Company Name: T-Mobile
Company Ticker: TMUS US
Date: 2019-02-07
Event Description: Q4 2018 Earnings Call

Market Cap: 57,883.08
Current PX: 68.08
YTD Change($): +4.47
YTD Change(%): +7.027

Bloomberg Estimates - EPS
Current Quarter: 0.932
Current Year: 3.881
Bloomberg Estimates - Sales
Current Quarter: 11020.714
Current Year: 46509.476

Q4 2018 Earnings Call

Company Participants

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

Other Participants

- John C. Hodulik
- Michael I. Rollins
- Philip A. Cusick
- Simon Flannery
- Brett Feldman
- Jonathan Chaplin
- Craig Eder Moffett
- Walter Piecyk
- Ric H. Prentiss
- Amy Yong
- Colby Synesael

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 in the Quarterly Results section of the Investor Relations page of our website

John J. Legere

Q4 Highlights

Opening Remarks

- Welcome to T-Mobile's fourth quarter and full-year 2018 earnings call and Twitter conference coming to you live from Washington, D.C
- We pre-released our record-breaking customer results on January 9, and the financials released today are just as strong
- Let me quickly touch on the highlights, then Braxton can jump into the details and we'll get to your questions

- First, let's start my takeaways from the quarter
- T-Mobile delivered another record-breaking quarter in Q4
  - Yes, another one
- Despite the work underway to close the merger with Sprint, we continue to drive our business beyond expectations, and I couldn't be more proud of our T-Mobile team
- We had the highest total customer net additions ever in Q4, and we followed that up with record-breaking financials, which is a winning formula for our shareholders

Postpaid Phone Net Adds

- T-Mobile led the industry in postpaid phone net adds for the fifth year in a row
- And we posted a Q4 record-low branded postpaid phone churn
- Both service and total revenues hit record highs in this quarter, while adjusted EBITDA was our best Q4 ever
- Our 2019 guidance shows our confidence for the standalone outlook for T-Mobile
  - We continue to meet the needs of wireless customers and translate that into incredible results
- I feel good about the state of our business going into 2019

Service Revenue, Net Income and Diluted EPS

- So, let's dive into the numbers
- I'll focus mostly on Q4 to keep it brief, but you can see all the numbers in our earnings release, Factbook and our Form 10-K
- First, I've got to highlight our very strong financial results
- Service revenues hit record highs, reaching $8.2B, growing by 6% y-over-y
- Total revenues increased by 6% y-over-y to $11.4B, also a record high
- Net income was strong at $640mm, and the fully diluted EPS came in at $0.75
  - We hit a Q4 record high with adjusted EBITDA of $3B, up 10% y-over-y with a 36% adjusted EBITDA margin
- For full-year 2018, adjusted EBITDA amounted to a record-high $12.4B, toward the high end of our increased guidance range of $12B to $12.5B

Customer Results

- The customer results, as you saw in January 9, were record breaking
- We added a record 2.4mm total net customers, extending our winning streak to 23 quarters in a row, with more than 1mm
- And we added over 1mm branded postpaid phone customers, capturing over 50% of industry postpaid phone growth, including cable, and delivering 56% more postpaid phone net additions than our closest competitor Verizon

wearables

- And our growth in postpaid phone nets accelerated again, benefiting from the investments we have made in our network, marketing and the continued focus on under-penetrated segments such as new geographies, 55+, Military, and T-Mobile for Business, all of which contributed to our great quarter
- We also had strong total branded postpaid net additions of 1.4mm, supported by continued strong growth in wearables
  - This means we added 4.5mm branded postpaid customers in 2018, smashing through our increased guidance range of 3.8mm to 4.1mm
- These wireless customers are coming and staying longer than ever before

Prepaid Net Customer Additions

- In Q4, we had our lowest-ever branded postpaid phone churn for a Q4 0.99%, down 19BPS y-over-y
- This quarter was, by the way, the first time ever that T-Mobile’s churn was lower than AT&T’s, a major milestone for both of us
- Branded prepaid net customer additions came in at an industry best 135,000, driven by Metro by T-Mobile, a significant acceleration from Q3
  - We continue to be a leader in prepaid and continue to find a way to deliver growth quarter after quarter

Engineering Team

- Our engineering team is hard at work, furiously building out our 600 megahertz and setting the stage for America’s first real nationwide 5G network next year
- Our aggressive build-out is on 5G-ready equipment, and we have made rapid progress in just one year since getting our hands on the spectrum. 2,700 cities and towns in 43 states and Puerto Rico are live on 600 megahertz, and we already have 29 600-megahertz capable devices in our lineup today, including the new iPhones

5G

- We have standards-based 5G equipment deployed to the 6 of the top 10 markets, including New York and Los Angeles
- We believe the 5G revolution should be for everyone, everywhere, and not just the few in dense areas
  - While the other guys hype 5G, we continue to focus on real 5G using global standards-based equipment 5G NR that will light up and deliver for customers across the U.S
- How has the competition responded to our plans? Well, AT&T responded by trying to rebrand 4G as 5G E, and we know the customers see right through their [obscenity] (00:07:50), and Verizon, by the way, their current standard [ph] POPs (00:07:54), pre-standard 5G footprint covers what they even themselves call limited areas in four cities, while our 5G-capable 600 megahertz network already covers hundreds of thousands of square miles

4G LTE

- Also, we continue to expand our 4G LTE coverage and deliver industry-leading network performance

- Our network now covers more than 325mm Americans with 4G LTE, effectively matching Verizon's population coverage
  - We now have 600 and 700 megahertz low-band spectrum deployed to 301mm people across the country
- And we continue to lead the industry in 4G LTE speeds
- In Q4, our average download 4G LTE speed was 33.4 megabits per second, once again, ahead of all the competitors

Guidance

Net Customer Additions and Adjusted EBITDA

- We remain very confident in our outlook for 2019, and this is reflected in our guidance
- Our outlook calls for 2.6mm to 3.6mm branded postpaid net customer additions and adjusted EBITDA of $12.7B to $13.2B, excluding the impact of the new lease standard
- Cash CapEx is $5.4B to $5.7B, excluding capitalized interest and, by the way, our three-year FCF CAGR remains unchanged at 46% to 48%
- Now, we're using today's call to focus on our incredible Q4 and full-year results
  - But before I hand it over to Braxton, let me give you a quick update on the progress of our pending merger with Sprint
- The combined company will create an aggressive competitor in wireless, broadband and beyond, which will result in lower prices for consumers and will create jobs starting on day one

