Q3 2020 Earnings Call

Company Participants

- Jud Henry, Senior Vice President and Head of Investor Relations
- Matt Staneff, Executive Vice President &Chief Marketing Officer
- Mike Katz, Executive Vice President, Business
- Mike Sievert, President and Chief Executive Officer
- Neville R. Ray, President of Technology
- Peter Osvaldik, Chief Financial Officer

Other Participants

- Brett Feldman, Analyst
- Craig Moffett, Analyst
- David Barden, Analyst
- John Hodulik, Analyst
- Jonathan Chaplin, Analyst
- Michael Rollins, Analyst
- Phil Cusick, Analyst
- Simon Flannery, Analyst
- Walter Piecyk, Analyst

Presentation

Operator

Good afternoon. Welcome to the T-Mobile Third Quarter 2020 Earnings Call. (Operator Instructions). I would now like to turn the conference over to Mr. Jud Henry, Senior Vice President and Head of Investor Relations for T-Mobile US. Please go ahead, sir.

Jud Henry {BIO 17995947 <GO>}

Thanks for joining us for our T-Mobile's third quarter 2020 earnings call. With me today are Mike Sievert, our President and CEO; Neville Ray, our President of Technology; Matt Staneff, our Chief Marketing Officer; and of course, Peter Osvaldik, our CFO; as well as other members of the senior leadership team. During this call, we will make forward-looking statements that may include projections and statements about our future financial and operating results, our plans, the benefits we expect to receive from our merger with Sprint, our business operations in light of COVID-19 and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties outside of our control that could cause actual results to differ materially, including the risk factors set forth in our filings with the SEC.

Reconciliations between GAAP and the non-GAAP results we discuss on this call can be found on the quarterly results section of the Investor Relations webpage. I also want to remind everyone that the results prior to the second quarter of 2020 in our earnings materials represent the historical results of stand-alone T-Mobile prior to our merger. I would also like to note that we are currently in a quiet period for Auction 107 and we'll, therefore, be very limited in any comments that we can make related to that.

With that, let me turn the call over to Mike.

Mike Sievert {BIO 2140857 <GO>}

Thanks, Jud. Great job. Hi, everybody. Well, for obvious reasons, hopefully you can tell by now, we are so excited to share our Q3 results with you today. Today's report shows that T-Mobile's momentum has continued to accelerate quarter after quarter as we profitably take share and outpace the competition. We surprised the skeptics and the optimists yet again, with strong results across the board and increased our financial guidance across every metric for the balance of the year.

I'm proud to say that this quarter, we delivered the biggest subscriber growth in our history -- in our history with over two million total net additions. This is our 23rd consecutive quarter leading the industry and this quarter, we delivered more than AT&T and Verizon combined. We've now surpassed 100 million total customers, and we're pulling further ahead of AT&T as the nation's number two wireless provider. We did all of that and delivered the strongest financials in our history. ARPU and ARPA went up from last quarter. Churn went down with the best year-over-year churn performance in our industry for postpaid phones when you look at estimated pro forma combined from last year.

Our $7 billion of adjusted EBITDA beat expectations and by a lot. We delivered over $14 billion and service revenue also beating estimates handily. And importantly, we also accelerated CapEx spending, as Neville and team are running at full speed ahead on our synergy-driven network build. Even with all of this outsized growth and accelerated network investment, we're actually increasing guidance today on operating cash flow and free cash flow for the balance of the year. Big steps forward in growth and profitability at the same time. All that is possible because these results begin to reflect the benefits of operating in a synergy-backed model, allowing us to pursue both simultaneously versus the age-old trade-off of billing [ph] after growth versus preserving margins in a given period.

Our operating momentum didn't just deliver growth and profitability, it delivered amazing progress on our network. I will share more with you in a moment about all that, but the country has never seen anything like this network build, which is tracking well ahead of schedule and is clearly beginning to differentiate T-Mobile as the bona fide network leader of the 5G era. I'm just so proud of the team for being able to execute at such an incredible level in a highly competitive marketplace, while simultaneously driving integration faster and better than expected to capture our merger synergies and deliver value for both shareholders and customers. We're working hard to go big and go fast, and we expect to realize over $1.2 billion of synergies in 2020, way ahead of our plans and we're only a few months in.

Breaking it down, we expect to achieve more than $600 million in network synergies, primarily from avoided site builds and early decommissioning. And at the same time, we expect to realize about $500 million from streamline marketing efforts under one flagship brand and with expedited retail rationalization. And we're not done with the initial process to evolve our organizational structure. To become one team that's organized to deliver results for the business, which is expected to enable about $100 million of back office synergies this year alone.

Last quarter, I told you I was even more confident in our synergy plan than I was before the merger and that continues to hold true. These early results in 2020 demonstrate our focus on lightning-fast execution. I'd also like to announce we plan to host an Analyst Day in the first quarter shortly after we report our year-end results, where we're going to share with you more details on synergies and our outlook for the business in the next few years. And just to leave you with a little bit of a teaser, we expect synergies in 2021, including cost-avoidance synergies, to be more than double what they were in 2020. So stay tuned for more.

Coming back to our strong customer results for -- (technical difficulty) I also want to add some important context to what we delivered. First, the industry continued to feel the impact of COVID-19 in Q3, with a much slower switching environment than a year ago. As a share-taker, that is a clear headwind to growth and yet, we still lead the industry in postpaid gross adds for phones and net adds. This is particularly exciting when you consider that we also essentially retired the Sprint brand for new customers at the beginning of August, which immediately shut off a certain flow of gross adds. So our Q3 results reinforce this team's execution and the growing strength of the T-Mobile brand to capture what we did in the market during what I would describe as a transition quarter.

We continued to see very strong growth in postpaid other devices, including continued traction in T-Mobile for Business this quarter. This reflects how we were the most responsive carrier to the needs of school districts nationwide, as they've increased availability of digital learning solutions due to the greater demand for remote learning this fall. We also saw particularly strong growth in enterprise and government and recognition of our amazing customer service just continued to roll in. For four years in a row now, businesses of all sizes have ranked the Un-carrier number one in wireless satisfaction in the annual J.D. Power US Business Wireless Satisfaction Study. We think we have about an eight or a nine share in this market among enterprises, large enterprises and governments, so that's a lot of share-taking potential. It's going well and like the saying goes, we're just getting started.

Next, I want to touch on our investments to expand our 5G network leadership. As you know, we are miles ahead of the competition at the dawn of the 5G era, and we're well-positioned to stay ahead. There are really two things that matter when it comes to unlocking the potential of 5G, and I'll tell you now that T-Mobile is far and away the clear leader on VoLTE. The first one is coverage. Having reliable 5G service where you live, work and play, coverage is king. We have America's largest 5G network that covers 270 million people across 1.4 million square miles.

