Company Name: T-Mobile US Inc
Company Ticker: TMUS US
Date: 2017-02-14
Event Description: Q4 2016 Earnings Call

Market Cap: 50,913.99
Current PX: 61.60
YTD Change($): +4.09
YTD Change(%): +7.112

Bloomberg Estimates - EPS
Current Quarter: 0.365
Current Year: 1.870
Bloomberg Estimates - Sales
Current Quarter: 9685.750
Current Year: 40386.846

Q4 2016 Earnings Call

Company Participants

- Nils Paellmann
- John J. Legere
- J. Braxton Carter
- Neville R. Ray
- G. Michael Sievert

Other Participants

- John Christopher Hodulik
- Philip A. Cusick
- Simon Flannery
- Michael I. Rollins
- Craig Eder Moffett
- Walter Piecyk
- Brett Feldman
- Jonathan Chaplin
- Jonathan Atkin
- Ric H. Prentiss
- Mike L. McCormack
- Matthew Niknam

MANAGEMENT DISCUSSION SECTION

Nils Paellmann

GAAP and Non-GAAP Financial Measures

Reconciliations between GAAP and the non-GAAP results we discuss on this call can be found on the Investor Relations page of our website

John J. Legere

Q4 Highlights

Opening Remarks

- Welcome to T-Mobile's fourth quarter and full-year 2016 Un-carrier earnings call and open Twitter conference
- We're coming to you live today from San Francisco
- I've got a few comments and then we're going to get right to your questions
- We'll spend up to 90 minutes taking as many questions as possible from Twitter, Facebook, and on the phone

- You know the drill
  - We're live streaming on YouTube, so stay tuned and tune in any time that you want

Wireless Industry

Postpaid & Prepaid Businesses and Revenue Growth

- Okay, let's talk about T-Mobile's absolutely fantastic Q4 and full-year 2006 (sic) [2016] guidance
- Guess what? We did it again
- Our 2016 results continued to trend setting T-Mobile even further apart from everyone in the wireless industry and now frankly, we're in a class of our own
- We're not just doing what they try to do better and faster, we're doing it different
- We're the only wireless provider growing both our postpaid and prepaid businesses for 14 quarters in a row
  - And for the third year in a row, T-Mobile is beating the competition in postpaid phone growth and total net additions
- Our financials are just as strong and we've led the industry again for the third straight year in service revenue growth and total revenue growth

EPS & FCF and 4G LTE Network

- In addition, we more than doubled our EPS and FCF for the full-year of 2016
- On top of that, T-Mobile had three years of speed leadership so far with the fastest 4G LTE network in the nation
- Skeptics spent years doubting that our performance would be sustainable
  - Clearly, they got it wrong
- Our consistent results over many years prove that putting customers first is also good for shareholders

Revenue Growth and EBITDA

- Now you have the release, and you have the Factbook, but I want to cover a few highlights for the quarter
- Our financial results were fantastic
- We remain the only growth company in this industry
- In Q4, we delivered 23% total revenue growth y-over-y, 11% in service revenue, and 12% in adjusted EBITDA.
  - Excluding the spectrum gain in Q4 2015, the y-over-y adjusted EBITDA growth was 19%

Customer Growth

Net Adds and Postpaid Phone Customers

- Our customer growth numbers led the category again with 2.1mm total net adds in Q4; by the way, the 15th consecutive quarter with over 1mm net adds

- Maybe even more impressive, for full year 2016, we added 8.2mm customers making 2016 the third year in a row with over 8mm net adds
    - That brings us by the way to 71.5mm total customers at the close of the year
- We added 933,000 branded postpaid phone customers
    - By the way, that's 12 quarters in a row that we've led the entire industry in postpaid phone nets
- For the full year, we added 3.3mm postpaid phone customers and in case you're keeping score, that's 103% of the industry growth in full year 2016, and 109% of the growth for the last three years
    - Yes, that does mean that the other three combined lost customers

Porting Ratios

Un-Carrier and Prepaid Brand with MetroPCS

- Now, I've got to touch on porting ratios. We've now had 15 quarters with positive postpaid porting ratios overall and 12 quarters in a row positive against every individual major carrier
- Our overall postpaid porting ratios in Q4 were consistent with our very strong Q3
- By the way, after the launch of Un-carrier Next last month, we've seen a massive improvement quarter-to-date in Q1, with improvements against all carriers, especially the duopoly, formerly known as Dumb and Dumber
- We also expect Un-carrier Next to result in even lower churn, increased gross adds and cost reductions over time
- Now, we can't forget prepaid, although some seem to have
- It's a huge driver of our business, where we have the number one prepaid brand with MetroPCS.
- We added 541,000 new customers, again leading the industry
    - For the full year, we added 2.5mm prepaid customers, nearly double what we did in 2015

Churn

Investments and 4G LTE Coverage

- Now churn, branded postpaid churn in Q4 was down 18BPS y-over-y to 1.28%
    - This marks the best Q4 postpaid churn we've ever reported
- Prepaid churn was down 26BPS y-over-y and also the best Q4 reported to date for prepaid since the merger with MetroPCS.
- Now, these results were due to investments we made in our network
- Our 4G LTE coverage is at 314mm POPs today, and we're targeting 320mm by year-end 2017
- We are reaping huge benefits from this

Verizon

- Multiple sources recently confirmed what we already know that T-Mobile's network is now at parity with Verizon, their back is against the wall and after fighting it for a long time, they just reluctantly announced an unlimited plan
  - This is what the Un-carrier does
- We drag the carriers kicking and screaming into the future
- And of course, we have a great offer in the market already with T-Mobile and we just made it even better
- Look, they don't do any of this well
- It's easy to one-up Verizon and yesterday, we did just that
- And don't forget, our network is still the fastest in America
- We've been the fastest in both download and upload LTE speeds for 12 quarters in a row
- That's three years of speed leadership with T-Mobile
  - By the way, upload speeds are increasingly important with the giant rise in social sharing and T-Mobile's upload speeds are at least 40% faster than Verizon, the next closest competitor and more than 150% higher than Sprint speeds

A-Block Spectrum Band

- MetroPCS Stores
- Now, that doesn't sound like the 1% difference that Sprint keeps blabbing about, does it? Our deployment of Extended Range LTE on the 700 megahertz A-Block spectrum band is way ahead of schedule. 500 markets are live covering more than 252mm people
  - True to form, we are rolling up the remaining 700 megahertz A-Block spectrum, which includes Chicago as we speak, and you know how fast Neville and his team can get this done
- This network expansion also provides us with the unique ability to grow our distribution footprint by 30mm to 40mm POPs by the middle of this year
- We plan to open an additional 2,500 stores this year, roughly 1,000 T-Mobile stores and 1,500 MetroPCS stores
  - That's on top of about 1,400 stores we added last year and almost 400 T-Mobile stores and 1,000 MetroPCS stores in that 1,400

