimize portfolio is a positive. During the third quarter, Residential broadband connections in the targeted areas reached 150,700 at the same time, up from 115,300 a year ago, owing to steady fiber service address delivery and effective sales strategies. The net proceeds from the divestiture of U.S. Cellular wireless operations fund investment in the fiber network expansion program, reduce leverage levels and potentially improve prospects of returning capital to shareholders. Effort to optimize portfolio is a positive. However, intensifying competition in the broadband business is impeding growth in the TDS Telecom. Its negative payout rate remains a concern.

## Data Overview

52 Week High-Low	<b>\$42.74 - \$31.07</b>
20 Day Average Volume (sh)	<b>983,203</b>
Market Cap	<b>\$4.7 B</b>
YTD Price Change	<b>19.9%</b>
Beta	<b>0.31</b>
Dividend / Div Yld	<b>\$0.16 / 0.4%</b>
Industry	<a href="#">Wireline - National</a>
Zacks Industry Rank	<b>Top 1% (1 out of 243)</b>

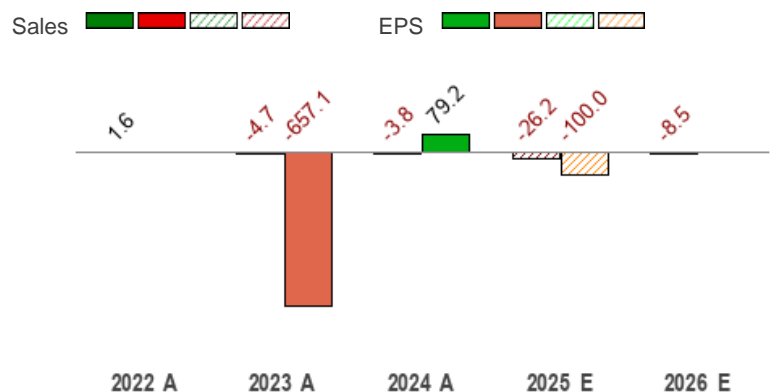
Last EPS Surprise	<b>216.7%</b>
Last Sales Surprise	<b>-23.3%</b>
EPS F1 Est- 4 week change	<b>0.0%</b>
Expected Report Date	<b>02/20/2026</b>
Earnings ESP	<b>0.0%</b>

P/E TTM	<b>NA</b>
P/E F1	<b>-185.9</b>
PEG F1	<b>-1.2</b>
P/S TTM	<b>1.2</b>

## Price, Consensus & Surprise<sup>(1)</sup>



## Sales and EPS Growth Rates (Y/Y %)<sup>(1)</sup>



## Sales Estimates (millions of \$)<sup>(1)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026	771 E	851 E	425 E	1,304 E	3,351 E
2025	1,154 A	1,186 A	309 A	1,012 E	3,662 E
2024	1,262 A	1,238 A	1,224 A	1,240 A	4,964 A

## EPS Estimates<sup>(1)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026					0.49 E
2025	-0.09 A	-0.05 A	0.07 A	-0.01 E	-0.22 E
2024	0.10 A	-0.13 A	0.01 A	-0.09 A	-0.11 A

\*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/30/2025.

(2) The report's text and the price target are as of 12/09/2025.

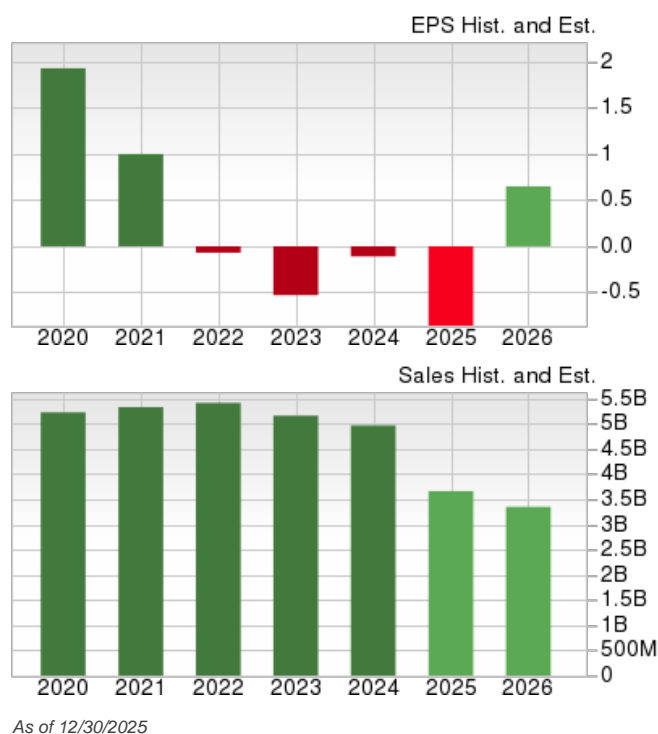
## Overview

Founded in 1968 and headquartered in Chicago, IL, Telephone and Data Systems, Inc. (TDS) is a diversified telecom service provider offering wireless and wireline services in the United States. The company operates through three segments — Array Digital, TDS Telecom (Wireline) and all other consisting of TDS corporate, intercompany eliminations and other business operations.