Did you know we provide more geographic coverage right now than AT&T and Verizon combined on 5G? To be more precise, our 5G coverage is double AT&T and 3.5 times Verizon's. They claim to be nationwide, but they really only cover a fraction of the geography that T-Mobile does. Verizon is showing up late to the party by using dynamic spectrum sharing to avoid being the only carrier without, quote, nationwide 5G coverage when the iPhone 12 launched. But because they're sharing spectrum between LTE and 5G, their 5G median speeds and availability overall are the lowest of the Big 3 and not much better than LTE. Well, our 5G speeds on low-band extended range 5G are twice as fast as LTE, thanks to our dedicated 600-megahertz spectrum.

Okay, the second element that really matters is the high-capacity, high-speed capabilities enabled by bigger channels of spectrum found in mid-band and high-band. This ultra-high-capacity 5G is where exciting things can happen. And that's why our 2.5-gigahertz mid-band spectrum is the real Goldilocks band for 5G because it has both massive capacity and it has reach, measured in miles from our towers, not meters like the other guys. We now have 2.5-gigahertz deployed in over 400 cities and towns, covering over 30 million Americans. And we're targeting more than a 1,000 cities and towns, covering 100 million people with our mid-band high-capacity 5G coverage by year-end, that's just two months away, with plans to have nationwide 5G on 2.5-gigahertz by the end of next year.

This high-capacity 5G is delivering average download speeds of around 100 megabits per second and gigabit peak speeds and that will continue to grow. For all the crowing that Verizon has done around their high-capacity solution, Ultra Wideband, one analyst recently estimated that it only covers an estimated two million people. This aligns with the recent Ookla report which shows that Verizon customers only connected to the Ultra Wideband 5G less than 1% of the time. Said simply, our fast 5G reaches 15 times more people than Verizon's today and could reach 50, 5-0, 50 times more people by the end of this year. Our 5G network is well ahead of the competition and it's just keeps getting better.

Lastly, as you know, we're expanding our Un-carrier strategy to leverage our leading 5G network and brand and scale to capture new market opportunities, and we're doing it without losing sight of our core focus. We are continuing to expand our home Internet pilot, delivering broadband service at better prices to households across the US, with a special focus on small towns and rural America. We just expanded our pilot to parts of 450 cities and towns that were somewhat abandoned by AT&T, and we continue to lay the groundwork for our wider launch of 5G wireless broadband service for homes and businesses very soon.

And lastly, we had some exciting and long-awaited news with the nationwide launch of TVision. We are all about solving pain points and serving customers, and this latest Un-carrier move showcases that yet again. While there are just so many pain points in the TV arena, customers are so tired of being forced into contracts with exploding bundles, and massive unadvertised fees and huge overpriced packages just to get live news and sports. We're providing customers with the content that they want at an incredible value, which highlights the benefits of being with T-Mobile in the first place. This is all about driving our Wireless business and it serves as an important enabler for our emerging Home Internet business that I just talked about, as satisfied customers rely on T-Mobile more and more for their connectivity services.

So what should your main takeaways be -- just make sure you do a mute check. So what should your main takeaways be from all of this, you guys? This was a stellar quarter, really buttressing the thesis that so many investors have about T-Mobile. We showed we can deliver incredible growth, in fact, the highest subscriber growth in our history, while simultaneously beating expectations on service revenue, EBITDA and EPS, and increasing guidance across the board including for cash flow. Simultaneous growth and profitability, fueled by the rapid and faster-than-expected unlocking of synergies, a gift which will keep giving for years to come.

Far from being distracted by the merger, we're already putting the results of our integration to work as a source of strength. We did at all while pulling away from the pack on what really matters, network and the customer experience, setting the stage for T-Mobile growth leadership in this market for the duration of the 5G era. Only one company will be positioned to provide the best network and the best value in the 5G era, and that's T-Mobile. The benefits of all of that to our stakeholders, it's just an exciting story that's rapidly unfolding.

Okay. Now, I'm going to ask Peter Osvaldik to take us through the financials and our guidance. So Peter, take it away.

Peter Osvaldik {BIO 18597986 <GO>}

Thanks, Mike. As you can clearly see from our results, we delivered a quarter with record-setting customer growth while simultaneously posting strong financial results. And this profitable growth sets us up for an even stronger second half than we originally expected. So as Mike mentioned, we're raising guidance across the board as we continue to execute on our proven playbook of delivering growth and profitability.

All right, lets go ahead and jump right into the financial details for the quarter. Total service revenue grew to $14.1 billion on continued growth in postpaid and an increase in wholesale revenues as a result of the MVNO Agreement with DISH following the sales of Sprint prepaid customers on July 1. Recall that the revenue attributable to the Sprint prepaid customers was reflected in discontinued operations in our Q2 results and, therefore, you see a sequential increase in reported wholesale service revenue in Q3. Cost of services of $3.3 billion increased sequentially, driven by higher site cost due to the volume of upgrades we have completed, as well as higher merger-related costs partially offset by additional synergies captured.

Looking into Q4, we expect the full quarter impact of increased noncash lease expense from a tower agreement signed in September, which will impact cost of services by approximately $150 million sequentially. Again, this is noncash and is partially offset by continued synergy realization. SG&A expenses of $4.9 billion were down sequentially, primarily due to lower merger-related costs as much of those costs were severance and transaction-related in Q2. Additionally, we also had lower bad debt and sales expenses along with additional synergies captured in Q3. We expect seasonally higher sales cost in the fourth quarter related to the iPhone launch and holiday promotional environment.

Q3 net income of $1.3 billion and diluted earnings per share of $1 were impacted by $208 million and $0.17 of merger-related costs respectively. Adjusted EBITDA amounted to $7.1 billion, which increased sequentially primarily due to higher postpaid service and equipment revenues, partially offset by higher cost of equipment sales and cost of services. Net cash provided by operating activities totaled $2.8 billion, which includes $379 million for merger-related costs. Cash purchases of property and equipment, including capitalized interest of $108 million, amounted to $3.2 billion as we accelerated the build-out of our nationwide 5G network and ramp network integration activities. Free cash flow was $352 million already achieving the low end of our second-half guidance even with higher capital spending. Postpaid ARPA, or average revenue per account, amounted to $133.03, and postpaid phone ARPU was $48.55. The sequential increase in postpaid phone ARPU was primarily driven by higher premium service revenues, and we expect Q4 to trend closer to Q2 levels with promotional activities.

And I have to mention the ongoing work done to significantly improve our capital structure and strengthen our balance sheet. Last month, we issued nearly $9 billion of secured notes with an average rate of 2.99% and an average tender of (inaudible) years. Collectively, since the merger closed, we have more than doubled the average maturity of our debt portfolio from 4.3 years to 9.2 years, and lowered the average cost of debt from approximately 5.7% through a paltry [ph] 5.1%, excluding the non-cash amortization of swaps.