Guidance

Branded Postpaid Net Customer Additions and EBITDA

- Now, I've never been more confident about the future of T-Mobile as we look into 2017
- Braxton will go through the 2017 guidance in detail, but let me just highlight the big picture
- Our guidance for branded postpaid net customer additions is the same as what we started with for 2016
- We expect adjusted EBITDA will be up significantly, double-digits over last year, excluding spectrum gains and the net impact of leasing and Data Stash

Cash CapEx and FCF

- In terms of cash CapEx, we continue to invest to support our growth and will not starve our network
  - This contrasts with one of our competitors who has said they can do it on the cheap, and that is now showing up in the form of higher churn
- And I'm most excited about our expected three-year CAGR on FCF
- For the first time ever, we are guiding on FCF, demonstrating our confidence and our ability to deliver strong growth over the next few years

J. Braxton Carter

Financial Highlights

Customer Growth, Revenues and EBITDA

- Let me give a quick snapshot of our very strong financial results and the details on our 2017 guidance
- Let's start with the financial results for Q4
- Our customer growth continues to translate into strong financial growth as we delivered industry-leading metrics for the third year in a row
- Service revenues grew by 11% y-over-y and adjusted EBITDA grew by 19%, excluding the spectrum gain recorded last year
  - Adjusted EBITDA margin excluding the spectrum gains expanded to 35%, up from 33% a year ago
- EBITDA benefited from strong cost discipline as both cost of service and SG&A showed operating leverage even as T-Mobile captured all of the industry postpaid growth in 2016
- As a percentage of service revenues, cost of services and SG&A, each declined by 120BPS y-over-y
  - The postpaid upgrade rate was 10% in Q4, up from 7% in Q3 and flat y-over-y, given very strong customer demand for the iPhone 7

FCF, Cash and CapEx

- FCF, including approximately $200mm of MetroPCS network decommissioning payments more than doubled to $1.4B in 2016 from $690mm in 2015
- Net cash from operating activities increased by 13%
- Cash CapEx was flat y-over-y at $4.7B.
- CapEx excludes capitalized interests, which increased slightly y-over-y including capitalized interests from $4.5B in 2015 to $4.6B in 2016
- The improvements in FCF occurred despite two headwinds; the sequential $400mm increase in EIP receivable balance in Q4 due to the sequentially higher upgrade rate; and a very significant cash outflow in accounts payable and accrued liabilities of $1.2B for the year, which represents a swing of $1.9B from 2015
- When looking at FCF in Q4, also recall that FCF in Q4 2015 benefited from a cash inflow of $900mm from securitization compared to just $170mm in Q4 2016

- For 2016 as a whole, the cash inflow from securitization amounted to approximately $540mm compared to $900mm in 2015

EPS, Postpaid Phone ARPU and Debt

- EPS came in at $0.45 per share in Q4 compared to $0.34 in Q4 2015
- Note that EPS in the prior year included an after-tax spectrum gain of $0.10 per share
- Branded postpaid phone ARPU of $48.37 in Q4 grew by 0.7% y-over-y
  - Excluding Data Stash, the y-over-y growth rate was 2%
- We expect ARPU will continue to be generally stable from 2016 to 2017 with some quarterly variation, driven primarily by the actual migration ramps at T-Mobile ONE, including taxes and fees
- In terms of customer quality, we saw continued improvement in the quarter
- Total bad debt expense and losses from sale of receivables were $190mm or 1.87% of total revenues
- Importantly, this is down y-over-y in both absolute dollars and in percent of total revenues, even giving a much higher customer base

Guidance

Postpaid Net Customer, EBITDA and Revenues

- Let me now come to 2017 guidance
- Our target for branded postpaid net customer additions is 2.4mm to 3.4mm, which is the same guidance we started off with last year
- You guys know the playbook
- We will update guidance as the actual quarterly results warrant throughout the course of the year
- On a side note, while not providing guidance here, we expect wholesale net additions to be significantly lower in 2017, as our MVNO partners de-emphasize Lifeline in favor of higher ARPU customer categories
- For adjusted EBITDA, our target range is $10.4B to $10.8B compared to $9.6B last year, excluding spectrum gains
- Our EBITDA target includes expected leasing revenues of $0.8B to $0.9B, while Data Stash is expected to have an immaterial impact in 2017
- In comparison, in 2016, leasing revenues amounted to $1.4B and Data Stash to $0.3B for a combined net impact of $1.1B.

Accounting Changes, EBITDA and Growth

- We're also making one accounting change in 2017
- In line with our big four competitors, we will include imputed interest associated with EIP receivables in Other revenues, which will be included in adjusted EBITDA, but not included in ARPU.
- Up until now imputed interest, which reflects cash received from customers was included below the line in interest income

- The impact from this accounting change is expected to be approximately $0.2B to $0.3B in 2017
- Net-net, we expect continued double-digit growth in adjusted EBITDA excluding spectrum gains and the net impact of leasing and Data Stash

Cash CapEx, FCF and CAGR

- We target cash CapEx of $4.8B to $5.1B in 2017 excluding capitalized interest compared to $4.6B in 2016 on a like-for-like basis
  - Cash CapEx spend will again be front-end loaded this year due to the completion of the 700 megahertz A-Block build, specifically Chicago, which is going very, very well in the early part of the year
- We expect FCF defined as net cash provided by operating activities minus cash CapEx to increase at a three-year CAGR of 45% to 48% from 2016 to 2019
- This guidance underscores our expectation of strong FCF growth while also giving us room to continue our Un-carrier momentum
- During the same period, we expect the underlying net cash provided by operating activities to increase at a CAGR of 15% to 18%

QUESTION AND ANSWER SECTION

<Q - John Christopher Hodulik>: There's obviously been a lot of competitive pricing changes thus far this year, Sprint had an aggressive one and now Verizon going to unlimited, is there anything that you're seeing out there now that could potentially change the trends you're talking about in terms of the strong porting in Q1, gross adds or churn, and just some comments on the competitive environment would be good? And then, number two, for Braxton, guidance suggests you're going to generate about $10B in FCF over the next three years. How should we think of sort of uses of that cash over that time? Thanks.

<A - John J. Legere>: Couple of comments upfront. Let's remember that what we're announcing today is Q4, the quarter where everybody else in our industry kind of laid themselves on the table and complained about the competitive environment and the craziness of the holiday period. That is the period here where we culminated the year of taking more than 100% of all the prepaid and postpaid phone growth, 11% service revenue growth. And I just want to remind everybody, the service revenue growth of our three competitors in 2016 were as follows: minus 5%, minus 5%, and minus 1%. They lost customers, they shrunk revenue growth, so that thing that they call the competitive environment, it's us. And we thrive in that and we've done so for three years.