Array Digital provides digital infrastructure by leasing tower space to tenants and ancillary services. Array's 82% is owned by Telephone and Data Systems.

Telephone and Data Systems operates its fixed line telecom businesses through its wholly-owned subsidiary, TDS Telecom, providing its services primarily to rural and suburban communities. TDS Telecom operates as an incumbent local exchange carrier (ILEC) as well as a competitive local exchange carrier (CLEC), serving approximately 7 million equivalent access lines. It offers ILEC services to both retail (residential, business and government) and wholesale (inter-exchange carriers) customers. ILEC retail operation provides local and long-distance telephone services, broadband Internet, video and directory advertising services.

TDS Telecom's ILEC wholesale services include access services, billing and collection services to inter-exchange carriers such as AT&T and Sprint. The entity offers CLEC services (voice, broadband and related services) to commercial and residential customers through its TDS Metrocom subsidiary. In the third quarter of 2025, Array Digital and TDS Telecom accounted for 82.7% and 15.3% of total revenues, respectively; while revenues from all other operations accounted for 2%.



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## Reasons To Buy:

- ▲ The Array Digital segment of the TDS family of companies continues to execute on its strategic priorities. It is **steadily advancing its network infrastructure**. The TDS' subsidiary aims to increase revenue by upgrading equipment in its existing towers and increasing colocations. This approach is boosting its prospects among wireless network operators, internet service providers, government and public safety agencies.
- ▲ TDS Telecom's service coverage includes copper, coaxial and fiber networks. Fiber networks offer extremely high bandwidth and data transfer speeds. Moreover, fiber optics are highly scalable and easy to upgrade to meet evolving demands. Their ability to transmit data over longer distances without signal degradation gives them a significant advantage over copper and coaxial networks. This will ensure fast and reliable internet speed and enhance customer satisfaction. The company is **aggressively pushing to extend its fiber networks** across its total service addresses. Currently, 55% of its total service addresses are served by fiber, and it is on track to achieve its long-term goal of 80%. In the third quarter 2025, TDS Telecom delivered 42,000 new marketable fiber addresses. Residential broadband connections in the targeted areas reached 150,700 at the same time, up from 115,300 a year ago, owing to steady fiber service address delivery and effective sales strategies. The TDS Telecom segment is reaping the benefit of significant fiber broadband investment made in the past couple of years, which is boosting revenues and profitability.
- ▲ Telephone and Data Systems has completed the divestiture of its subsidiaries, OneNeck IT Solutions LLC and OneNeck Data Center Holdings LLC, to US Signal Company, LLC. It has inked an agreement with Poka Lambro Telecommunications, Ltd. and Nevill Holdings, Inc. to sell its cable operations in Texas. U.S. Cellular has reached an agreement with Verizon and two other mobile network operators to divest a portion of its spectrum holdings. The company is also set to receive proceeds from the selling of U.S. cellular wireless operations to T-Mobile. These capital infusions from **strategic divestitures** will fund investment in the fiber network expansion program, reduce leverage levels and potentially improve prospects of returning capital to shareholders.
- ▲ To increase smartphone usage, the company has **introduced shared monthly data plans** for consumers and businesses, starting at nominal prices. This lowers the cost for customers who either bring their own device or opt for device installment plans with enhanced data usage, boosting the ARPU. The strategy has worked well for TDS, as the company was able to leverage the unprecedented data consumption trend, thus justifying the price cuts. It has witnessed a significant increase in add-a-line and upgrade activity, which should also result in improved churn downstream. The carrier has said that it will continue to adjust pricing to offer the best network services at competitive rates. Earlier, it was able to cut its roaming price with the adoption of Voice over LTE technology and a multi-year 5G rollout, and this led to a surge in roaming revenues.

New pricing strategies, a focus on improving broadband services, and a fiber expansion program are major growth drivers. The cost optimization initiative is improving profitability.