5G Network

- American consumers will benefit from a nationwide 5G network that is both broad and deep, and we can't wait to get started
- We continue to work through the regulatory review process with humility and respect for all parties involved
- A number of major milestones have been completed, and we remain optimistic and confident that once regulators view all the facts, they will recognize the significant pro-consumer and pro-competitive benefits of this combination
  - We continue to have a productive dialogue with both federal and state regulatory authorities

FCC

- A few milestones since last earnings; on December 17, we received approval from both CFIUS and Team Telecom proving that regulators are ignoring the noise and conducting a fact-based review
- And on January 29, the FCC shot clock resumed again after the government reopened
- At state level, we have received 15 of the required 19 state PUC approvals
- Marcelo Claure and I look forward to our hearings next week with the House Committee on Energy and Commerce and the House Judiciary Committees

Integration Plan

- Our integration planning is well underway and we're making great progress
- As part of our integration planning, on January 30 we announced plans to build five New T-Mobile Customer Experience Centers with Overland Park, Kansas as the first location chosen and upstate New York being the second location, which will create an average of 1,000 new jobs each

New T-Mobile

- And when we announced the merger in April, we said the New T-Mobile would deliver a dramatically improved network experience and consumers would pay less, while getting more
- Critics of our merger, largely employed by big telco and big cable, have principally argued that we are going to raise rates right after the merger closes
- I want to reiterate unequivocally that prices will go down and customers will get more for less
- We're entering the final stages of our regulatory review process and it's an important time to document the commitments that we've made from day one
  - This is another example of T-Mobile putting its money where its mouth is and backing up what we said in our public interest statement

Summary

In summary, I am very, very pleased with the progress we've made on our merger and the process so far and I continue to expect regulatory approval in H1 this year

Okay

To wrap it up, I also couldn't be more excited about the performance in 2018, and our guidance shows continued momentum in 2019

The combination with Sprint means that we'll be able to create a future that is even more exciting for American consumers

Okay

Braxton will take us through our financial results and the details of our guidance

J. Braxton Carter

Financial Highlights

Opening Remarks

- Well, thanks, John, and I'm so excited to be here today talking about:
  - First of all, our record 2018 highlighted by record-low churn and the acceleration of growth y-over-y
  - Second thing I'm very excited about is sharing with you details of our 2019 guidance
- You know our playbook; extremely conservative, extremely measured and as we execute throughout the year, we consistently raise that guidance during the year

Net Income and Net Tax Benefit

- To highlight that, in 2018, we actually increased growth guidance and EBITDA guidance every quarter going into year-end
- I'll also focus on Q4 in my remarks, unless otherwise noted
- Net income amounted to $640mm and diluted EPS of $0.75
- As you recall, Q4 2017 had a significant net tax benefit of $2.2B or $2.50 per share related to tax reform
- Excluding this benefit, net income would have grown by 21% y-over-y and diluted EPS by 23%

Adjusted EBITDA

- Adjusted EBITDA amounted to $3B, up 10% and included leasing revenues of $168mm vs. $160mm in the prior year
- Note that adjusted EBITDA included a negative impact from the hurricane costs of $14mm and a positive impact from the new revenue recognition standard of $83mm
- Excluding the combined impacts from hurricane costs, the new revenue standard and gains on the disposal of spectrum in 2017, adjusted EBITDA would have increased 12% y-over-y

Cost of Services

- The adjusted EBITDA performance is a reflection of strong cost management
- Cost of services as a percent of service revenues, excluding the combined impact from the hurricanes and the new revenue standard, decreased by 90BPS y-over-y, despite the rapid roll-out of 600 megahertz spectrum
- SG&A as a percentage of service revenues, excluding the combined impacts from the hurricane, the new revenue standard and Sprint merger-related costs, decreased by 70BPS y-over-y, despite the acceleration in growth

FCF

- FCF increased 7% y-over-y to $1.2B.
- This was driven by a 10% increase in net cash provided by operating activities compensating for a 29% increase in cash CapEx
- Please note that the net cash outflow from securitizations amounted to $36mm in Q4 and an outflow of $179mm in 2018
  - Therefore, FCF did not benefit from any net proceeds from securitization
- Despite these headwinds, full-year 2018 FCF amounted to $3.6B, up 30% y-over-y

ARPU

- Branded postpaid phone ARPU amounted to $46.29 in Q4, up 0.3% sequentially as we signaled in our last earnings call, and down 0.2% y-over-y
- For full-year 2018, ARPU was $46.40, down 1.2%
- Excluding the impact of the new revenue standard, the y-over-y decrease would have been 1.1%

- The y-over-y decrease was primarily due to the growing success of new customer segments and rate plans such as T-Mobile for Business, T-Mobile ONE Unlimited 55+, T-Mobile Military (sic) [T-Mobile ONE Military] and T-Mobile Essentials
- The impact of the ongoing growth in our Netflix offering decreased postpaid ARPU in full-year 2018 by $0.32
  - In addition, the y-over-y reduction was also due to a reduction in certain non-reoccurring charges

Service Revenue

- For full-year 2019, we expect branded postpaid phone ARPU to remain generally stable compared to the full-year 2018
- Even with the y-over-y ARPU decrease, service revenues grew by 6% y-over-y due to strong customer growth
- Even more impressive, growth in branded postpaid revenues accelerated to 8% in Q4, compared to 6.6% growth in Q3
- Please note that starting in Q1 2019, we plan to discontinue Average Billings per User, or ABPU, which is a metric that we developed to provide transparency during the transition from classic to EIP rate plans, but has lost relevance now that we're effectively all EIP.