Now, going into this year too, you've now clearly seen some moves that can only be deemed desperation. Sprint, remember these are exploding prices, these are prices that canalize you and then they explode. So what's happening at Sprint is, last year's tantalizing appetizer is exploding, so their churn is going up so they're bringing in a whole new group of people who need to be educated as to what that is. It's a fake price, on a network that doesn't work with CapEx that is not being put into it.

So, kind of, there's certainly a – there's a level at which people ignore you and they're pretty solidly in it. And let me just pinpoint for those who weren't paying attention, Sprint had 368,000 postpaid nets. Now, most of those were given away, but still that's what everybody seems to be hurraying. They lost 501,000 prepaid nets, and wrote-off another 1.2mm prepaid nets, which means they lost, took off the books about 1.4mm customers in the quarter and burned cash. The stock is trading like an option, because somebody is praying somebody is going to help them out of their misery, so that's not the competitive environment, that's them.

Verizon, everybody knows, Yahoo! is driving them nuts, they're damned if they do it, they're damned if they don't, go90 has become let go 155, they're about to potentially do some other big transaction; and in the middle of that, within a month's period, they went from, "Hell will freeze over before we do unlimited. Nobody needs unlimited. Everybody is stupid. Here's our 5 gigs." to "Hey, we're going to do unlimited." Now they called it an introductory offer, and by the way, the thing that you can learn from that is, they finally agree their network advantage is over. Welcome to the game, Verizon. Let's compete on price, let's compete on network, and remember that is kind of the scenario where we are. We immediately made sure that the terms that are important to customers were matched. But if they want to step up the next pieces, taxes and fees; taxes and fees are included in their prices, which is another form of trickery. So I would say that the competitive environment so far is based upon moves that others are making out of desperation.

We're playing from a position of strength. Unlimited is who we are. And I just want to remind you on Verizon that in Q4 or in Q1 when we announced All-In Unlimited, quote that I said was "we will drag the rest of the industry kicking and screaming into unlimited because it's the future." So just picture as Verizon announced this kicking and screaming because that's what took place. Braxton?

<A - J. Braxton Carter>: What a journey that we've been on over the last four years to the point where we're giving this type of future FCF guidance with a great deal of confidence. So couple additional points to make. First of all, this embraces expectation for very significant growth of T-Mobile over the next three years.

It also includes all anticipated debt issuances associated with anything that's on the horizon that we're planning on in connection with the business. And that's very, very strong and like all guidance we've put out, we've not missed or exceeded guidance since we started this journey four years ago. And we have no intention of not beating or meeting guidance in the future. But with that said, what do we do with this cash generation? The first thing that we'll do is continue to maintain the strongest balance sheet in the industry, even the duopoly given the serial acquisitions and what they're doing, are at extreme levels of historic leverage and the Sprint comparison isn't even a comparison, but having a strong balance sheet and the financial flexibility to look at strategic options in the future is extremely important to us. So that will be the first use.

The second use, we'll have to wait and see what inorganic opportunities are ahead of us. 5G spectrum is reality, we already own a lot, Neville will talk about that. But there will be other important government auctions in the future and potentially some private party transactions. And finally, we would absolutely prefer to reinvest in our business for the highest IRR and return to shareholders, but at some point with this type of cash flow generation, albeit medium term, we would look at returning cash to shareholders.

<Q - Philip A. Cusick>: Two follow-ups, if I can. One, Braxton, what is the leverage that you would sort of target? We [ph] chalked this (25:18) about three times to four times in the past, if you got back down to three turns, is that where you start to think about returning cash, and I know that's a long way away. And then, John, since you brought up someone taking Sprint out, how you think is the potential for industry consolidation these days? Thanks.

<A - J. Braxton Carter>: That the capitalization policy of three times to four times we think is more of an optimal range, because some leverage is absolutely good for the equity. However, there'll be times when we flex to the higher end of the range for a short time period and there'll be times when we are below that range, potentially anticipating other things that happen in the future.

The great thing about T-Mobile is with the significant momentum that we have and expect to continue with our network and our strong innovation, will definitely provide a significant growth platform and the organic deleveraging we have will be significant and rapid as compared to the competitors.

<A - John J. Legere>: And on the second part of the question, I have to color myself highly amused by the conversation that's been taking place at the top of most people's list over the past month or two. I'd preface by saying we're in an anti-collusion period during the low-band spectrum auction. So one thing I can assure you is, nobody is talking to anybody. So there's an air of thinking driven by a couple of things. One is, I'll take the positive side, which is that customers with smartphones no longer are interested in our artificial barriers that we as industries have put on segmenting how they use their devices. They don't care about the cable industry or the wireless industry or the internet industry or the content industry. They want to pick up their device and do whatever they want to do with it, watch whatever they want, and preferably for free. But that's the demand, that's causing industries to look at each other as better ways to serve customers. So that brings to mind obviously a brand like T-Mobile with tremendous growth prospects and an organization of employees that is unparalleled, and 72mm people, who use their devices and growing faster than anyone else in the world. Then there's the second part, which is obviously there are always industry consolidations or changes that are driven in the worst way for some people, which is, hey, look at me, I need help.

And right now, you know that going into this year, you know that DISH needs to do something. Regulatory wise, they have to do something with their spectrum. Sprint is clearly playing the game for next quarter. And that they've got good spectrum, but they don't have a franchise and they are candidate for being a part of a greater organization either through scale or something else.

Verizon, clearly, with what they did yesterday, needs to do multiple things. And then an interesting angle on what has happened in the unlimited world, it only significantly enhances the reason that cable industry needs to understand how are they going to get to those that are viewing the mobile Internet. And if you think about what happened, the cable industry has been hoping to use MVNOs on Verizon to get economics to do something in the wireless entry point.

However, there's no possible way they'll get economics to do unlimited, which has now become the industry standard, and that will compel them. And don't rule out that part of what Verizon did with their unlimited offer is send a message to the cable industry that you're not going to ride us to what's going to happen on your entry into wireless. So it's a fascinating time. I would say if you listened to Sprint the other week talking about all their options, T-Mobile has all those options plus one that Sprint doesn't have, which is, we are a very healthy growing franchise and if we choose to, we can continue to drive tremendous shareholder value on our own or participate in various forms of significantly growing the industry through consolidation; and I've got news for you, I couldn't be more excited about the period that's going to come up when this auction is over, while we continue to do what we just announced and then engage in understanding what the future of this industry is going to be, which is fascinating.

<Q - Simon Flannery>: I wonder if you could just elaborate a little bit on your comments about the massive increase in porting since Un-carrier Next came out. And then Neville, you did add HD video to your Un-carrier standard offering last night, can you just help us understand the impact on the network and how you're positioned to handle that? Thanks.