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## Risks<sup>(2)</sup>

- Telephone and Data Systems primarily conducts all of its tower business operations through its majority-owned subsidiary, Array Digital is facing intense competition from several private and public tower companies. Many of these competitors have greater financial resources and are rapidly improving their infrastructure. Stiff competition in the wireline business is also impacting TDS Telecom's growth prospects.
  - TDS receives significant regulatory support. TDS Telecom has received \$114 million under various federal regulatory support programs. **Discontinuation or reduction of such regulatory support can have an adverse effect on TDS' operating results and cash flow.** Additionally, pending court cases challenging the constitutionality of the Universal Service Fund program pose a significant concern.
  - In the third quarter of 2025, the company's payout rate stands at -100%. **A negative payout rate** indicates that dividends per share are significantly higher than earnings per share. Without enhancing the profitability, such high dividends are unsustainable in the long run. Investors should remain cautious as this strategy can deplete the company's cash reserves and increase debt.
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## Last Earnings Report

### TDS Q3 Earnings Beat Estimates on Solid Fiber Connection Growth

Telephone and Data Systems posted mixed third-quarter 2025 results, with the bottom line beating the Zacks Consensus Estimate but the top line missing the same. TDS reported a revenue decline year over year, primarily due to the divestiture of the U.S. Cellular wireless operation. However, growth in residential broadband connections and tower business partially cushioned the top line.

### Net Income of TDS

The company reported a net income of \$57.5 million or 33 cents per share from continuing operations against a net loss of \$83.1 million or 88 cents in the year-earlier quarter. The improvement was due to lower operating expenses year over year. Adjusted earnings came at 7 cents per share, beating the Zacks Consensus Estimate by 13 cents.

### Revenues of TDS

Net sales were \$308.5 million, down from \$327.5 million reported in the year-ago quarter. Declining revenues in several segments affected the top line. The figure missed the Zacks Consensus Estimate by \$94 million.

U.S. Cellular changed its name to Array Digital Infrastructure in July 2025.

Revenues from Array were \$47.1 million, up 83% year over year, backed by solid growth in tower rental revenues. Total operating expenses were \$100.4 million, down from \$185.9 million in the prior-year quarter. The segment reported an operating loss of \$53.3 million compared with \$160.2 million registered in the year-ago quarter.

TDS Telecom contributed \$255.1 million to revenues compared with \$262.7 million reported in the prior-year quarter. Total residential connections were 921,100, down from 946,100 in the year-earlier quarter. Residential revenues per connection were \$65.66, up from \$65.41 in the prior-year quarter.

Total operating expenses were \$182 million, matching the year-ago quarter's figure. TDS Telecom deployed 42,000 new markable fiber addresses, crossing 1 million fiber addresses during the quarter. It recorded 11,200 net broadband adds. Its broadband expansion rose to 150,700 from 115,300 a year ago. Total connections were 1,101,300 compared with 1,143,300 in the year-ago quarter.

### Other Details of TDS

Total operating expenses were \$376.5 million, down 21% from the prior-year quarter's levels. The company reported an operating loss of \$67.9 million compared with \$149.7 million.

Adjusted EBITDA in TDS Telecom was \$80.5 million, down from \$82.8 million. Adjusted EBITDA for Array Digital rose to \$85.1 million compared with the prior-year quarter's figure of \$34.2 million.

### TDS' Cash Flow & Liquidity

In the first nine months of 2025, Telephone and Data Systems generated \$224.8 million of net cash from operating activities compared with \$145.9 million in the prior-year quarter. As of Sept. 30, 2025, the company had \$932.9 million in cash and cash equivalents, with \$825.3 million of long-term debt.

### TDS' Outlook

For 2025, management expects total operating revenues at TDS Telecom in the range of \$1.03-\$1.07 billion. Adjusted EBITDA is estimated in the band of \$320-\$360 million. Adjusted OIBDA (non-GAAP) is expected to be \$310-\$350 million. Capital expenditures are expected in the range of \$375-\$425 million. Array Digital has not provided an outlook for 2025.

**FY Quarter Ending** **12/31/2024**

Earnings Reporting Date	Nov 07, 2025
Sales Surprise	-23.31%
EPS Surprise	216.67%
Quarterly EPS	0.07
Annual EPS (TTM)	-0.16

## Recent News

On Sep 03, 2025, Telephone and Data Systems announced that it has exceeded 1 million fiber passings across the U.S. The company expect to deliver approximately 150,000 marketable fiber service addresses in 2025.

## Valuation

Telephone and Data Systems' shares are up 7.5% in the past six months and up 14.6% over the trailing 12-month period. Stocks in the Zacks industry are up 4.6% in the past six months and up 6.7% in the past year. Stocks in the Zacks Utilities sector are up 8.6% in the past six months and up 14.8% in the past year.

The S&P 500 Index is up 16.6% in the past six months and up 16.3% in the past year.

The stock is currently trading at 10.22X trailing 12-month EV/EBITDA, which compares to 13.17X for the Zacks industry, 15.29X for the Zacks sector and 18.64X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 11.55X and as low as 3.51X, with a 5-year median of 5.81X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$44 price target reflects 42.3X trailing 12-month book value.

The table below shows summary valuation data for TDS.

