

T-Mobile US

4Q Heads Up: TMUS reporting Thursday AMC; call @ 4:30 PM ET

Maintain Rating: BUY | PO: 175.00 USD | Price: 164.38 USD

4Q results and 2024 guidance

TMUS will provide 2024 guidance for adj. EBITDA, postpaid net adds, and capex when it reports 4Q results. Investors will look for management commentary on the health of the consumer wireless market and the level of market growth baked into guidance. We expect TMUS to elaborate on the competitive environment, particularly thoughts on 'convergence' in the industry as cable operators offer mobile lines and wireless operators now offer broadband services. We would like to hear TMUS' take on a resurgent Verizon potentially emerging in 2024. In 2023, TMUS introduced several new phone plans at higher prices with incrementally higher value. We will look for mgmt. to elaborate on ARPU drivers in '24 and service revenue generation as it relates to pricing vs volumes. We maintain our Buy rating and believe TMUS will report sector-leading free cash flow growth for 2023 and guide to industry-best free cash flow growth for 2024E. Please see [Exhibit 1](#) for our metrics, financials and growth estimates vs. consensus.

Strong FCF growth will enhance capital returns

We expect TMUS to deliver substantial FCF in 2024 driven by another year of peer leading EBITDA growth and stable capex. TMUS' forecasted FCF growth in 2024 (\$16.8bn vs '23E \$13.5bn) sets up well for continued capital returns to shareholders. TMUS shares finally cracked the \$150 glass ceiling and have been trading above \$160 since Jan 1, 2024. With the Softbank 48.8m true-up shares topic largely out of conversation, the stock can trade more on its strong fundamental performance driven by industry leading FCF conversion, and its shareholder return program. The team last year authorized a second large tranche of shareholder returns, \$19.0bn, including its \$3.0bn dividend growing at 10% annually on a per share basis. TMUS bought back \$2.7bn of stock in 3Q leaving \$17.5bn total buyback and dividends through December 2024.

Conference Call Info

Thursday, January 25, at 4:30 pm (ET). Dial-in: 877-390-2342.

24 January 2024

Equity

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Stock Data

Price	164.38 USD
Price Objective	175.00 USD
Date Established	9-Sep-2022
Investment Opinion	B-1-9
52-Week Range	124.92 USD - 165.95 USD
Mkt Val (mn) / Shares Out (mn)	204,962 USD / 1,246.9
Free Float	698.8%
Average Daily Value (mn)	725.96 USD
BofA Ticker / Exchange	TMUS / NAS
Bloomberg / Reuters	TMUS US / TMUS.OQ
ROE (2023E)	12.7%
Net Dbt to Eqty (Dec-2022A)	106.1%
ESGMeter™	High

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ARPU: Average revenue per user

AMC: After market close

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Timestamp: 24 January 2024 05:00AM EST

Exhibit 1: 4Q and FY23 key estimates table

Our key estimates vs the Street

	4Q23 Consensus	4Q23 BofA	Growth y/y	FY-23 Consensus	FY-23 BofA	Growth y/y
T-Mobile Post-paid (branded)						
Phone subscribers ('000s)	75,859	75,861	2.3%	75,857	75,861	4.2%
Phone net adds ('000s)	877	879	15.6%	3,025	3,027	-2.1%
Phone churn	0.91%	0.93%	20.8%	0.86%	0.86%	-1.8%
Postpaid phone revenue (\$mn)	11,051	11,027	2.0%	43,462	43,442	4.1%
Phone ARPU (\$/mth)	49	49	-0.2%	48.76	48.69	0.2%
Phone upgrade rate	3.1%	3.0%	12.3%	11.8%	11.4%	-30.6%
Consolidated						
Service revenue (\$mn)	16,027	16,062	2.1%	63,249	63,260	3.2%
Total revenue (\$mn)	19,636	19,753	2.9%	77,861	77,833	-2.2%
Adj. EBITDA (core) (\$mn)	7,244	7,271	-0.9%	29,171	29,206	10.6%
Free cash flow (\$mn)	4,147	4,207	46.3%	13,399	13,482	76.3%

Source: Visible Alpha; BofA Global Research

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Price objective basis & risk**T-Mobile US (TMUS)**

Our PO of \$175 applies a 10x EV/EBITDA multiple to our '23 EBITDA estimate, a premium to other wireless companies. Our 10x multiple is a discount to Charter due to integration risk and less FCF generation and capital returns but a premium to AT&T/Verizon due to faster growth.

Downside risks to our price objective are greater-than-expected competition, Sprint/T-Mobile integration issues, and potential threat of new competition from DISH.

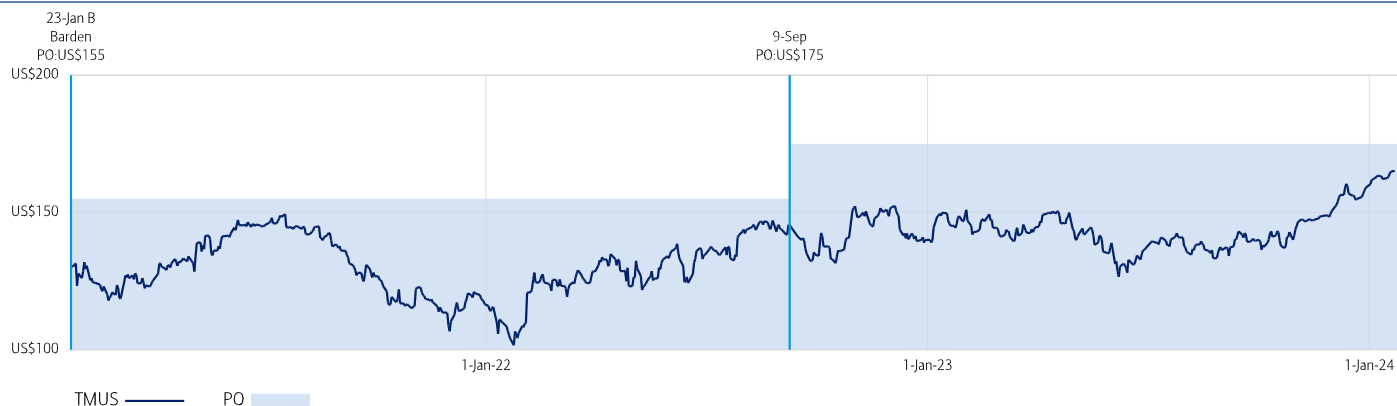
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T-Mobile US (TMUS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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