Okay. Let me come to our guidance, which we are raising across the board as both growth and profitability were much stronger than originally anticipated. Again, we wanted to provide this guidance and prioritize transparency even during these uncertain times. While ranges for Q4 can be inferred, we are updating our guidance in the context of our previously provided second half 2020 outlook. We had originally guided to $1.7 million to $1.9 million postpaid net adds in the second half of 2020. Well, we checked that off the list in Q3 alone. So in a Q4 exclusive, we're providing postpaid phone guidance. We'll look to continue to lead the industry in postpaid phone growth and expect postpaid phone net customer additions between 600,000 and 700,000 in the fourth quarter. Also for Q4, we expect a more balanced mix of postpaid phone and postpaid other net additions relative to the extended educational opportunities that we saw in Q3.

Adjusted EBITDA is now expected to be in the range of $13.6 billion to $13.7 billion for the back half of 2020, up $1 billion original second half guides and includes leasing revenues of $2.5 billion to $2.6 billion. The implied Q4 guide reflects our expectations for seasonally higher costs related to the iPhone launch and holiday promotional environment, as well as the non-cash straight-line lease expense impact from our recent tower agreement. Cash purchases of property and equipment, including capitalized interest, are expected to be between $6.7 billion and $6.9 billion at the high end of our prior guidance, driven by strong momentum on our network deployment.

For the second half of 2020, merger-related costs not included in adjusted EBITDA are unchanged from our prior guidance and expected to be $800 million to $1 billion before taxes. You'll notice that this implies an increase from Q3 levels as we continue increasing momentum across operational integration activities. Net cash provided by operating activities, including payments for merger-related costs, is expected to be in the range of $5.9 billion to $6.1 billion, up from our original guidance of $5.3 billion to $5.7 billion. And free cash flow, including payments for merger-related costs, is now expected to be in the range of $700 million to $900 million, also increasing from our original guidance of $300 million to $500 million. And our effective tax rate for the second half of 2020 is now expected to be in the range of 20% to 23%. This is a lower rate than our previous guidance, primarily due to higher pre-tax book income.

And as Mike mentioned, we are looking forward to an Analyst Day in Q1 following year-end results, to provide updated color around synergies and long-term guidance, as well as a strategic overview of the business. We know this is an update you've all been waiting for and our entire team is excited to share with you all that we have going on.

Okay. Now, let's get to your questions. You can ask your questions via phone or via Twitter. We will start with the question on the phone. Operator, first question, please.

Questions And Answers

Operator

Thank you. (Operator Instructions). Our first question comes from Jonathan Chaplin with New Street.

Q - Jonathan Chaplin {BIO 4279061 <GO>}

Thanks, guys. Just a quick question on your -- (multiple speakers)

A - Mike Sievert {BIO 2140857 <GO>}

Hey, Jonathan. If you didn't jump in there with a question after that Operator said that four times, I was just going to thank everybody and end the call.

Q - Jonathan Chaplin {BIO 4279061 <GO>}

My question is about your 5G go-to-market strategy. So, I think you guys have a phenomenal advantage with 2.5-gigahertz as you articulated. And I think everybody on the call understands that advantage, and I'm wondering if the consumer market understands that -- the advantage that you have and how you drive that message into the market over the -- as we enter the 5G era post the launch of the iPhone.

A - Mike Sievert {BIO 2140857 <GO>}

Yeah, so, you know, they don't. And that's a real tailwind for investors because perception by definition lags reality. And so to me that's a big exciting part of this story. We've done such a great job over the past seven years, eight years reinforcing with innovative breakthrough Un-carrier moves our value proposition. But to your point, we haven't trained those same engines to the same extent on our network story. And now, we have a network story is just phenomenal and it's about to get a lot better.

As I talked about, right now we've got 30 million people with our highest-capacity, highest-speed 5G, 270 million overall with 5G, but that's going -- that 30 million is going to 100. At the same time, the other guys are nearly standing still on their highest-capacity 5G. It's just going to be such a stark reality that consumers are finally going to have to pay attention because millions of people are going to have one of these iPhone 12s and they're -- with T-Mobile, they're going to actually find high-capacity 5G and get hundreds of megabits per second, and their friends are going to be jealous and not only that, they're going to be seeing our story unfold on TV.

As you know, synergies mean a cut [ph] for advertising and marketing, but that's versus pro forma combined. Right now our CMO, Matt Staneff, is investing more in the T-Mobile brand than ever before in our history, even that of those synergies. And those network equities, while it's mostly a tailwind for investors, mostly an opportunity for improvement, we're confident in our ability to market around here. But by the way, there is already some progress.

Matt, do you want to talk about how the brand is doing?

A - Matt Staneff {BIO 20459281 <GO>}

Yeah, the brand -- that's a great question, by the way. I love the fact that we're asking about how we're going to get credit for the network we have. It's such an amazing place to be. It's been a number of years since we've been so set up for success in the marketplace. I just want to remind you as well, sequencing is important. We're just coming off our quarter where we folded two brands into one in the postpaid market and delivered these great results. So, we've been hard at work at getting that right.

The other thing I'll remind you was in the early days of 5G messaging, we weren't out there bragging about something that didn't exist, right? We've been going out for a year with our nationwide 5G with extended coverage, and Neville is building a phenomenal network. So it's coming. It's coming very soon, and as Mike said, we are set up more than we ever have been to really communicate the message clearly in the marketplace, both the network we have as well as the incredible prices and value customers get from us. We've seen great success. Early indicators are showing good progress -- very good progress in network (inaudible) considerations. All the leading indicators you want to see are already moving and we haven't even gotten started yet telling the story I know you all are waiting for us to tell.

I won't surprise everybody and I'll remind you as well, we have a long legacy and history of disrupting the marketplace, being innovative with our marketing, and it's coming so stay tuned.

Q - Jonathan Chaplin {BIO 4279061 <GO>}

Great. Thanks, guys.

A - Mike Sievert {BIO 2140857 <GO>}

Cool, Jonathan. Great to hear from you. Operator, why don't we go back to the phone for the next question?

Operator

Certainly. Our next question comes from Phil Cusick with J.P. Morgan.

Q - Phil Cusick {BIO 5507514 <GO>}

Hey, thanks, Mike. I thought I was -- maybe missed my queue there for a minute. Maybe if you could just -- thanks for the guide, which says a lot about your view of competition in the fourth quarter, but talk more about how you see the market following some more aggressive promotion this year than last. Do you worry about the rationality of the industry from here?

And then can you talk about churn as well in the Sprint customer base? What has that done versus the T-Mobile base over the last few months, and how are you doing with nailing those customers down? Thank you

A - Mike Sievert {BIO 2140857 <GO>}

You bet. It's great to hear from you, Phil. Yeah, I -- first of all, if you look at -- and I'll ask Matt to pile to in on this. If you look at the promotions in the industry, actually to us they look a lot like last year's. There's some -- obviously some changes around the margins. Look, the phones underlying are a little bit more expensive from Apple, but generally speaking we see a promotional environment a lot like last year's. It feels really intense but that's because it's the fourth quarter and it's because there is a big iPhone here. So generally speaking, I don't see a trend line there that's at all concerning.