Customer Quality

- In terms of customer quality, our results in Q4 were very strong
- Total bad debt expense and losses from sale of receivables were $118mm or 1.03% of total revenues, compared to $147mm or 1.37% in Q4 2017

Guidance

Long-Term Strategy

- Now let's come to our exciting 2019 guidance
- We expect branded postpaid net customer additions to be between 2.6mm and 3.6mm
- This guidance takes into account our long-term strategy to balance growth and profitability, a continuation of the lower switcher volume that we've seen in recent quarters and our pursuit of growth adjacencies
- We expect adjusted EBITDA to be in the range of $12.7B to $13.2B, excluding the impact of the new lease standard
  - This guidance takes into account leasing revenue of $600mm to $700mm in 2019
- It also takes into account our network expansion, in particular, the 600 megahertz and 5G roll-outs, driving up cost of service by $200mm to $300mm y-over-y

Adjusted EBITDA

- When comparing this guidance to 2018, please consider that our 2018 adjusted EBITDA benefited from positive impacts of $398mm from the new revenue standard and a net $158mm from hurricane reimbursements
- We expect a lower positive impact from the new revenue standard in 2019, about half of the 2018 benefit

- Adjusting for these factors, namely hurricanes and the new revenue standard, our adjusted EBITDA guidance for 2019 implies a high single-digit growth rate
  - We believe there is significant operating leverage still to be realized, despite the increased investments we're making in our network in 2019

Pre-Close Sprint Merger Costs

- Pre-close Sprint merger costs are expected to be $350mm to $500mm in 2019, depending on timing of a potential merger close
- These costs will be excluded from adjusted EBITDA, but will impact net income
- Our effective tax rate is expected to be between 26% to 27% for the full-year 2019
- And we target cash CapEx of $5.4B to $5.7B, excluding capitalized interest, which is expected to amount to approximately $400mm in 2019
- Similar to prior years, we expect cash CapEx to be front-end loaded with Q1 2019 in the range of $1.7B to $1.9B
  - This reflects the tremendous work and momentum that Neville and the team have in place, given our roll-out of 600 megahertz and 5G-capable radio

FCF

- Finally, we continue to expect FCF to increase at a three-year CAGR of 46% to 48% from full-year 2016 to full-year 2019, unchanged from the prior range even with higher cash CapEx in 2019
- Our FCF guidance does not assume any material net cash inflows from securitization going forward

Net Cash

- During the same period, we expect the underlying net cash provided by operating activities to increase at a CAGR of 17% to 21%, up from the prior range of 7% to 12%
- This increase reflects the higher adjusted EBITDA compared to earlier plans, and also results from a change in our securitization facilities that led to a geographical change with the proceeds related to beneficial interests in securitization transactions lying in the cash flow statement
  - But they don't change the overall FCF

Net Income and Adjusted EBITDA

- In this regard, there are likely more changes coming this year and we will adjust the guidance accordingly in future quarters
- In addition, we expect the following impacts from the adoption of the new lease standard
- A positive impact of $140mm to $180mm on net income, a negative impact of $40mm to $80mm on adjusted EBITDA, and significant increases in assets of $9.1B to $10B and liabilities of $7B to $7.5B, with a corresponding positive equity judgment of $2.1B to $2.5B.
- Again, please see the earnings release, Factbook, and the Form 10-K for full details

QUESTION AND ANSWER SECTION

<Q - John C. Hodulik>: Maybe a couple questions for Neville on 5G. Neville, can you talk a little bit about the capabilities of the network right out of the gates with the 30-megahertz and 600-megahertz spectrum that you're employing, and talk about the availability of phones that can utilize the 600-megahertz spectrum? When do you expect to get them through the year? And then lastly, maybe something on the pricing side, do you expect pricing for 5G to be similar to 4G, or do you hope to get a premium for the faster service? Thanks.

<A - John J. Legere>: All right. So, why don't the rest of you come back at 9:00 when Neville's – go ahead, Neville.

<A - Neville R. Ray>: I'll be brief. No, so let's – I'm going to pass the pricing over to you, Mike, when we get there. But super quick, so let's go in reverse order. So, handsets, John, H2 for the 600 megahertz look to be strong possibilities now with millimeter wave, handsets in H1, but no dates confirmed, but that's kind of the rough breakdown.

We're excited about what we see coming in the multi-band device in H2 to meet, obviously, the footprint that we're working through. And then, in terms of performance and capability, super-excited with what we see on the 600 megahertz and our software is firming up really nicely, performance is strong, speeds are going to be on top of LTE. You can see an aggressive competitive response against our five-year victory lap on the fastest LTE. AT&T especially trying to figure out how to not be second or third in that race for the coming couple of years. We're going to be adding our 600-megahertz spectrum to the fight, both with LTE and with 5G NR, and speeds and performance are going to continue to increase on this network in 2019 and materially more so in 2020 when we can reach our nationwide ambition on the 600-megahertz 5G deployment.

<A - G. Michael Sievert>: So, on pricing, the short answer would be we have big aspirations for incremental revenues and growth from 5G, but not through pricing through our current smartphone plans. So, the incremental revenues come from more and more users picking wireless technologies instead of other technologies for their connectivity. There's a big broadband business that we expect to build, there are big enterprise opportunities, there are IoT opportunities, there are more devices per users, there are new capabilities being developed, all of which we can monetize with revenue growth. But we don't have plans for the smartphone plans that you see today to charge differently for 5G enablement vs. 4G LTE.

<Q - Michael I. Rollins>: Two, if I could. First, can you talk about the macro industry environment of what you think has driven the acceleration in category postpaid phone adds and how sustainable that is? And then, second and maybe related to that, can you talk a bit about the competitive landscape in terms of what you're seeing from cable, what you're seeing from your competitors who are bundling video and application into the rate plan, and how do you expect that to evolve in the coming year? Thanks.

<A - John J. Legere>: Do you want to start, Mike?

<A - G. Michael Sievert>: Sure. Postpaid vs. prepaid, the two subcategories, what we've seen and you've seen this over the last several quarters, Mike, is that there's been better growth in the postpaid side than on the prepaid side. And there's a couple big trends there. One is these subcategories, the distinctions between them continue to fall away. Postpaid and prepaid offer very similar things, and it really is a matter of do you want to pay your bill at the beginning of the month and maybe some simpler product lineups, or do you want to pay the bill at the end of the month and have some increased options in terms of how you buy family plans, financing, et cetera.

And as those distinctions fall away and as a category we've seen more growth on the postpaid side as the subcategories have converged. Secondly, the economy is very strong. And as the economy continues to be strong, more people have been buying on the postpaid side. And so that piece certainly would flow with the cycles. So, overall, it's been, I think, a very good trend for the industry. As it respects T-Mobile, we have a very, very strong prepaid position and if the category dynamics change, we're well positioned either way.