<A - John J. Legere>: What's been going on in porting is, and again, it's important to note and I apologize for dragging this through, but this has been going on for three years, up, down, sideways, whatever Moe, Larry and Curly decide to do, we continue to port positively for 15 quarters against the industry, 12 quarters against each individual carrier in a row.

Q4's postpaid porting rate was about flat to what was a great Q3, call it 1.53%, 1.55%. In Q1 thus far several comments to make. Overall porting spiked over 1.9%, and if you can think about that, that's 2.0% or so with AT&T, 2.28% with Verizon. Hello, okay, if you want continued information as to why Verizon is waking up, 2.28%, that's the customer's response to hey, you guys, you don't need unlimited. And we moved with Sprint to about 1.5%.

So if you think about what's happened with Sprint. They've gone over Q3, Q4, Q1, from about 1.2% to 1.33% to 1.5%, which is a good comfortable range especially when somebody is giving things away and mortgaging the tires on the car that they rent.

Now, the only comment I will make is, that Q1 thus far is going to be an interesting quarter to keep an eye on. We all know that tax season is somewhat delayed, and this is going to be a very rear-end loaded quarter. Not something that's going to impact the year, but the porting that we're showing, shows our competitive thrust. But thus far, 2017 has – they always start slow, but there is a tax season question and so far there's an awful lot to see in Q1. And I would assume that the rest of the industry sees that as well. Braxton?

<A - Neville R. Ray>: We had a tremendous year of execution across the network in 2016. John touched on a bunch of the coverage highlights. Your question refers to what have we done to really expand the capacity and LTE performance on the network. And obviously, we're in a great place, the speed test results that we discussed earlier, three years of leadership there.

I always talk about how that's a great proxy for offered capacity on a competitive basis across the U.S. And we lead and have led and everybody has been chasing our tail and we'll continue to do so, especially when you look at combined uplink and downlink performance on LTE. But what do we do in 2016, it was a big year of re-farming for us whereby we're repurposing legacy spectrum that was committed prior to 3G or 2G technologies, and lighting that up for LTE. And we did a lot of that in 2016 primarily driven by our ability to really lead on the conversion of voice traffic to voice over LTE. We have two thirds of our customers now on VoLTE. That's a global leading industry stat. Nobody is close to us in the U.S., nowhere near. One of our competitors is actually on 0% VoLTE. And that's super important when you look at the spectrum assets you own and your ability to commit those to LTE rather than legacy voice services.

So we moved a lot of spectrum over to LTE, and we'll do a lot more. Right now, 70% of our spectrum asset is committed to LTE. That number will move north of probably 80% as we move through 2017. So that's added a lot of spectrum and capacity on LTE for us. We clearly added leading features and capabilities on carrier aggregation. 4x4 MIMO, 256 QAM, all of those things are adding capacity and capability to the network not just today, but over the next two to three years as handsets start to really ramp with those capabilities on the network. So all three of those features really helping us.

Densification, we've been adding small cells. We're just about a thousand small cells now. And we've been moving very quietly, but very strongly and thousands more will be ready this year. Not because we desperately need to densify, but because we're getting ready for two important things. One, 5G, but more importantly and in the near-term, the use of 5 gigahertz spectrum for LTE. And so everybody talks about this LTE in unlicensed or LIA. That's a fact that that will happen in 2017. And we'll open up new spectrum opportunities in the unlicensed bands for T-Mobile to leverage in 2017, 2018 and on into the 5G space.

So overall, Simon, ton of things happening. We're in a very, very strong position from a capacity perspective. We've been adding, obviously 700 MHz, we're AWS-3 ready. The first carrier in the U.S. to actually deploy handsets and capability on AWS-3. And of course, as John referenced earlier, we're in and about to close out another major auction. So very strong position, very confident in our performance, and I think, the benchmarking that's out there today, very delighted to see the results from OpenSignal last week, show how much we've done and the strong position we're in.

<A - G. Michael Sievert>: I just want to underscore one thing that Neville said, which is, everything in our announcement yesterday around high-definition, there's nothing unprecedented about it. This is the way unlimited plans have always worked at T-Mobile up until T-Mobile ONE, where customers have the choice of high-definition or not. As you know, when we launched Binge On, we gave customers a new choice, including unlimited customers of streaming at standard definition to make sure that they get a much better bang for their buck on total data streaming, better network capacity, better overall performance for all of their other applications and when we did that, very few unlimited customers actually chose to stream in high-def, which underscores why we did T-Mobile ONE in the first place. Our customers really like the overall performance of the network, including when it streams at standard-def.

So with T-Mobile ONE, what people will do is raise their hand in the app and select high-def if they want it and that's something that we have very good mathematical experience from our past on how many people do and that gives us confidence in our ability to forecast network capacity as we make this move.

<Q - Michael I. Rollins>: Just wondering if you could talk a little bit more about, Braxton, the double-digit revenue growth aspiration that you described earlier in the year and maybe if you can give us some sense of the bridge of the postpaid net add guidance to that revenue number. And then secondly, just in terms of the category, it seems like one of the significant changes over the last few years is that customers are taking longer to make decisions, they're holding their devices longer. Can you talk about the implications of that and what you're trying to do to accelerate that decision making for customers? Thanks.

<A - J. Braxton Carter>: First and foremost, you know our playbook on the guidance, we think it is not prudent to get out there too aggressive for the year. And as we demonstrate growth as a quarter-to-quarter basis, as warranted we adjust our growth guidance. Obviously, our business has tremendous momentum, we're the innovator driving all change in the industry, and we won't stop with that. We have some very, very interesting innovation and plans for the future. And with the value proposition that we have in place, we're highly confident of significant continued growth, all at the same time where you're seeing significant drops in the ARPU and service revenues with all the other major carriers in the industry.

And we talk quite a bit with Un-carrier Next that our view on ARPU is generally stable on a y-over-y basis, which is really important with all the fears of irrational pricing, again you look at the macro environment and it's really not conducive to complete your rationality, and you look closely at a lot of these promotions or temporary offers in the market, that's just what they are. But this ARPU stability as well as our customer growth gives us a great deal of confidence that service revenues are going to continue to expand significantly. And let me just start a little bit on the device lifecycle, and I'll turn it over to Mike Sievert.

We believe that the churn equation definitely is somewhat correlated to the launch of new iconic generations. And in periods where you don't have that, you're certainly going to see lower overall switching in the category. In periods where you do see that, you've historically seen more switching, which is a net-net opportunity for T-Mobile. But more importantly, we are the innovator in the industry and the more we innovate, the more we'll drive switching. And with that, I'll hand it over to Mike.

<A - John J. Legere>: While we're passing the ball, let's just remind two things. One is, the fact that customers are able to move between carriers started with the first Un-carrier move that we had moving to no contract. Secondly is, before Mike talks about how we accelerate things, one of the ways that you thrive in an environment where there is limited switching is you take 110% of all the growth. So, in the last three years, where there were 10mm incremental postpaid phone nets in the industry, we got almost 11mm. So, that shows that no matter what the pool is in the environment we can thrive. But Mike, do you want to comment actions?