As it relates to churn, now there is a trend line I'd love to talk about. We believe we have the best year-over-year churn performance in the industry by far. When you look at pro forma combined, remember this is a blended 0.9% postpaid phone churn that we delivered. Last year, we had 0.9% without Sprint, and Sprint was churning at about 2%. So, we blended it all together and delivered that kind of performance, it shows you one thing. Sprint customers are starting to benefit very significantly from this combination and of course on the T-Mobile side, although we blend it and we don't disclose it separately, man, that's a great underlying performance there as well, like really good. So, we're delighted.

And I have to say, even though we have the best year-over-year churn performance down to 0.9%, I also see churn as a tailwind thesis for investors because we have room to run. We delivered all of this financial performance; $7.1 billion in EBITDA, simultaneously doing that and delivering our best growth quarter in history with two million net new additions with that 0.9% churn that you know we've shown with our T-Mobile brand we know how to get down. So, I think it's a great potential tailwind on our story.

But let's talk about promotions because I know you're not the only one that's going to want to talk about what's happening out there, and it is a bit of a misnomer, I think, what's happening. But Matt, do you want to share what you're seeing as the quarter is unfolding? I know everybody is curious about the view from the marketing seat.

A - Matt Staneff {BIO 20459281 <GO>}

Yeah, thanks, Mike. And thanks for the question, Phil. Just to reiterate on a couple of things Mike said. The iPhones -- it's a different cycle this year than it has historically been. There is a couple of things. One, it's more spread out. It's happening later in the quarter. As we all know, Q4 tends to be back-end loaded and the offers tend to get a little bit more competitive when customers show up to shop for Black Friday and to Christmas. And so what you're seeing is a little bit of a compressed dynamics on the schedule and you're seeing the more expensive phones launch first. And we've already seen changes in the offers that were announced and have been announced. We have a new pre-order starting just even tomorrow on the iPhone.

So it's an evolving dynamic in the marketplace, but as Mike said, when you look at it apples to apples and you look at the true comparison of the phone and the plan and the network experience, we think largely speaking the offers are about the same with one caveat. There's more aggressive base offers and retention offers out there in the marketplace, and I just got to ask why is that the case when you look at the marketplace and the dynamics. We're here -- we're very positioned to succeed like we always are. And I'll just remind you again, it's -- the quarter Q4 is a bit more back-end loaded, typically speaking, versus at the early days of an iPhone launch. We're very well set up to succeed and we think we've got a very good game plan, a disciplined game plan to continue to -- our momentum and win share.

Q - Phil Cusick {BIO 5507514 <GO>}

I think the fear has been that some aggressive retention offers are -- Thank you.

A - Mike Sievert {BIO 2140857 <GO>}

No, that's okay. Keep going. Yeah, there is a latency, but you were going to pile on a little bit.

Q - Phil Cusick {BIO 5507514 <GO>}

I was going to say the fear was that some aggressive retention offers would nail down the sort of porting opportunity in the industry and you would grow more slowly. Clearly that's not what you see. Have you seen less sort of porting opportunity in the last couple of weeks?

A - Matt Staneff {BIO 20459281 <GO>}

Well, switching is muted. I mean, if you look across the span of Q3 as well as what's happening in Q4, switching is down. You see that because churn is down. But what Matt was just saying I just think is important to underscore. We've seen environments like this. We've seen highly intense environments with lots of switching, and our team has got a flexible model and we find a way to post the growth and we're just really proud of that. We've been at this for a long time as a share-taker. We invest with discipline. We try not to overdo it. But in a muted switching environment, very muted, we delivered the highest growth in our history this quarter. And it really shows, I think more than anything, two things. One, how our team executes. Every company is something. Our company is great at execution. And two, that being executing against a synergy-backed model is a real benefit because we're able to unlock the value of those synergies and invest them in growth and still deliver the financial performance and period as I said in my prepared remarks.

Q - Phil Cusick {BIO 5507514 <GO>}

Thanks again, Mike.

A - Mike Sievert {BIO 2140857 <GO>}

Cool. All right. Operator, we're on a roll. Let's just keep going to the phone. And meanwhile, I'll ask Peter to scan across Twitter and see what he sees.

Operator

Our next question comes from John Hodulik with UBS.

Q - John Hodulik {BIO 1540944 <GO>}

Great. Thanks, guys. Two if I could. First, maybe Mike on the new TV service. Can you just talk a little bit about the positioning of that virtual product? What do you expect it to do for the year, sort of economics of the business? Is if for churn reduction? Do you think it could be profitable? And then a couple of the media companies today sort of expressed some pushback around the packaging and suggested that those offers may change. So if you could comment on that, that'd be great.

And then I don't know if Neville is on, but I thought the comments around synergies for next year the data [ph] from how we had it modeled out suggests a bit of a pull-forward. It sounds like you really getting into the meat of the network integration in '21. And then if he's around, if he could talk about how that's going and how you expect that to ramp next year would be great. Thanks.

A - Mike Sievert {BIO 2140857 <GO>}

Sounds great. Well, we'll start with the second one on network and then circle back and I'll answer your TVision question, but you're here onto us. You're (technical difficulty) great point. I mean, this is a critical year for us in '21. You want to talk about it, Neville?

A - Neville R. Ray {BIO 15225709 <GO>}

Yeah, I'll cover it quickly, John. So tremendous progress. I mean, with the pace and acceleration of our plans inside 2020 has been pretty remarkable. So the start -- the main start [ph] that I'd focus on for you in terms of progress we're making on migration. First, 15% of the Sprint postpaid traffic already on the T-Mobile network. So, we're building out that capacity. You've heard Mike talk about all of the work we have ongoing upgrading the network. Migration is in full swing and what follows on migration of course is decom and synergy acceleration. So, we've already scored some decom activity inside 2020, but we will start to really ramp and accelerate that in '21 and that is ahead of our original plans. The primary kind of decom years were really '23 and '24, and you're seeing that move forward in a material way from a timeline perspective. So super, super pleased with the progress.

We want to get every customer on that one final T-Mobile network with all that 5G goodness that Mike talked about. We're going to be famous for network in this company. That's our goal and our ambition, and we want all of our customers on that network enjoying and exploring that 5G capability as fast and as soon as we can, whilst delivering on that synergy ambition and we're very confident on both fronts.

A - Mike Sievert {BIO 2140857 <GO>}

That's obviously going to be a big part of our story next time we talk when we release earnings and give you some more in-depth guidance on '21, but we're so excited about the potential because we're just way ahead of schedule. It is mostly network-driven, and Neville and team are running faster than we had expected in our model. So that's really exciting.

TVision, also really exciting. We -- I'm so happy we got this out. As you know, we've been talking about the TVision for a long time. We sequenced it to be sure it was here -- despite all the merger and other distractions, to be sure with your in time for our 5G broadband launch. And to your question, that's a big piece of what it's about. We're coming soon with home broadband. We're serious about home broadband. It's going to be an important way that we grow this business and make money, and you have to have the full suite of services to really be able to serve customers there.