<A - John J. Legere>: I think, let's make sure that we don't jump over some of the pertinent items that are part of kind of what's taking place in the industry. As it's very – for me, it's exciting to see that in whatever the competitive environment is, including now that we've added cable players into the mix that T-Mobile continues to perform at rates that would be described by, for example, the postpaid porting ratios for this quarter were 1.91, over 2 with AT&T, up against everybody; greater than 50% of the postpaid additions across everybody, including the cable players. And just for a matter of reference, 1.91 is one of those – it's a very strong postpaid porting ratio and, frankly, it's the same or better so far this quarter. The machine is moving very well.

It's also important to note that the cable players are aggressively coming in to the wireless space, but so far aggressively means as you would probably expect players of their size that they're spending massive amounts of money with negative cash flow and negative EBITDA to attain small amounts of customers. I think Charter had about $304mm negative FCF for just over 100,000 postpaid nets. So, it's a very – clearly it's disruptive in the industry, but it's really something that is probably difficult to look forward and see how that they will do it.

I also am a little puzzled as to how with such an important item that I believe Comcast has decided now to not be transparent and put their wireless results inside of cable. So, these are interesting aspects. I'm very, very pleased with what took place on the prepaid side. 135,000 prepaid nets, in an industry that before we see TracFone shrunk. So, it continues to show that we are strong and aggressive on both sides, and these results this quarter really are a great statement at how well the T-Mobile machine and brand are moving along.

<A - G. Michael Sievert>: And, Mike, the last part of your question was about cable and convergence. Yes, we think these offers that give customers options to look across wireless and media are popular. And that's one of the reasons why we led the way with our Un-carrier move centered around Netflix. We've partnered with the most popular brand in the space, and it's been a big part of what customers like about T-Mobile ONE and they rely on us to bring them not only unlimited streaming which we pioneered, but great media choices as well. So, we have a nice start in that space, relative to what AT&T is bundling in and relative to old school cable that the cable guys are bundling in. So, it's an interesting space that's changing rapidly and we feel well positioned within it.

<Q - Philip A. Cusick>: I guess first to start, Mike, with what you just mentioned, on the Layer3 strategy, I think it's been great to partner with Netflix. That seems to be working really well. Does it still make sense to create your own video bundle?

<A - G. Michael Sievert>: Well, it does. Yes. If you think about our TV strategy, there's two pieces to it. The first piece we've been talking to you about is the home TV strategy, that's the one we were expecting to launch late in 2018 and then we now expect to launch in H1 2019. As I mentioned to you on the last call, we're not date-driven when it comes to the home part of the strategy, we're quality-driven. We did launch in four cities our predecessor product under the Layer3 TV brand.

We're getting great learnings from customers, great feedback about features they'd like to see and we decided to develop those features and some additional quality improvements before rebranding and rolling out a home product. Principally because our business aspirations in that place are highly tied to something that's still in development anyways which is our home broadband strategy.

So, those two can operate independently of each other, but they really operate well in concert in our future plans and particularly in the context of the New T-Mobile where we have very ambitious home broadband plans. So, I'm very excited about what's happening there. We have some great things in the works and I expect to be able to bring a redefined and rebranded product to many, many more places across the country in H1 this year.

What you're asking about though, in addition, is a mobile strategy and we believe there is a space for us here. Customers have incredible array of optionality today through the massive expansion of OTT services that are available. It's subscription palooza out there. Every single media brand either has or is developing an OTT solution, and most of these companies don't have a way to bring these products to market.

They're learning about that, they don't have distribution networks like us, they don't have access to the phones like we have. And we think we can play a role for customers, as I've been saying in the past, at bringing these worlds of media and the rest of your digital and social and mobile life together, helping you choose the subscriptions that make sense, billing for those things, search and discovery of content. We think there's a big role for our brand to play in helping you.

And as I said in the past, we actually and to the premise of your question, so we don't have plans to develop an undifferentiated skinny bundle out there. There are plenty of those, but we think there's a more nuanced role for us to play in helping you get access to the great media brands out there that you love, and to be able to put together your own media subscription in smaller pieces, $5, $6, $7, $8 at a time. It's an exciting future for us. So, there's two big pieces to it, and most of the fun starts this year in 2019.

<Q - Simon Flannery>: On the subscriber guidance for 2019, can you just talk about where you see the biggest opportunities amongst the various segments, 55 and over, Military, geographic expansion, et cetera? How far along those opportunities are you in terms of penetrating them, and is there any big change in the contribution in 2018 vs. 2019?

And then, Neville, there's some disclosure around your small cell build-out and DAS systems. Perhaps if you could just update us on where you are today on the network build-out from that perspective and what we should be looking for in 2019. Thanks.

<A - G. Michael Sievert>: Let me start with the segments. It's early days is the short answer. And we're very excited about what we're seeing in our day-to-day flow. But when it comes to our market share in these under-penetrated segments, they're under-penetrated. So, that's really exciting. We continue to have a significantly lower share in suburban prime families. We continue to have a significantly lower share in Military and over 55, and particularly in Business, despite our flow share which is exciting.

Day in day out, we're winning more than our fair share and that means we have a growth opportunity. And by the way, there are more of these segments out there. I think we've demonstrated that we can simultaneously execute on our core, while expanding our brand to more and more audiences. And you're seeing that in not just the activations that we're able to deliver right now, but in the outstanding churn performance.

Some of these customers that we're winning are customers who've been with their prior carrier for years and years. So, the network improvements are contributing to churn, but so is the makeup of the customers that we've been acquiring over the last year, more prime, more stable customers that were at their last carrier for many years and have made the first switching decision in a long time to switch from someone else to T-Mobile.

<Q - Simon Flannery>: Great.

<A - Neville R. Ray>: And, Simon, let me pick up on the small cell piece. So, just over 21,000 small cells in play today. We plan on continuing our march on small cells, another 20,000 or so are planned to come up as we exit 2019 and into 2020. And we continue to densify this network to prepare for, obviously, a tremendous capacity and performance future.