<A - G. Michael Sievert>: Three quick things. First of all, we do have the best upgrade rates in the industry. Let's just make sure, we underscore that. It was 10% in Q4, Verizon's was 8%, AT&T's was 6%, Sprint's was 9%. So, our customers continue to recommit in the form of a new device to our network at a greater rate than anybody else's. And that's a great vote of confidence and it certainly, as Braxton pointed out, contributes to a record low Q4 churn that we had in Q4.

But two other quick points. One is, we're seeing a trend towards affordable phones. And this is something that's very interesting, as people keep their phones longer, an offsetting trend is that they are in some cases spending less on phones, and that's potentially a very good thing for the industry.

Because as you know, we provide interest-free financing, it's very good for our overall cash profile if people start to be more attracted to more affordable phones.

And lastly, and perhaps, most importantly, we're seeing something that's really changed in the industry and doesn't get discussed enough. And that is a broad compatibility of phones across all four major carriers. Wasn't true even two years ago. But today, virtually, every super phone out there in the hands of competitive customers is 100% completely compatible with T-Mobile. And that opens up a brand new opportunity to attract people to come over and switch and keep their phone, which means this idea that people keeping their phones longer should inhibit switching is a historical assumption that's decreasingly true as time goes on.

<Q - Craig Eder Moffett>: Two quick things if I could. First, Braxton, if you could just give us a little bit of color on the guidance for FCF to what that assumes with respect to working capital, and also handset financing going forward? And then, John, if I could just return to your comments before to make sure I'm clear on what you meant, when you were describing the tax season. I think you said it was a slow start. Did you mean a slow start for T-Mobile or a slow start for your competitors, as you run into tax season for the year? And are you referring just to prepaid or also to postpaid?

<A - John J. Legere>: I am always intimidated by answering questions of somebody who wrote the novel about the industry's nuclear meltdown yesterday. You certainly caught my attention on that headline. So what I'm referring to nothing more than what is written in the media that the season associated with tax refunds seems to be somewhat slower. So I'm not pointing to any significant trends. Q1 is usually a slow starting quarter and I am anticipating that if what's written in the media is, so it significantly impacts prepaid in the timing, which you know is highly lumpy. So it was more an observation of what's written in the media than a real identification of anything or forecast associated with our numbers. Braxton?

<A - J. Braxton Carter>: When you look at the FCF guidance, I think, the first thing I'll comment on is handset financing. And we were the first carrier to innovate with financing in the U.S. marketplace, and we're the first carrier to truly reach the ultimate penetration there. And while there will be some build assumed in EIP receivables during this period that we're giving our FCF CAGR, the build is not significant in relation to what we've experienced in the past.

And it's just the simple fact that collections on these receivables from the embedded base will approximate new financings done in a very high growth environment. Net-net, again our internal views are very aggressive continued growth, which has been fully embedded in this guidance, which would imply some sequential growth, but at a very low rate compared to historic.

Working capital I think is basically the same issue as we continue to scale. And remember, one of the, I think, extremely exciting things about our story is that we've done everything that we've done in the last four years in two-thirds of the U.S. marketplace. And what the team is executing now is a massive distribution expansion. And with that distribution expansion to the other third of the U.S., there will certainly be some working capital associated with that. Now you have a significant upstart and swing up in the number of retail locations we've already guided towards in 2017, it's just the start of it.

We will continue just like we've done with Metro, significant geographical distribution expansion over the next several years. And all that working capital associated with that expansion is fully embedded in the guidance that we've given.

<A - Nils Paellmann>: And as we go to the next question, operator, I'm going to grab one on the way in, and it jumps on what Neville was saying. On the coming in on Twitter, Walt Piecyk had a question associated, will the store growth be linear across the year? And I just want to amplify what Braxton was talking about. We added 1,400 stores last year. 1,000 on the Metro side, 400 on Magenta side. We're going to add 2,500 this year, a 1,000 Magenta, 1,500 and they are very first six-month loaded.

And so they're not linear, they're very aggressively in H1, especially on the Magenta side. So with that, operator, we'll take the next question, which may even be from the same person.

<Q - Walter Piecyk>: When you guys were offering free taxes and all that stuff I was actually revising my pay-TV bill and realized how much I'm getting gouged as far as extra boxes and what have you. Just curious whether that will be a service that you would look to add as far as your services going forward? You've done pretty well in getting to FCF here.

And if not that, are there other acquisitions or types of things that you would buy in addition to just being a wireless service provider?

<A - John J. Legere>: Which group was gouging you at that moment, Walter, if we can just [ph] clear that out (48:10)?

<Q - Walter Piecyk>: In my case it was DIRECTV, but the group of us here all did, and we realized how much we're paying for these incremental box fees, HD fees, DVR fees, it's crazy.

<A - John J. Legere>: [indiscernible] (48:23) but I was exchanging tweets with Walt on this, as you know, he is a prolific tweeter even though nobody follows him except me and Nils. And if I remember Walt the question, which is really at a very high level, a fantastic one, which was about whether or not the cable and the pay-TV and the box industry is ripe for Un-carriering. And we'd have to change it from carrier, but talk about a poster child for an industry that has really kind of ignored customers and ignored customer cares and gouged at every quarter.

The answer is clearly, I salivate when I think about the possibilities of changing some of those industries. And frankly, I'm fascinated with how little AT&T has done since they spent the mother load buying DIRECTV, and pretty much have let it sit on the side, and still be an old crappy linear TV that they bundle weekly with their unlimited offer, so maybe more to come. But, Mike, do you want to comment on?

<A - G. Michael Sievert>: I just can't believe they advertised one price to you, and then ended-up charging you another price, I'm appalled. But look...

<A - John J. Legere>: I actually tried to switch to FiOS. Hey, Mike, I tried to switch to FiOS, but I realized that even then, I already have FiOS on broadband, I tried that on the pay-TV side, but the charges were so high on a per box and an HD fee that it didn't even make sense to switch at that point.

So I'm just curious why this would not be an area that you guys would go after, or anything else, I mean why not offer fixed broadband, if you're so happy with where your network is as another incremental revenue opportunity?

<A - John J. Legere>: By the way, as we go back to Mike, alert the media that Walt Piecyk lives in one of the 10 homes that FiOS passes. Mike?

<A - G. Michael Sievert>: The data on this is really clear. The cable industry is statistically one of the most unloved industries in the history of the consumer economy. So, obviously, it's ripe for innovation in this area.