But to your question, I also think there is potential benefits on the mobile side. Customers count on us for their connectivity. They love our brand. We're able to deliver in this product a great, simple, elegant solution that we're investing in because you're a T-Mobile customers, so they get a great value and we're just smashing a bunch of the pain points in this industry and this industry is so full of them as we talked about it at our launch. So, we're very excited. We're just getting started.

One of the other things I've talked about for a long time is we also intend to be a great partner to media companies and an ally because we're not a media company. We're a pure play network and connections company. And so that's obviously got a big future for us as we -- as this world just continues to move towards an OTT future.

To your very specific question; yes, we are complying with all of our media contracts and at the same time, we're working with them because we're open-minded. Some would like to see changes and if those changes are great for customers and help us continue to smash customer pain points, we're open-minded. This is the very beginning early innings. This is a business that isn't really a business. It's an Un-carrier more. We're in it for the long haul, but we're doing it to delight customers and we're doing it to set up a home broadband business, which is going to be where a big piece of the profit pool is. Hope that clears it up.

Q - John Hodulik {BIO 1540944 <GO>}

Yeah, that was great. Thanks, Mike and Neville.

A - Mike Sievert {BIO 2140857 <GO>}

You bet. Did you find some ones online you wanted to hit?

A - Peter Osvaldik {BIO 18597986 <GO>}

There is a great one from Cameron Berkshire around, when will the home internet be able to use your guys awesome 5G network?

A - Mike Sievert {BIO 2140857 <GO>}

All right. Yeah. Soon (multiple speakers) answer. I don't think we said, but it's coming soon. So right now, we're in a pilot. It's all 4G LTE. By the way, the 4G LTE customers love this thing so that's really great. This is such -- as I was just saying in response to the last question, this is such an important business for us. We want to get it right. So, we've taken our time, we're piloting it, we're learning how to serve customers and delight them. But you think about the capacity of this network that Neville is building, and the fact that all of the capital for that network is paid for by the mobile business, that means we have an ability to serve customers with 5G home internet really cost-effectively because the network is basically already built. And there are places all across this country where no normal amount of mobile usage will soak up all of that massive capacity and that's where we'll be able to offer incredible deals on 5G powered home internet. And you don't need a ditch dug to your house, you don't need to use old DSL copper wires, you're going to be able to experience 5G which is many times faster than, for many people, than today's home internet connections even in well-served neighborhoods. So, I'm really excited about it, it's coming soon, can't tell you the date. Sorry for the non-answer.

You want one more on Twitter or should we go to the phone?

A - Peter Osvaldik {BIO 18597986 <GO>}

I think -- there's just a lot of congrats. People want some T-shirts, Mike, so we'll have to figure out how to (multiple speakers)

A - Mike Sievert {BIO 2140857 <GO>}

Yes, we'll those great quarter guys (multiple speakers) all day long, but I think -- all right, we'll go back to the phone. So Operator, who's next?

Operator

Next will be Michael Rollins with Citi.

Q - Michael Rollins {BIO 1959059 <GO>}

Thanks. A couple of quick questions. First, curious -- so you've now had the Sprint assets in your possession for, I guess, over six months now. Have you seen any opportunities to monetize some of the assets inside of Sprint that may not be core or strategic to what you're doing in the future? And then secondly, if you could talk a bit about what's happening with device leasing, in your new marketing plans how customers are responding, and your progress to moving customers over to a more traditional EIP program? Thanks.

A - Mike Sievert {BIO 2140857 <GO>}

Sounds great. Well, we'll start with Sprint and device leasing and everything happening with financing, I'm going to turn to Matt Staneff on that and then we'll answer your question about the -- about Sprint assets.

A - Matt Staneff {BIO 20459281 <GO>}

Yeah, Mike. Thanks for that question. So in early August -- I think it was August 2, when we retired the Sprint brand, but what we also did is converted the value propositions in the models within the Sprint base to match that of what we're used to at T-Mobile and we've seen great success with that, by the way. Great success with customers continuing to come in and upgrade. It's actually opened up a lot of opportunities as well in terms of access to offers and promotions, and the ability for Sprint customers to upgrade a phone when they want to and not be beholden to other issues with the Legacy products.

We're still using a blend as we do at T-Mobile and as we have done at T-Mobile, but the progress we're making is really good and over time, it's going to blend and match that more closely to what we're used to on the T-Mobile side as we continue to manage the Sprint customer base and be there to serve them for and when they want to upgrade.

A - Mike Sievert {BIO 2140857 <GO>}

Okay, and great. On the other piece -- thanks, Matt. On the other piece, it's early days. I can't announce for you any great insights on that question, but I'll say two things. One, the capabilities that we inherited and that we see in this Sprint team and some of the know-how is fantastic. You really can't evaluate this team and its capabilities by the former business results of stand-alone Sprint. That was a company with lots of structural challenges financially, and so it was easy to kind of side-eye that operation and assume that it didn't have much to offer. That's totally wrong. Now that we've gotten into it, there's so many best practices that we've been able to begin to adopt into the combined blended total. So that's very exciting, including the team.

But to your question, there are also some businesses and capabilities. For example, a wireline capability that stand-alone T-Mobile never had. So, we're taking a great look at that and plenty of other things. So, unfortunately, I can't sort of give you a lot of color on that process because we're looking at it, but when there's stuff to report, we'll be sure to bring it. I appreciate the question, though.

Q - Michael Rollins {BIO 1959059 <GO>}

Thank you.

A - Mike Sievert {BIO 2140857 <GO>}

Okay, so back to the phones.

Operator

Next will be Walter Piecyk with LightShed.

Q - Walter Piecyk {BIO 1510511 <GO>}

Thanks. The first question is for -- (multiple speakers)

A - Mike Sievert {BIO 2140857 <GO>}

Hi, Walt.

Q - Walter Piecyk {BIO 1510511 <GO>}

Hey, what's going on Mike. First question I think is for Neville, just in terms of the synergies overall. And when you're all done with this and, hopefully, it all happens sooner than later, how many of those Sprint sites will ultimately survive, and how quickly can you get that 15% in traffic up to -- I don't know, pick a number, 60% to 80%. Like what should we think about timing on that?

A - Mike Sievert {BIO 2140857 <GO>}

My favorite number is a 100, Walt, that's the goal. Please don't reduce Neville's goals.

Q - Walter Piecyk {BIO 1510511 <GO>}

So how quickly (multiple speakers) do you get to 100, Neville?

A - Neville R. Ray {BIO 15225709 <GO>}

Hey, Walt. (multiple speakers) I can't see you but to hear you, so how have you been? So on the coverage and capacity opportunity with the Sprint sites, we are on this target to deliver about 35,000 sites that would be decommissioned over the coming years. And that would leave 12,000, 13,000 Sprint sites that we would bring into the T-Mobile network effectively for capacity and/or coverage. And we're doing a lot of work across both networks now. I don't see those numbers materially changing, Walt.