Biggest focus right now, as we've referenced multiple times here, is the 600-megahertz build. That's going to be the biggest and largest and most transformative piece as we move through 2019 and into 2020. I mean thousands upon thousands of new sites with 600-megahertz capability coming on air. But we do not take our eye off the ball at all on capacity and performance. We're at the best capacity performance in our company's history right now, lowest congestion figures we've ever seen. We love to be that way. The proxy for that in the marketplace is our fastest speed performance and, as I mentioned earlier, we continue to win on that front and look to maintain that lead.

On the small cell piece, we are starting to see and introduce License Assisted Access, so LTE in the 5-gig space. We're seeing very positive results and returns from those investments, and so lot of opportunity to grow capacity in the urban cores. We're not taking our eye off that ball, but big, big – most major improvements coming on the 600-megahertz side this year.

<Q - Brett Feldman>: Braxton, during your comments you talked about how there's still a lot of opportunities for the company to achieve more operating leverage. And I was hoping we could spend some time talking about SG&A, because actually last year your SG&A as a percentage of revenue went up just a little bit as you put into the release. So, all of this EBITDA growth you've been achieving has been happening despite the fact you really haven't achieved any operating leverage through that cost item. What do you have embedded in your assumptions for 2019 in terms of

SG&A? And really, what's going to have to happen to get to the point where maybe as a percentage of revenue that cost item starts to decline more than we've seen in the past? Thanks.

<A - J. Braxton Carter>: Yeah, sure. I think that – let me bust that into two pieces. I mean we have the back office piece of SG&A where we're actually seeing some very nice scaling. But when you look at the selling part of the equation, please keep in mind that we've had a significant acceleration of growth y-over-y. And the reality of our model is it's an acquisition-based model. It costs to grow, and it costs to grow more. And that acceleration of growth is ultimately through the conversion to revenue, EBITDA and cash flow the driver of value.

And if you looked at a scenario where our growth was actually lower, and if you really study our guidance on subscribers, look at where we guided last year, look where we ended up, and look at the significant increase in the range that we provided this year over the initial guidance last year, it's very, very, very exciting. If our growth was to moderate which is not what we're executing towards, Mike talked about this tremendous multiple-year growth potential in many of our growth adjacencies, our segments before we get to really exciting things that 5G is going to bring to the table, that acceleration of growth plays into this factor. If the growth actually went down, we would have a significant expansion of our EBITDA margins, but that's really not what we're executing towards. I hope that makes sense, but on a very macro level that's really what the driver is.

<Q - Brett Feldman>: So, just in terms of this year's guidance, is it fair to say that you're probably assuming SG&A continues to kind of grow in line with revenue because your growth strategy is staying that way, or is there some other nuance in there we need to think about? You gave us some color on cost of service, so I'm just trying to dig into other line item a little more.

<A - J. Braxton Carter>: Yeah, there'll be a little bit of scale, but obviously we have significant growth aspirations for the next year. So, you got to take that into account.

<Q - Brett Feldman>: All right. Thank you.

<A - J. Braxton Carter>: You're welcome.

<A - John J. Legere>: Operator, before you go to the next question, I want to be cognizant of how many questions are coming in in the various forms, and somebody that's always been very patient and deliberate in posting questions via Twitter is Bill Ho. And, Mike, maybe you and Braxton can talk about this one, but Bill has got a question along with a chart, and since his bars were so nicely put in magenta, I think it's something that we should answer. Q4 2018, can you discuss postpaid Q4 upgrade trending over the years, now that this quarter is at an all-time low? Validate that subs are keeping handsets longer in low upgrade promos, outlook to get base prepaid and postpaid on 600-megahertz capable devices and for 5G coverage 2020 and 2021. So, it's kind of a upgrade rate story.

<A - G. Michael Sievert>: Yeah, I can start on it. Bill, you're right. I mean the upgrade rate was 6% this quarter, and that was marginally lower than, I think it was 7% this quarter last year. What we're seeing is an ongoing category trend. Smartphones are getting more and more expensive, some of the phones are well over $1,000 now, and they have capabilities that it's still relevant to consumers a couple of years out. And so between the costs rising and the capabilities being able to do what they want to do on a smartphone, they're just keeping them longer. And that's not a trend we see changing anytime soon.

It's not a bad trend for our business, although I will say that when you're switching phones, it's a great moment to switch carriers. And so, we always take advantage of these big phone moments to remind people they're with the wrong carrier and it's time for them to switch. And despite that slowdown, you've seen we've been able to overcome it by having an acceleration – to the point of the last question – in our growth rates. So, we've been able to manage through it very nicely in a period where there's lower churn, partly driven by slower upgrade rates in the category and yet we're outgrowing our past, and that's something that we feel very good about.

By the way, this last quarter was a great quarter of phone launches. We feel very pleased with how the new iPhones performed on our network; remember these are all 600-megahertz compatible phones, so these are driving increases in customer satisfaction, given the roll-outs that Neville and team have done in 42 states across 2,700 cities and towns on

600 megahertz. So, we're delighted with what's happening with phones, but it's a trend that we don't see really changing anytime soon, unless what we see from the OEMs begins to change.

<A - John J. Legere>: And I'm not sure whether there will be a large hoard of people running out now to get phones that will show 5G F or fake on them, and I have two opinions on that. One is, please tell me not that many people are fooled by the fact that this is total [obscenity] (00:44:44). And what it is, of course, is something that – it's 4G LTE Advanced and it's carrier aggregation, 4x4 MIMO, it's 256 QAM, it's things that Neville did so long ago, he has to go back and remember what they are.

But if people really want to have a phone that flashes that on – weigh your team. I mean we can get to that. We can – in fact, I can get you a little sticky thing and put it right on your phone right now, so let's see how it plays out. But I don't think it's going to be a major upgrade trend. But if it turns out, we're ready for you, 5G E all the way.

All right. Let's take the next one in the line.

<Q - Jonathan Chaplin>: Two quick ones, if I may. So, with your churn now lower than AT&T's, you've clearly got a product from everybody's perspective that's, at least, as good as AT&T and Verizon's. But there's a huge gap in your pricing and the gap is widening as they take price up and you guys give more and more value to your customers. If the deal with Sprint didn't go through, wouldn't there be an opportunity for you to take up price from where it is now without really giving up anything on subscriber growth?