Look, we're not going to make any predictions today, but if you think about, you've heard John say over and over that the broad trends are crystal clear, which is all content of all kinds is landing on the Internet and moving away from linear formats. And the Internet itself is moving to mobile, and within this broad convergence, we do something in there really, really well, which is deliver an incredible mobile experience to consumers. And we'll have to see how it all unfolds as that content transforms and viewing habits change.

I'll tell you one thing, in 2017 we will reach the point where people have more screen time on mobile devices than on any other kind of screen, and that's really something incredible when it comes to watching their video. So we'll see how this convergence unfolds, but in it we're where the industry is going, not where it's coming from, and we've got a brand that really resonates with people and possibly could resonate in an industry that's even more maligned than we found ours four years ago when we got here.

<Q - Walter Piecyk>: Can I just have one quick follow-up for Braxton, which is a related question. Braxton, you talked about the optimal range of the debt leverage being three to four times, but if there was a highly strategic acquisition available to you, would it make sense for the company to take on debt leverage that was above that optimal range, even if it was for a brief period of time?

<A - John J. Legere>: As we go to the last of your 10-part question here and I hand to Braxton, I do need to acknowledge on the Twitter feed Travis Swientek who has the best tweet so far of the day where he says, "Braxton's voice makes me sleepy, but I like his hat."

<A - J. Braxton Carter>: When you look at the leverage, you always have to look at, if you're doing something inorganically the actual situation you're in. What is the deleveraging profile of NewCo? Is it rapid? Is it slow? What is the unique opportunity? What's the relative capitalization structure and certainly in specific situations, purely theoretical, you could flex higher if you had a great deal of confidence in the rapid deleveraging. But you wouldn't flex significantly higher because a strong healthy company and the flexibility to invest in whatever the cost of achieving the synergies are would be an important consideration. So again very theoretical but there is the answer.

<Q - Brett Feldman>: When we look at the loading of your postpaid net adds over the course of the year, you tend to be a little bit more even than, say, what we see across the industry, which has tended to be more back-end loaded. But if I listen to some of the things you've said on the call, particularly front-end loading, the deployment of new stores, you'll have a lot more doors open for the duration of H2 and maybe a new iPhone coming that could create a lot of activity. I'm just wondering how you're thinking about this year and whether it may end up being a year where you actually do see acceleration and growth on your subscriber base more towards the back-end?

<A - John J. Legere>: It could unfold that way. It's a good observation. We are rolling out stores on both of our brands at a rapid pace in a way that is front-end loaded. We've been signaling this to you for a long time that we have really been competing in two-thirds of the market and have an opportunity to add $20mm, $30mm, $40mm additional marketable POPs from the beginning of 2016 to the middle of 2017. And we're on track for that, so that does bode well.

Now there is a ramp time associated with distribution. So just because you open the door doesn't mean it contributes its fair share right away. So you have to factor that as well. So, yeah, I think your observation that the shaping could be a little different than in prior years could pan out. We don't give quarter-by-quarter guidance, but the industrial logic of what you're saying is sound.

<A - J. Braxton Carter>: Let me put a little finer point on that. John very importantly talked about what we're seeing with a very significant way in the tax season in Q1, and the backdrop of our porting ratios is before any of that impact really materializes. Back in November, a law was passed relating to tax fraud avoidance that delayed any refunds for two categories; earned income credit and childcare credits to the February 15, and the tax season really isn't going to ramp-up until the end of February, which is a delayed impact.

The other thing that I wanted to be really clear on the stores is there are very few incremental stores opened at this point. We're executing towards H2 into the second – to H1, i.e., which implies a very significant ramp during Q2. And I think it's really important to pivot off Mike's statements that all distribution does in fact have a ramp associated with it. And a lot of what we're doing here with this expansion is third-party retailers, which is really an efficient methodology, but it does take time to get this stuff up and running.

<Q - Brett Feldman>: And just a quick follow-up.

<Q - Brett Feldman>: I was just going to ask, as an extension of this, your churn rate, particularly, postpaid churn rate has just trended very nicely y-over-y. Do you think that's sustainable? Is that embedded in your guidance?

<A - J. Braxton Carter>: I actually think it's one of the things that we're most excited about, for four years in a row we've continued to show significant progress and y-over-y, there is always seasonality in churn, but importantly, y-over-y on a quarterly basis, we continue to show goodness there. And how could we not? The investments that we're making in the network, the expansion that we're doing, the leading technology, the upload speeds, all that accrues to very, very happy customers. And you overlay on that foundation extreme innovation. And as we say, we won't stop. That innovation is going to continue, and that just more accretes to the brand and to customer satisfaction.

<A - G. Michael Sievert>: And we're not going to make a specific forecast about it. But just to put a fine point on that, we see no reason why our churn can't be at industry best benchmarks compared to any competitor in our industry over time because one of the core things behind it is network. And as we've been crystal clear, we intend to have a network in this industry that's second to none, and on many of the attributes, we're arriving there already. So we see nothing to prevent continued progress on this metric.

<A - John J. Legere>: Coming in on Twitter, Jan Dawson has a question to Braxton and Mike. Given your guidance around wholesale in 2017, can you tell us what the trend was in 2016 across MVNO and M2mm?

<A - G. Michael Sievert>: I can start. Yeah, just to give you a specific, we started out 2016 with about 14mm wholesale customers and ended with a little over 17mm, 17.2mm customers in the area. So it was a big growth year for us. And one of other things going on is our customers are – our big wholesale customers were focused on high-velocity transactions. There was a movement towards Lifeline in 2016, which tend to be low revenue per connection – profitable customers, but lower revenue per connection.

And what we're seeing right now is they are shifting their strategy in a different direction. They're focusing now on higher-value connections, and part of that is due to the changes in regulations around Lifeline and so on, but higher revenue per customer connections, which means, as we view it, our revenue plan for this area of our business looks intact. We're very confident in it. We have great partners in the space. But how it will unfold when it comes to customer accounts will be different than 2016, and we were just signaling to you that that was a different kind of a year with those kinds of unit growths, even though our revenue plans for 2017 look quite good.

<Q - Jonathan Chaplin>: One for Braxton quickly. So I just wanted to sort of dissect some of the impacts for 2017 FCF from the three-year guide. So I guess, what I'm hearing from you is that there'll be a working capital drag as you roll out stores. I'm assuming that's for this year. What's the thought process over the course of the next three years with working capital and EIP? And I guess what I'm trying to get to is the 15% to 18% guidance that you've given for OCF more or less of what we should be looking for, for EBITDA?

<A - J. Braxton Carter>: Again, let me unpack this to the extent that I can. And, Jonathan, one of the reasons that we gave a three-year CAGR, again, is our philosophy of having guidance out there that we have a great deal of confidence that we're going to meet or exceed. And the retail expansion that we're talking about actually will occur over all three years of this period.