The target network, obviously we're over -- well over 100,000 sites today, but the target networks in kind of the 80,000 range, 80,000 to 85,000 sites. So, we're going to decom a bunch. We're going to add some too, right? We've still got areas where we want to add some new investment, but target range 82,000 to 83,000 sites. That's where we are today, so very confident. We're doing a lot of work to make sure we fully understand coverage growth and capabilities that we need to deliver along with everything obviously that's there for 5G.

In terms of the traffic number, I mean I'm really pleased, Walt. We're six months in and we're already at 15% on that postpaid traffic base, and so that's pretty remarkable. I didn't anticipate we'd have made that much progress in a short number of really weeks and months. So, you look at that run rate, where will we be this time next year? I hope to be in the numbers that you talk about. I'm not going to commit and say we'll get it all done inside 2021. It's going to run clearly into 2022. But the goal and ambition of the team here is to really drive all of this goodness on 5G and LTE capacity into the customer base of the Sprint and the T-Mobile customers in '21.

And Mike talked about this huge plan and execution phase, we're in to bring mid-band 5G to 200 million people in '21. And that's a massive goal, we're well on track, feel very confident about delivery on that as we'll get to 100 million this year alone. And that capacity and capability is going to be foundational to that migration opportunity. So all things are moving very well. I'm just delighted with our progress that we've made in a short number of months, and I'm very confident in beating the targets that we put out there whenever that was, a year or so back. So things are going very well and that migration volume on traffic will continue to grow with at real pace.

Q - Walter Piecyk {BIO 1510511 <GO>}

Got it, and then on just a similar -- on a similar topic (multiple speakers)

A - Mike Sievert {BIO 2140857 <GO>}

(multiple speakers) follow-up, probably give you the quarter by quarter site count (multiple speakers)

Q - Walter Piecyk {BIO 1510511 <GO>}

I was going to, Mike, just follow that onto if it's only 15% of the traffic, but you still got the churn down to T-Mobile levels even though there's Sprint customers in there, I mean why is that happening? Is it just -- is customer service more important than network? Because if those Sprint customers are still 85% of their traffic or so is still on the Sprint network, like how are we supposed to think about that if we traditionally have thought about network being such an important element of churn?

A - Mike Sievert {BIO 2140857 <GO>}

Yeah, I mean obviously both elements are important. A couple of things to unpack for you. First of all, we didn't disclose for you the T-Mobile brand versus Sprint brand. We're just putting it all in there blended. But I can tell you directionally that a big piece of the year-over-year bit isn't just the Sprint, it's over on the T-Mobile side to some just fantastic unprecedented number, so you have to factor that in.

And then secondly, yes, it is the big picture. First of all, there's a lot more going on in network than just that 15%. So that's important. The network experience is improving across the board, not just by carrying some of the traffic. But secondly, it's a bigger equation than that. We're now starting to provide them with fantastic offers, we're treating them great. Do you know that even on care NPS -- just the Net Promoter Score of the care experience it's tripled since we -- over the past seven months. That's fantastic the way our care team has started caring for Sprint customers the T-Mobile way and they're responding.

So the network circumstances are improving, the value is improving, the customer experience is improving, and of course there is a lot more to it than just that 15% of carried traffic. And then over on the T-Mobile side -- (technical difficulty) big part of our year-over-year beat [ph] sits right there. Hopefully that helps.

Q - Walter Piecyk {BIO 1510511 <GO>}

Yeah, thank you.

A - Mike Sievert {BIO 2140857 <GO>}

Okay. Yeah, let's go back to the phone.

Operator

Our next question comes from Brett Feldman with Goldman Sachs.

Q - Brett Feldman {BIO 3825792 <GO>}

Yeah, thanks for taking the question. I want to follow up on a point that Mike made earlier, the yield being asked about the iPhone (inaudible), as you said, ultimately you think that this looks a lot to typically you would see. And that's actually sort of remarkable because this is not a normal year. And so the TV, the industry and to yourselves approach the market this time of year like you normally would during the season following a device launch in a normal way is very interesting. So the question is have consumers responded to these promos in the normal way? And you said that switching is still a bit muted and maybe we're not quite back to normal from the customer activity standpoint. And then just as a follow-up on that to the extent that they are responding and increasing their engagement with you, are they doing it the old-fashioned way? Are they walking in the stores, or do you think that maybe you're starting to see evidence that there is a permanent shift towards digital transactions that might yield more recurring costs benefit over time? Thanks.

A - Mike Sievert {BIO 2140857 <GO>}

Thanks, Brett. Well, I think certainly there is more willingness from consumers and I think that's important because on digital, one of the things that has been so stubborn for all the carriers in the US has been that digitalization has been slow, not because we haven't invested in great capabilities. If you go to our adds, it's phenomenal what you can do in it. It's because customers have been slow to adopt it in wireless specifically. My theory is it's because of the complexity of what we offer, and all the phone trade-ins and the financing, et cetera. They want to somebody in that store to be accountable for sending them out happy. And so that's happening.

In terms of the competitive environment, yeah, it's -- looks pretty much like last year to us. And with the exception of the dynamic you mentioned centered around COVID. And overall switching is muted in Q3, it's muted in Q4. And you saw our guide, we were a little cautious just because it's -- in terms of the way our Q4 unfolds, it's early days. I know it's early November right now so you'd say we're well into the quarter, but not the way Q4 normally unfolds. It's a very holiday-centric quarter. COVID uncertainties with cases on the rise and consumer sentiment unknown. So, we gave you a little bit of a cautious guide because we're watching it.

But I go back to -- we've got a team that's nimble and confident and has a great game plan and so far, consumers are responding really well to what we have to offer. So can't give you too much more color than that because it's a quarter that's unfolding, but to us the overall competitive environment doesn't look materially different than last year.

Q - Brett Feldman {BIO 3825792 <GO>}

Thanks for that.

A - Mike Sievert {BIO 2140857 <GO>}

You bet. All right, let's go back to the phone. I do see a couple popping up online, though, so we'll do that next. Operator?

Operator

Certainly. Our next question comes from David Barden with Bank of America.

Q - David Barden {BIO 1506279 <GO>}

Hey, guys. Thanks so much for taking the question. Really appreciate it. I guess maybe for -- this follows up on, I think, Mike, some of the things you just said around the guidance for the fourth quarter. So the implied postpaid phone additions is going to be roughly flat for the fourth quarter. The adjusted EBITDA has moved down approximately $500 million for next quarter. Obviously, there is about $150 million of the straight-line adjustment for the tower deal you guys did, but can you give us some color about what the puts and takes are about what makes that quarter happen? Because it sounds like it's going to be a lot better than this guide.

A - Mike Sievert {BIO 2140857 <GO>}

Well, thanks, Dave. It's great to hear from you, by the way. Glad to have you on the call. Well, why don't we just go straight to Peter Osvaldik for that?