And then, the second question is just on SOGA, with the footprint expansion and with you attacking new verticals, I would have expected SOGA to start inching up, particularly with your comments around the investment in SG&A that you made in response to an earlier question. And it's actually been pretty stable. Why aren't we seeing your share of gross adds in the industry inch up as you attack new markets? Thanks.

<A - John J. Legere>: You want to start?

<A - G. Michael Sievert>: Yeah. So, first of all, there's a lot of different measures on SOGA, our measures show that it is growing. So, we look at a variety of different data sets, including data that looks well beyond porting data, which is the underlying source for a lot of SOGA. We look at switching data which can use digital fingerprinting to figure out what switching looks like in the industry from a variety of vendors, and that data shows us that SOGA is on the rise at T-Mobile.

And then, to your point, churn is at an all-time low. And to think that three or four years ago that we would surpass AT&T or Verizon in overall churn given their very established incumbent advantages of long-term penetration of older customers who churn less, prime customers who churn less, enterprise customers who churn less and yet despite all those incumbent long-term advantages, our churn was lower than AT&T's for the first time ever this quarter. And we continue to be bullish about the prospects for churn for the reasons I've described. So, that's terrific.

You asked about pricing. Look, we have an established success model on pricing. And we would be loath to change it. Our brand is based on it. Our success model behind it is proven and we're generating incredible development of shareholder value, executing that strategy with all-time record cash flows, for example, and very ambitious guidance financially for the year and beyond. So, it's a strategy that works for us and it's a strategy of growing revenues by taking the other guy's customers, not a strategy of growing revenues by trying to be a price leader. And that's something that our brand relies on heavily.

Now you're asking about differences in standalone vs. New T-Mobile. One of the differences is the capacity that New T-Mobile will have relative to standalone and it's important to understand it. The core tenet of New T-Mobile is that by bringing these companies together, you get something very different from the T-Mobile you know today plus the Sprint you know today, very different. The combination has a multiplicative effect on the total available network capacity and that's very exciting, because pricing in the industry is a function of your costs and it's a function of your capacity. And our costs in New T-Mobile are going to go down dramatically when it comes to what it costs to produce a gigabyte of data.

And that's going to allow us to continue executing this strategy of being a disrupter, a low-price provider that's finally able to do something that the premise of your question addresses, which is break down this traditional trade-off that customers have always been forced to make, which is do you want a good deal or do you want the best network. Which one do you want? Choose one. And the New T-Mobile will be positioned uniquely to give you both.

<A - J. Braxton Carter>: Jonathan, let me add. You've talked about the potential to monetize. When we tumble the numbers and remember, our focus is 100% on value creation and cash generation of this business, that we create much more terminal value executing in a generally stable, which we just reaffirmed today for 2019, ARPU environment because we still lack the scale on a standalone business. So, the unlock and the value creation vs. a short-term game of monetizing and reducing that organic scale, it makes all the sense in the world to play it and to execute like we're playing. And I think Mike very, very clearly made the argument about the brand and who we are in the Un-carrier. John?

<A - John J. Legere>: Well, I got one follow-on. I think I'm awake now. Jonathan has always been one of my favorites. He's very thoughtful. He's not always right, but he's very clear in his analysis. And my question for Jonathan when I see him will be since you're part of New Street, are you forced to use as your input to regulatory process what comes out on the other side of your firm? Because I've never seen anything more comical than watching an environment with a complete lack of any indication as to what's happening.

Attempt to write things every day. The sun is up, oh my God, that must be bad for the deal, must be good for the deal. They clarified a price commitment, okay, it must be going down. It is hilarious to watch. It's kind of shameful, and I only hope that in New Street, for example, at the end of the year, everybody should have to go back and kind of check against their predictions and then the money should flow to those of you that were rooted somewhat in reality.

So, Jonathan, if I can help, I can tell you that all that noise that's coming out of the other side is not the right smoke coming out of the chimney, and you should get all the bonuses. And so with that, I actually just say, I apologize to watching everybody have to struggle to look for signs of what has been so far, I want to reiterate, a extremely deep, ongoing, well-done process with the Department of Justice and the FCC tens of millions of pages of documentation and modeling discussion that is going very well in a game that is pretty clearly, if not, in the bottom of the ninth inning, it's in the late innings. And most of what you see going on are very good indications of a dialogue that's moving extremely well, and I look forward to a time when the full narrative can be public. And, Jonathan, then you can have a real input to go by on the regulatory outlook of the New T-Mobile.

<Q - Craig Eder Moffett>: Two questions. First, an operating question. Can you just maybe, Mike, update us a little bit on the mix story. You've talked for a long time about how your 600-megahertz expansion would operate through phases of improving the quality of the urban product, starting to penetrate suburban outer rings, and then eventually open new footprints in more rural areas. I wonder if you could just update us on how that mix is shifting over time in your gross adds.

And then, I guess I'll come to the defense of the other side of New Street for a second. Having opened the topic, John, can you just comment on, was there in fact any precipitant that led you to write the letter, or to make the commitment about the price fees?

<A - G. Michael Sievert>: Do you want to do the second part first or?

<A - John J. Legere>: Sure. Yeah. So, again, as I said from the very first day, back in April going into the first week of May, I've been down here in Washington with the very same story, that the 5G network that's going to be built with the $40B worth of investment and the breadth and the depth is going to be something that the country needs and has yet to see, it's going to be supercharging the Un-carrier, capacity will go up precipitously, and prices will go down and jobs will increase. And that's been a dialogue that has gone from sound bite to tremendous modeling and conversation in depositions and hearings.

And every now and then in the process, it's seen as a good time to take a piece of the consistency of what we've said and document it for prosperity. Now, I would clearly tell you that in saying that in year one, two and three, prices will not go up, there's no loophole, we were not – people were trying to find what's that loophole, it's no loophole. By the way, prices going down is the same as not going up. They're in the same boat.

5G creating a unit cost differential that we pass on and usage going up significantly by customers with customers paying less than the absolute, that's exactly what we're talking about. So, I can't speak to every piece of the process that's going on with every state and every aspect of the government. But in some of those conversations, things are better documented, things are better announced and sometimes you just say, okay, if there's a piece of this that you want clarification on, I'm your man. Raise that right hand and I'll tell you exactly what it is. And that's what this is and it's good news.