I go back to the points that were made about our distributions in two-thirds of the country and we have expansion into all of the United States of America. And what's really cool about that is, it's major tailwind from a growth perspective if you essentially have no base that you're churning off of when you go into these new areas. So all of the customer flow actually goes into growth and margin growth and cash flows for the company, but it will take a while to expand distribution across the full U.S. So we are definitely assuming that this is not just a 2017 issue.

Secondly, when it comes to investments and receivables, I did make the comment that we are at penetration of the base. So any incremental EIP is associated with growth of the business, and our external expectations of growth over the next three years are very strong. And as a result, there will be net investment in EIP and a world of lower growth. Not only would you see maximum leverage of the scale of the business and an explosion in cash, you also wouldn't be making these future investments in working capital. But we're positioning I think very appropriately with a great deal of confidence in the continued momentum of the business. And other than that, that's about as much as I can unpack it for you. I hope that was helpful.

<Q - Jonathan Atkin>: Two quick questions. I wondered if you can give some thoughts on how you see the regulatory environment unfolding. So M&A aside, just what regulation and how that might affect the business differently going forward. And then secondly, on the B2B channel, wonder what kind of milestones you are planning, if any, as you sort of target that segment? Thank you.

<A - John J. Legere>: On the first, we certainly don't know more than everybody else, but there certainly is an expectation and an air of less regulation, less impediment to kind of innovation, a process of looking at change in a more aggressive way without government intervention, as well as an expectation of a more favorable corporate tax environment. And I think there's been some reports released as early as this morning listing some of the top beneficiaries potentially of some of the possible tax change, and I think T-Mobile was one of the top three.

So, we don't have specifics, but certainly, we feel a positive environment. And as you say, in addition, we do feel that there will be a more positive environment to consider structural change to the industry, all of which I think is positive for our company and more will unfold. And we look forward to working with Chairman Pai, who we know well and have great respect for, as well as the Trump administration in anything that's important in the telecom space.

<A - G. Michael Sievert>: On your question about the B2B segment. Our business we call @Work is just doing fantastic. I can't give you a lot of forecasts on things that are coming up. We'd like to keep our cards a little close to the vest on that. But just a couple factoids, we had the highest ever percentage of our net adds in Q4 in the business channel this Q4. So you saw the highest ever performance of our business channel in the quarter we just announced as a percentage of our total net adds. That means it's outperforming every other part of our business on growth. So we're really proud of our team in this space.

And what we're finding is that there's been a big change in the last year and that is that our network is now meeting all the threshold requirements that big enterprises have, and that just wasn't the case a couple of years ago. We weren't really in the discussion with medium and larger enterprises because they have facts and data to back up their choices and they're very thoughtful about this, and they weren't choosing us back then. Well, now that those same facts and data are pointing that we have a network that is second to none and they're choosing us on purpose because of our network and I think this is a leading indicator for consumers who have less data at their disposal than enterprises have.

So we're delighted to see that progress. It's mostly driven by network. A secondary point and the final point is that, we're the only one of the major wireless companies serving them who are unconfused about the future. The future is mobile communications. Every other company out there is trying to serve them legacy technology as well and over-monetize that. And I think our customers appreciate us for that because the industry is shifting towards mobile when it comes to enterprise communications.

<A - John J. Legere>: As we go to the next question, I'm going to answer one in the way over that I know people have passionately been wanting to ask, but it hasn't come up yet. And the answer to that question is, yes, we are giving away Valentine's Day socks on T-Mobile Tuesdays as well as pizza today.

<Q - Ric H. Prentiss>: The first question pretty easy, Braxton, there's been some spectrum-backed debt issued in the marketplace recently. What are your thoughts about approaching that market and what it might mean to your FCF?

<A - J. Braxton Carter>: Importantly, that is not something that we would entertain at all, using our lifeblood of the business to collateralize any borrowings out there. And quite frankly, we don't need to do that. I'm sure that you've recently saw the significant Term Loan B that we put in place, that's the total amount that we will do on that because we're very focused on not layering too much secured debt against the unsecureds. That could do anything to jeopardize the rating, so it's very important to us to protect the unsecured market.

But when you look at the FCF guidance that we just gave, there is a very significant amount of cash generation and our business has been fully funded for all investments that we're doing for really the second year in a row. And the outlook is very, very positive. So, no, it's not anything that we would consider [ph] going forward (1:08:14)...

<A - John J. Legere>: I would point out that in some sections of even the city we're in, there are loan sharks still in business and pawn shops that are other ways to get money that we won't be using either. And I'm not sure which of our competitors you're referring to, but I would assume that they didn't go to that move because it was one of their top two or three options.

<Q - Ric H. Prentiss>: I've got one for Neville as well. Not wanting to put you in a box with the broadcast auction still underway, although obviously winding down into the assignment phase. But from a fundamental theoretical standpoint, how soon could broadcast spectrum be deployed if someone were to buy some? And as we look at your 2019 guidance and the reconciliation about $5B to $5.4B in 2019, should we think that broadcast spectrum could have some impact on that.

<A - J. Braxton Carter>: Let me just start by saying we have had significant projects every year. First rolling out 4G LTE, then the 700-megahertz roll out, the geographical expansion. And as we complete these projects, we certainly do roll those dollars and make them available for other uses in the run rate. The guidance that we provided has all of our known issues fully embedded in it for this three-year period. So just to frame it overall and I'll turn it over to Neville.

<A - Neville R. Ray>: The focus this year is to continue the incredible pace we've achieved on rolling out our current low-band spectrum asset 700 megahertz. So we're 252mm deployed, much of that has happened in the last 18 months. And we have 272mm licensed POPs to run out, the big delta between the two is Chicago, and as Braxton referenced earlier, we're pushing very, very hard to bring large pieces of that market on air with 700 megahertz in H1. So 700 megahertz is key focus for us, it's driven massive footprint expansion for us on low-band and puts us in a great place, for all the dimensions of new competition, still is B2B, et cetera, that Mike talked about earlier on.

When it comes to 600 megahertz, obviously, we can't say anything really in terms of the auction. What I can tell you though is that the ecosystem around 600 megahertz radios for the handset, for the actual cell site equipment, that marketplace is starting to buzz. And so equipment will come through, the standardization work that has to happen for the 600 megahertz band. We do now know the band plan, so that's a material shift, and change, and progress from the last time we talked on a call like this, and so equipment is coming.

And there's a lot of work to happen with broadcast clearance and so on, but it's going to be an exciting time on 600 megahertz. And I'm encouraged by the new administration's statements on a robust and timely clearance of broadcasters as we work through the coming months and years. So lot of positives to come on 600 megahertz.

<A - John J. Legere>: Just to amplify that Neville, nothing to do with the auction that we could speak about, but you've always been one person different from all the others that believes that whoever does get spectrum in the low-band auction could put it to use as early as this year.

<A - Neville R. Ray>: It's certainly feasible.