A - Peter Osvaldik {BIO 18597986 <GO>}

Yeah, perfect. Thank you, Dave. And I'll give you a little color, and then I think I'll ask Matt just to give a little bit of sense around how the quarter typically shapes up in Q4, which as we said, is relatively back-end loaded. But you're right. On adjusted EBITDA, the implied guide is down sequentially, which as I mentioned earlier, a couple of factors in there. One, you see typical seasonality, right? With the iPhone promotion cycle, with the holiday cycle that typically does show a seasonal progression from Q3 to Q4. And then as you mentioned, the other big aspect there is the non-cash straight-line lease expense of $150 million. So that's going to put pressure on Q3 to Q4.

And then the other factor of this, then I'll turn it over to Matt to really talk about, is how typically Q4 shapes up, right? Which is very back-end loaded from a customer acquisition perspective. So, Matt?

A - Matt Staneff {BIO 20459281 <GO>}

Yeah, Peter and Dave, and this kind of goes back to even some of the iPhone questions we keep getting. I'll just remind everybody, we're just getting started in this. So, we're not fully through the pre-order window for the iPhones. Q4 is traditionally an often a back-end loaded quarter. There are some shifts to digital purchases from retail, and we do anticipate -- Q4 is always the heavy device buying quarter for us and some of that's been there. The entirety of the iPhone launch is in Q4. We intend, as we have shown historically, continue to lead the market. Lead the market in net add growth in the postpaid phone business and postpaid phone growth overall.

So our guide is consistent with that in terms of how we see it playing out, and we absolutely expect the competitive intensity to what I call maintain through the MPI cycle, which in prior years might have looked a little different as it builds through Q4. And so while this one might have come off on some appearances as a stronger, our point of view is from a year-on-year when you look at the quarter as a whole, it's exactly there. And we're very well-positioned to succeed in this thing, and we think we're going to see some great outcomes, especially when customers get these iPhones in their hands and see the experience that you have with the amazing network we're building.

A - Mike Sievert {BIO 2140857 <GO>}

That's great, Matt. Thanks. I'm going to go to Twitter next because there's some great questions developing. By the way, I'm so happy to see all the interest in T-Mobile for Business. Bill Ho, always great to hear from you on every report. Bill says at T-Mobile Business has increased share, what areas have performed well and how did the integrated Sprint Legacy products and services and sales force contribute, which verticals are offering the best traction? So that's a great question.

And let's kind of also throw -- let's do the one Roger (inaudible). Haven't heard from you in a while. Great to hear from you. Roger says at Mike Sievert, could you break down subscriber growth between consumer and business government? Also, have you started with Project 10 Million? And if yes, how many households are using it now? So the short answer is yes. Not only have we started on it but we've recrafted it. It was originally conceived as a totally free program to invest in the homework GAAP. What we find this year instead is a schoolwork GAAP. So, we added an actual paying service. Highly subsidized, still accretive to contribute to revenues and profits, but highly subsidized to make sure that school kids can benefit from Project 10 Million, even if they have increased needs versus what we originally anticipated, up to and including unlimited plans at a very attractive price.

And that's actually really contributing. It was a big piece of our numbers this quarter. Our team was faster and more nimble than I think the rest of the industry at seizing a way to really meet this unmet need of public sector and school districts. So very proud of the T-Mobile for Business team. But for a little color on that plus just how's it going, I'm going to toss outside the room. Maybe, hopefully, he's there. Let's go to Mike Katz on the phone for a little bit more on those.

And I see Mike. I see him starting to talk.

A - Mike Katz {BIO 20454845 <GO>}

Can you hear me? (multiple speakers)

A - Mike Sievert {BIO 2140857 <GO>}

Try it again, Mike.

A - Mike Katz {BIO 20454845 <GO>}

Can you hear me?

A - Mike Sievert {BIO 2140857 <GO>}

Yes, now we can hear you.

A - Mike Katz {BIO 20454845 <GO>}

Okay, perfect. Yeah, technology. Awesome. Well, hey, thanks for the question, Bill Roger. I'll start with Project 10 Million. And like Mike said, while we announced the program going live this quarter, we really got started with it in Q2 because the demand from schools and the need to connect kids to their classroom in a fully virtual environment really just caused us to go fast.

So to date, we've worked with over 2,700 school districts across the country. Many, many kids, hundreds of thousands of kids have been connected. And it's also created this really amazing opportunity for us in the public sector space, where some of the most important projects around connecting students, first for big cities, for states, they're trusting T-Mobile with those projects, which is giving us an opportunity to demonstrate both this great network we have and the way we take care of customers. And it's already translating into other commercial opportunities for us across many, many, many jurisdictions in public sector.

I think, Bill, to answer your question. You remember us talking last time at this call about how we got started fast with our day one for T-Mobile for Business, and we are absolutely seeing the synergy benefits of doing that. There was this great team at Sprint. An incredible team, really (technical difficulty) space, had a great set of relationships, and we've empowered them with a network now that is second to none, especially as we move into this 5G era. And we've really seen the benefits of bringing this team over, enabling them and unleashing them to sell the T-Mobile network pay off for us across segments. So whether it's small business, which is a segment that both companies -- both Legacy companies had a lot of strength in. We continue to see a lot of momentum in small business, but particularly in enterprise and government where Mike mentioned during the call is our biggest opportunity given the share that we have there. We've particularly disproportionately seen growth across those two groups.

And businesses are starting to see. Their testing us, they're recognizing that the network is better, they're seeing us in action and seeing the service that we can deliver. And service really matters to enterprise and government customers, and we're getting chosen more oftentimes than not when we're getting in front of customers and get the opportunity to tell our story and demonstrate our services.

A - Mike Sievert {BIO 2140857 <GO>}

Mike, congratulations to the whole TFB team for an all-time record quarter for TFB. It's just amazing. And so yes, Project 10 Million was contributing -- by the way, free product Project 10 Million also out there in volume helping so many school kids and school districts. That of course is not in our numbers, none of that would be reported as a subscriber, but it's just nice to see the difference that our company is able to make with the size and scale of this network. So, we're so proud of it.

Jim Patterson online and no stranger to this company, by the way. Great to hear from you, Jim. Jim says at TMUS great report. How will the company ensure an equal or greater 5G in-building experience for enterprise customers? Will T-Mobile celebrate their in-building deployments or rely on existing towers and small cells to provide coverage? I'll turn it to Neville. I'll just start by saying first of all, remember, Jim, one of the things that makes this company so different is that our low-band is lower, penetrates buildings better, reaches further from towers. Our mid-band reaches miles not meters and can put very, very high-capacity experiences into buildings from the macro network. And that's a differentiator for us.