What bad conversation could be going on where you're clarifying the statement that you made that this is good for the country, it's good for the consumer, it's good for competition, jobs are going up, prices are going down, supply is going to increase and the nation's competitiveness in 5G is going to go up. So, that's what it is and anybody who can glance in and try to find a negative of that, better go find some happy pills, because it's a sad view that people are making their life trying to look and find ways to be an expert in a process that they can't see.

So, anyway, that's – and I don't know if that's helpful. It was helpful for me.

<Q - Craig Eder Moffett>: Great. And, Mike, on...

<A - John J. Legere>: Yeah.

<A - G. Michael Sievert>: Yeah. I thought the question was pretty straightforward about the day-to-day operations and – look, the bottom line is, I think we've shared some of these numbers before, we've moved our geographic footprint of our distribution from 230mm POPs when we began the expansion to about 265mm POPs directly addressed by our distribution. And that's helping to support our growth. And as I said – and by the way, it's a substantial portion of our overall nets now that are coming from the combination of our geographic expansion and our segment expansion.

Segment expansion includes over 55, it includes Military, it includes suburban prime consumers, it includes Business where we had an all-time record quarter in Q4. So, when you add up the segment expansion and the geographic expansion, it's a substantial portion of our total nets. And I think it demonstrates this management team is constantly on the look for what do we need to be focused on in order to keep this growth train growing one and two years from now, and we've put the investments in the ground ahead of time to get there. And we're starting to see now the benefits of all those things that we told you would deliver benefits. And it's one of the reasons why our growth is not only not slowing down as many predicted it would do, but is actually accelerating as you saw in the results for the full-year 2018 and for Q4.

<Q - Craig Eder Moffett>: Could I push you to try to normalize those kind of numbers in terms of market share? Like, what you think your market share is in urban markets vs. suburban vs. rural?

<A - G. Michael Sievert>: Only that as I was saying earlier in the call, it's very under-penetrated, and I think I've shared before that we believe our market share in Business, for example, with large enterprises is sub-5%, overall business is sub-10%, that means 90% of the customers, inclusive of all categories in business, are with the other guys. Suburban prime, over 55, rural customers, these are all places where we're significantly under-penetrated.

Prime customers, we remain under-penetrated, even though we are seeing right now flow share that's fantastic on prime suburban families. So, lots of upsides still to go on these segments where traditionally our network didn't use to address their needs years ago. Now that the network is there and is better than the competition in many respects for most people, we're starting to see these kinds of customers come in in historic numbers and they're starting to fill into the base. But we have a long way to go when it comes to underlying market shares.

<Q - Craig Eder Moffett>: That's helpful. Thank you.

<A - John J. Legere>: Operator, this is the part in most company's earnings call where they see that it's Walt Piecyk and they eliminate him from the call stream, but we are not that company, so let's take the next question.

<Q - Walter Piecyk>: Actually, John, it's really only Sprint that remains as the only company that won't take my question on the calls. Everyone else has, including [ph] Moffett (00:59:30) by the way. You talked about Layer3 a little bit, and I think Mike mentioned a home broadband strategy. Is the home broadband strategy part of H1 2019 target as well, or is that just kind of – I mean is it integrated in terms of the pay TV strategy? Just a little bit color on that, and then I have another technical question for Neville afterwards.

<A - G. Michael Sievert>: Sure. In 2019, we are going to begin piloting home broadband offers and they're based on 4G LTE for some of this year, later it will move to 5G and it's a pilot. So, you're going to see us doing activity, and it's for a reason. We expect in New T-Mobile for this to be a substantial part of our growth story. As we've talked to you about in the New T-Mobile plans, we see the opportunity for millions of households. We intend to market home broadband service in 52% of U.S. ZIP codes. We see a major opportunity to deliver a median speed across the country of 450 megabits per second, which of course by definition means half the people are getting faster speeds than that.

And to really bring competition to a category, that is the definition of uncompetitive. 48% of American households have no choice when it comes to their home broadband, and that is crazy. If you look at what our competitor is doing, they're rolling out millimeter wave to some parts of some towns to compete for those households. We see a much wider opportunity for that, and we can be very disruptive in the broadband space as the New T-Mobile because the costs of our network are paid for by the mobile business.

We have to build a network with the capacity that we're planning in order to be the viable growing competitor in mobile that we intend to be. Having done that, there become places all over this country where you have the capacity to serve millions of home broadband customers without the extra burden of significant extra capital. What that means is in home broadband, we can be very descriptive, not just on reaching some people who never had a great broadband choice, but on the price as well and still have a very profitable business. Now, all that stuff – most of our aspirations for that are in the context of New T-Mobile, because it's capacity dependent and home broadband is very, very consumptive. Despite that, we're going to start testing it this year and in H1 this year so that we can get the learnings that are required to go to market and win.

The last part of your question was integration between that offer and the TV, the home TV offer that is being relaunched and rebranded. The integration will come, but in the early stages of those two initiatives, we'll be testing them separately, don't get confused by that because the ultimate strategy is for these to be – home TV and home broadband to be a blended go-to-market approach.

<Q - Walter Piecyk>: Understood. Thanks. And then, Neville, can you just talk a little bit about the 600 megahertz and you have 30 megahertz. In the press release, you talked about – on page 7 (sic) [5] (01:02:28) you talked about 300mm POPs cover, but you kind of threw 700 megahertz in there, so it's unclear what's 600 megahertz and what's 700 megahertz. But more importantly, the 30 megahertz, is it enough to deliver what you would consider or what most would consider 5G speeds to make a deferential? And when you flip that to 5G NR, does that take away the coverage benefits that an LTE customer would get who just bought a 600-megahertz phone on their iPhone?

<A - Neville R. Ray>: No. So, just to be clear, Walt. Great question, but I mean we're rolling out the 600 megahertz in LTE, right, so we're putting down a 10-megahertz layer there and that's you saw the 301mm POPs covered on low-band, so that's the combination of 700 megahertz and 600 megahertz. We didn't have that 700-megahertz footprint everywhere across the U.S., so customers are starting to see more low-band coverage and all the benefits that brings in many new places.