Valuation Multiples - TDS					
		Stock	Industry	Sector	S&P 500
EV/EBITDA TTM	Current	10.22	13.17	15.29	18.64
	5-Year High	11.55	18.07	20.66	22.41
	5-Year Low	3.51	8.84	13.31	13.87
	5-Year Median	5.81	12.09	15.63	17.96
P/B TTM	Current	1.04	2.41	3.07	8.51
	5-Year High	1.1	3.34	3.28	9.16
	5-Year Low	0.14	1.77	2.38	6.6
	5-Year Median	0.4	2.25	2.87	8.05
P/S F12M	Current	3.48	1.49	2.98	5.3
	5-Year High	3.69	2.08	3.24	5.5
	5-Year Low	0.14	1.25	2.28	3.83
	5-Year Median	0.42	1.53	2.72	5.05

As of 12/08/2025

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Top 1% (1 out of 243)



## Top Peers<sup>(1)</sup>

Company (Ticker)	Rec	Rank
ATN International, I... (ATNI)	Neutral	2
Cogent Communication... (CCOI)	Neutral	3
Comcast Corporation (CMCSA)	Neutral	3
Gogo Inc. (GOGO)	Neutral	3
Lumen Technologies, ... (LUMN)	Neutral	2
AT&T Inc. (T)	Neutral	3
T-Mobile US, Inc. (TMUS)	Neutral	3
Verizon Communicatio... (VZ)	Neutral	3

## Industry Comparison<sup>(1)</sup> Industry: Wireline - National

	TDS	X Industry	S&P 500	T	TMUS	VZ
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	C	-	-	B	C	C
Market Cap	4.70 B	1.05 B	39.66 B	175.89 B	227.95 B	171.61 B
# of Analysts	1	2	22	10	7	10
Dividend Yield	0.39%	0.00%	1.41%	4.47%	2.00%	6.78%
Value Score	C	-	-	A	B	A
Cash/Price	0.20	0.12	0.04	0.12	0.01	0.05
EV/EBITDA	4.69	4.69	14.77	6.44	9.87	6.09
PEG Ratio	-1.21	NA	2.23	1.45	1.35	3.64
Price/Book (P/B)	1.12	0.77	3.35	1.39	3.77	1.61
Price/Cash Flow (P/CF)	4.63	4.63	15.41	4.79	9.56	4.57
P/E (F1)	-185.86	812.60	20.04	12.05	20.63	8.69
Price/Sales (P/S)	1.21	1.20	3.13	1.41	2.66	1.25
Earnings Yield	-2.10%	-2.12%	4.96%	8.30%	4.85%	11.50%
Debt/Equity	0.20	0.77	0.57	1.01	1.37	1.19
Cash Flow (\$/share)	8.77	8.77	8.98	5.17	21.25	8.85
Growth Score	D	-	-	D	B	D
Hist. EPS Growth (3-5 yrs)	NA%	NA%	8.21%	-10.21%	32.73%	-3.02%
Proj. EPS Growth (F1/F0)	-100.00%	116.13%	8.58%	-8.85%	2.28%	1.96%
Curr. Cash Flow Growth	8.11%	8.11%	7.00%	1.94%	14.78%	-13.98%
Hist. Cash Flow Growth (3-5 yrs)	-1.03%	-1.03%	7.48%	-10.36%	19.19%	0.36%
Current Ratio	1.89	1.34	1.18	1.01	0.89	0.74
Debt/Capital	13.51%	43.35%	38.15%	50.65%	57.74%	54.35%
Net Margin	-1.46%	-1.46%	12.77%	17.87%	13.83%	14.43%
Return on Equity	1.15%	1.15%	17.03%	12.72%	19.76%	19.31%
Sales/Assets	0.32	0.32	0.53	0.31	0.40	0.36
Proj. Sales Growth (F1/F0)	-26.20%	-75.51%	5.85%	2.10%	8.00%	2.20%
Momentum Score	A	-	-	B	F	F
Daily Price Chg	0.94%	1.28%	-0.35%	0.49%	1.07%	0.00%
1 Week Price Chg	4.33%	-2.31%	0.40%	2.07%	2.17%	1.66%
4 Week Price Chg	2.81%	12.09%	1.37%	-3.96%	-1.68%	-0.64%
12 Week Price Chg	4.18%	1.89%	2.45%	-4.25%	-9.70%	-2.32%
52 Week Price Chg	19.47%	19.47%	16.91%	9.55%	-7.94%	2.22%
20 Day Average Volume	984,567	700,858	2,722,877	33,477,684	5,087,882	23,300,260
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.28%	-1.71%	-0.28%
(F1) EPS Est 12 week change	122.73%	122.73%	0.68%	0.59%	-4.14%	-0.38%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	1.56%	-3.81%	-1.51%



## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	D
Momentum Score	A
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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