So, we have less reliance on this, but it doesn't mean we're not a friend to it. We certainly are. So Neville, do you want to talk a little bit (multiple speakers)

A - Neville R. Ray {BIO 15225709 <GO>}

Yes, super quick. Good to see you online, Jim. For sure, right? I mean, a big, big part of this 5G experience is in buildings, not just for enterprise but for consumer. And you heard Mike outlined there how our low-band position that 600-megahertz spectrum really sets us up. I mean we've got follow spectrum, which we were able to commit to 5G in good volumes and that's really making a difference for all customer experience. But absolutely, we have to do more on the enterprise space. They're tough environments, which we know you have to go after from the inside out. So, yes, we are ramping that activity, a lot of activity in collaboration ongoing with Mike Katz, who was just on, with Mike's team. We're looking at all the solutions.

Those traditional DAS, I'm super interested in applying millimeter wave spectrum. We have a lot of that and we're going to look to use that in building and quite frankly, I mean that's a great opportunity for millimeter wave. Poor old Verizon is out there trying to build an on-street network with millimeter wave and the performance is just quite (inaudible) as Mike outlined in the opening comments. We're going to make sure the outdoor experiences is there from deep spectrum on macro sites and small cells and we'll use millimeter wave where it makes sense. And one of those environments is going to be in buildings and that's a great way for us to attack 5G experience indoors, especially for the enterprise.

A - Mike Sievert {BIO 2140857 <GO>}

Sounds great. I was nice about it, though. If you give Neville enough time, he'll slay the competition. So, I know we're out of scheduled time, but we'll do two more if we hold ourselves to try and be brief because I want to make sure that we're hitting enough of the people on the phone.

So Operator, let's go to the phone and we'll do a final two questions.

Operator

Thank you. Our next question comes from Craig Moffett with MoffettNathanson.

Q - Craig Moffett {BIO 5987555 <GO>}

All right, thank you. I wonder if we could stay with the Business services conversation that you were just having you talked about being in the sales process and getting in front of customers. How much of the sales process decision-making among particularly enterprise and government customers is already based on expectations around 5G and and what are the applications, and is it latency or IoT? What are the applications in 5G that you see starting to drive decision-making in the enterprise market?

A - Mike Sievert {BIO 2140857 <GO>}

Yeah, Craig, I'll be brief on this one instead of tossing it out. The answer is yes, but it's not necessarily yet at scale driving our business centered around new applications. That's common. What's driving our business right now is reliable, high-capacity network leadership on smartphone and there are plenty of other things that we're working with customers on. But if you're asking what's contributing to our results in getting us in the door, it's that unlike consumers -- and this is really interesting because it goes to the premise that we -- I think the very first question was consumer perception of our network. Unlike consumers business test these stuff. They'll check out 100 phones and run them through the ringer for six weeks and then decide. And you know what? When they do that we're winning, especially to the premise of your question, when the question is who's got the best 5G coverage and capacity and experience. Because it's not even close right now and they know it, we're pulling further away from the pack. Businesses want their employees connected right now more than they ever have. They need that connection to be reliable and they need it right now especially to be high-capacity and that's what we're able to offer.

So, as we just said, Mike and team just posted the biggest quarter in our history for TFB. We're so proud of them, but this is really more than anything a story about network leadership, we've kind of caught up on LTE. But the real story is how far ahead we are on 5G and how well-positioned we are, to the premise of your question, Craig, to stay ahead for the duration of the 5G era.

Q - Craig Moffett {BIO 5987555 <GO>}

And so are customers looking out and I'm really pre-planning for 2023 and '24 when my enterprise is going to need these services and I want to be on the T-Mobile network now in preparation.

A - Mike Sievert {BIO 2140857 <GO>}

I don't think that's what's driving our business. Yes, of course, they are doing that and with time frame sooner than that, but right now what's driving our business is the dynamic I talked about. And so a lot of that it can be additive when when it comes to the low-latency, high-capacity experiences network as a service for enterprises, automation services, augmented reality, virtual reality, all the things that we can deliver with a high-capacity low-latency network, most of those things are still in our future as it relates to how they can contribute to growth. What's contributing right now is that they understand our story that were out in front, and we're going to stay out in front. And I think that's a lot of comfort to somebody picking a partner in the 5G space.

Q - Craig Moffett {BIO 5987555 <GO>}

That's great. Thank you.

A - Mike Sievert {BIO 2140857 <GO>}

Okay, great to hear from you. Let's go to what I think is going to be our last question, right? Because the time frame, I want to be respectful we said 2:30. So, Operator, let's go to the last question.

Operator

And that question comes from Simon Flannery with Morgan Stanley.

Q - Simon Flannery {BIO 1505834 <GO>}

Great. Thanks for fitting me in. Mike, great results, but the whole industry had some pretty robust subscriber numbers both on the postpaid side and on prepaid side, which was impressive given that there wasn't really a new iPhone cycle in Q3. So any sense on the sustainability of this and what you see? Is it more second devices, is it more younger people, et cetera, maybe using some of the money they are not spending on on other things in this environment? So any color there would be great. And any update on the Shenandoah negotiations next steps and timing on that. Thanks.

A - Mike Sievert {BIO 2140857 <GO>}

Sounds great. Well, on the first one, you have to look underneath everybody's report. When you look underneath ours, you saw postpaid phones again leading the industry very strong performance on the centerpiece that we've always focused on. The prepaid leader T-Mobile continuing to grow from a leadership position, which is not something you've been able to see postpaid leaders do reliably in the past so that's great. And then you saw our great outsized performance on postpaid other driven by a number of different dynamics, including those dynamics you talked about. People adding to their relationships with us, but also new opportunities in TFB we spent some time on the call talking about. So that's what happens when you double click into ours.

When you double click into our competitors, there are some gymnastics. A lot of the big numbers have to do with like reversing accruals from previous quarters that were too conservative, or strange things in the prepaid space having to do with connected cars and accrual reversals that when you really look underneath that, I don't think crickets [ph] growing at all. In fact, I think they reduced. So you really have to look through the reports right now because COVID made things so difficult. What you get from us is transparency, lots and lots of it, you got to work a little harder to get underneath the reports of our competitors.But I think you're seeing because of this public sector the dynamic, you're also seeing some terrific category growth.

And then you asked about Shentel, so do we want to say anything give an update on how that's (multiple speakers) I don't think we can, right? Yeah, I think to end on no, we have no response, but we're following a process. The original agreements that we had with a couple of these partners called for us to have the rights to buy and there is a prescribed process on valuation and we're following that process and we just don't have anything to report. So, I'm ending this call on a no comment. That's great.

Listen, you guys, thank you for your attending. We're so proud of the results that the company was able to post. Really look forward to talking to you again when we report the full year and double clicking with a longer conversation with our 2021 Analyst Day, so stay tuned for all that. Thanks everybody.

A - Peter Osvaldik {BIO 18597986 <GO>}

Absolutely, thank you everyone for tuning in. Operator, go ahead and close the call.

Operator

Thank you. Ladies and gentlemen, this concludes the T-Mobile US third quarter 2020 Earnings Call. If you have any further questions, you may contact the Investor Relations or media departments. Thank you for your participation. You may now disconnect and have a pleasant day.