<Q - Mike L. McCormack>: Maybe just a thought on mobile video, your thoughts on where T-Mobile can go with that, whether or not you have any interest in OTT partnerships, any interest in ownership of content itself? And then, maybe for Braxton, just looking into 2017 upgrade rates, as we move more into EIP as opposed to leasing, shouldn't that dampen the overall upgrade rate even in the face of this 10th anniversary iPhone?

<A - John J. Legere>: Let's swing through here, I'm going to, Mike Sievert is quite passionate about that topic, he's going to introduce it by saying, if you go back even a year, year-and-a-half, we've said all along that you can understand most of what's going to happen by the header of all content is going to the Internet, all Internet is going mobile. Because of the trends, of what have happened in the last year, we've now shortened that to all content is going to the mobile Internet.

So in fact, clearly, by default, anybody that's in the business of content or on smartphones and eyeballs will be going into the mobile video business in some way. And Mike, why don't you talk about some of the vision on that?

<A - G. Michael Sievert>: One of the things our customers really appreciate about us is that our tendency to put them first and listen to what they're looking for. So we'll be guided by them on this. And so far, we don't hear customers crying out for their wireless company to erect walled gardens and curate their content for them and pick and choose for them.

We saw how badly that failed when Verizon tried it with go90, it's just not something that that customers are asking for yet. That being said, as we talked about a few minutes ago, our brand is really strong, and as things start to change it's possible that customers might expect us to do that for them. And if they do we will.

But I think, we've been clear since Binge On, that if we can make it easier for customers to access without penalties, without fear of data overages, the way we changed the industry with Binge On and with T-Mobile ONE, if we could make it easier to buy, if we could make it easier to consume there are plenty of things we could do besides, erecting our own plan, which is a walled garden and curate all their Internet content for them. When the magic of the Internet is that you can have all of the content. So we'll be guided by our customers on this. But right now, what they're telling us is they love our neutrality in this space.

<A - J. Braxton Carter>: The second part of your question relates to our view on upgrades. And net, net we're actually excited about the handset innovations that are coming in the upcoming year. Mike talked a little bit about more affordables and the differentiation between smartphones is becoming increasingly difficult. But in 2017, we have a couple of very significant things coming. The 10th anniversary of the iPhone, which again Apple is very tightlipped about innovations they're bringing to the market, but I think all expectation is that that's going to be a very significant step up in functionality and form that will certainly drive switching or reinvestment in your certain carrier during the upcoming year.

And then we also have Samsung coming out with another iteration of the Note, and I think, by all accounts that was one of the most exciting true smartphones with that type of screen size out there and it's a shame what happened, but they will certainly be back and be back very, very strong in the upcoming year, as well as all the other things from a handset standpoint. So net-net, our expectation is probably the same overall rate of upgrades as a percent of the base for 2017.

<Q - Mike L. McCormack>: Just as a follow-up on that, there's no – the EIP vs. leasing shouldn't impact that, I mean, in the dip on demand issue?

<A - J. Braxton Carter>: Not necessarily. During 2016, we were pretty much all new customers on EIP flow. You can tell by the guidance that we've given for leasing, that's more run rate with existing people on leasing and not assuming a lot of additional lease for new customer flow coming in. But it's still a tool in our toolbox, and we can obviously pivot as we see necessary in the marketplace. But that's definitely not the assumption in the guidance.

<A - John J. Legere>: We're going to take one more question operator. And then we're going to run over to CMBC and go from there.

<Q - Matthew Niknam>: Just two real quickly. Number one, on network payload, you've talked in the past about after launching Binge On throttling video at 480p, there was a net payload reduction. Just wondering how that's been trending in recent months?

And then just on prepaid, maybe for John or Mike becoming an increasingly competitive space more subsidies on phones, ARPUs we see are great plans, promotions, continuing to get more aggressive. How do you win profitably there in the current environment? Thanks.

<A - John J. Legere>: And I commented upfront, the prepaid environment becoming competitive, I think what you mean by that is some of our competitors have realized that there's nothing that they can do enough on the postpaid side to grow their revenue stream when they're declining significantly.

I mean if you had 368,000 postpaid nets with a declining ARPU, but you lose 1.3mm to 1.4mm customers, 501,000 in the same quarter on the prepaid side vs. a player like ourselves, who we've gained 5.1mm prepaid nets over the last three years and 2.5mm this year, and had a stable to increasing ARPU. This is an extremely profitable business. And by getting highly competitive, you mean quarter-after-quarter we hear the same, we're going to come back in this business by the same group that two years ago said they were going to have the number one or two network by now.

So, we don't see it or hear it. And in the meantime, if you do the store count, by the end of this year, MetroPCS will have 10,000 doors. So it's kind of a hard thing to catch-up to, but I don't know if you want to comment on it?

<A - J. Braxton Carter>: In order to win in this space, you have high ARPUs, low churn, reasonable acquisition cost, and if you look at our business, we fit the bill to the T.

And it's fascinating, it's sort of an underappreciated part of our business. We look at some of the unit economic measures, things like what kind of performance do we get on investments in sales and marketing, we call it return on CPGA. We look at how much margin is created for our company and contribution per unit of network capacity taken up. And on those two important measures, which are perhaps the most important comparators, our prepaid business performs as well as our postpaid business. And it's – so it's very fascinating. CLVs are less on a per customer basis, so it takes more customers to get there and we have more customers.

The last point is that we are simultaneously the largest and the fastest growing in the space, that's very difficult to achieve. And it's a testament to the team, to the model. We're very, very proud of that business and how it contributes.

<A - John J. Legere>: For three years, we have separately and simultaneously grown both. And I think what you've seen is companies that slipped one way or the other, so AT&T had a reasonable prepaid growth of subscribers last quarter, but they haven't added a postpaid subscriber since Q2 of 2014. And then you have Sprint who over heavy focuses on thinking that if they post some postpaid numbers that the world will come to a stop and love them is really bleeding on the prepaid side, and now figuring out how to pivot. It's difficult, but proven that you can do both at the same time and remember the ARPUs, especially at MetroPCS are very profitable and very strong and very consistent. So did you have – was there a second part?

<A - J. Braxton Carter>: There was – there was a second part just on the 480p optimization and the benefits that's delivered to the network and we said day one when we activated Binge On, it was about 10%. It's probably in the 12% to 14% range today. I don't have the precise math in my head, but somewhere in that range. So, that's great. And I think obviously that experience has been a tremendous one, as Mike outlined for our customers, a 480p delivery to their phones is appropriate and delivers a great viewing experience, but obviously, the video optimization is a great benefit to the network.

But as I talked at the beginning on one of the earlier questions, we've been adding a very large volume of capacity to the network through all the different means I outlined over the last 12 months to 18 months. So, a good place to be and video optimization is there, and as Mike outlined, we're going to have an HD option there for customers too.