So, the 600-megahertz LTE roll-out has been going incredibly strong. We provided data on that. We have a national average of 30 megahertz, so in some markets we have 40 megahertz and in a few places we have 50 megahertz or 600 megahertz and less in some than the 30 megahertz. We're retaining the balance of that spectrum for the 5G roll-out. We talked about the equipment that we're rolling out now is 5G-capable. So, as we get our software matured and ready for prime time, we will light up 5G services on those same radios that we've been deploying and are deploying across the country. So, the 5G story is coming on super strong as we move through 2019, and we'll be in a position to launch those services as we go into H2 and, as I mentioned earlier on, the devices come on board.

Then in terms of speed, I think it's a fascinating discussion in the U.S., right, on 5G and I'm very confident that we're going to continue to drive our speeds materially north. We're bringing a lot of spectrum into the 5G space and we're adding all of that benefit of 5G spectral efficiency and these additional capabilities. And I can compound that speed and performance with LTE. And so, I know as we move into the latter half of this year, our customers are going to see much faster speeds than they do today, if they have a 5G-capable handset compared to just being on LTE. Nobody loses on LTE, Walt, right, but the 5G customers that adopt on those handsets are going to see faster speeds.

And then, I look at what's going to happen with our good old buddies in [ph] T (01:05:06) and Verizon, and it's tough to imagine what they're doing this year. I mean AT&T, if I can just double down on some of John's comments earlier on and the 5G fail or 5G E, whatever they're calling it, AT&T is desperate right now. We have a better network, and so they've fallen behind. Fascinating as they talked about this new LTE Advanced 5G E thing, we've been doing it for years. They're saying they're going to reach 200mm POPs by some point in time midyear 2019. That's so far in my rearview mirror I can't remember. So, they're out there trying to tell people they've got something which is better than what they've really got.

I love the fact they're going to now expand and show to people the limitations of their LTE network and their LTE Advanced network. And in between, what are they doing? Their little millimeter wave launch in a few cities, talk about speeds and performance, what speeds and performance, nothing. And then, of course, the Verizon story and we call it 5G WTF, gone nowhere. Some launches in a few cities last year, nothing happening, no mid-band or even low-band strategy emerging from Verizon on 5G, tough to see what anything that's going to happen from those guys in 2019.

AT&T starting to tuck behind our 5G strategy, saying they'll do low-band now, multi-band, et cetera. So, everybody kind of lining behind our strategy in the U.S., but they're all late, and we're going to be the first guys putting down meaningful footprint with enhanced speeds in the 5G space and we won't be lying about what's happening on a customer's phone when we do it.

<Q - Walter Piecyk>: So, just to be clear, just a quick follow-up, if you dedicate something to 5G NR, it can't switch dynamically to LTE. So, if your competitors have spectrum that they've deployed on LTE, that they say is 5G upgradeable, it's either one of the others. You'd really need this clean block of spectrum to have a dedicated 5G NR, it can't be switching back and forth. In your case, 10 to LTE and 20 to 5G NR, do I have that right?

<A - Neville R. Ray>: That's right.

<A - John J. Legere>: Within low-band.

<A - Neville R. Ray>: Within low-band, that's right. Obviously, well, the industry is working really hard on dynamic spectrum sharing, right? You've probably heard this term being bounced about...

<Q - Walter Piecyk>: Yeah.

<A - Neville R. Ray>: ...and the ability to actually move technologies across spectrum bands in a way that we haven't been able to do as an industry, that's not ready for prime time by any means. So, your statement is correct as we move into 2020 and beyond.

<Q - Ric H. Prentiss>: It seems like overarching message on the call has been get spectrum, build network, open stores and make sales. As we look at the...

<A - John J. Legere>: And create a lot of value.

<Q - Ric H. Prentiss>: So, as you look at your clearing of the 600 megahertz, I think you talked about doubling from like 135mm POPs to 207mm POPs. The CapEx, front-end loaded in 2019, to Walt's question and Craig's question, the footprint that you're marketing to goes from 230mm to 265mm. When should we expect the next wave of store openings then? Is it built into your 2019 budget? Is it in the 2020 budget? But it seems like, yeah, there's easily another 30-plus-million POPs to market to that could continue the footprint expansion. So, just trying to think of what the timeline has it baked into guidance here.

<A - John J. Legere>: I mean just – I'm going to pass it to you, Mike, but you had a great list of things that people take as fundamentals up for granted and one that wasn't in there that I want to point out, in addition to build incredible network, one of the biggest variables that's improved our churn to now being better than AT&T's is our customer care. What we've done with team of experts and what we're getting for feedback and accolades for not only the happiness of the employees, but the most satisfied nature of the customers when you combine both what's happening with network and what I think could be one of the harder things for anybody to duplicate is what's happening with care. And on top of that, there's nothing that beats giving everybody a taco every week. I mean that is – it may sound simple, but a taco every week and a Lyft ride in the first week to go get it, now that's pure magic. So – we did bust all the records on T-Mobile Tuesdays this week. You're right, there's a real opportunity for retail expansion that remains. In fact, one of the learnings from the last expansion, not surprisingly is that the best performing new stores were the ones in greenfield markets. And so, there are more greenfield markets to go as your question suggested.

I think for us, the most prudent way to pursue that is to be thoughtful about the likelihood of New T-Mobile being here by the middle of the year. So, as you probably heard us talk about in our New T-Mobile plans, we plan to create one rationalized retail fleet across both the former companies and we plan to expand from there. We expect 600 or so additional stores in the New T-Mobile, mostly in the rural and greenfield markets, smaller towns, et cetera as our initial foray. But there may be opportunity even beyond that.

But what we've got right now is working really well. Our new stores are still coming up the curve. We're swallowing that growth, executing really well and we're being thoughtful about getting this merger completed and then further retail expansion in that context. Should we remain standalone? Of course, there's more opportunity and the data backs it up as your question suggests.

<Q - Ric H. Prentiss>: And the other aspect, it sort of seems like digital is becoming more important as far as channels, can you talk a little bit about what you're doing as far as digital sales channels and digital customer care?

<A - G. Michael Sievert>: Absolutely. First of all, we've just won exciting recognition for our application, with the J.D. Power recognition. We have the best app. Our customers are using it at historic rates. It's contributing to some of the cost improvements that we've seen. It's such a different and refreshing experience vs. anything we were delivering two and three years ago. So, if you haven't used it lately, I can encourage you to check it out. And it'll remind you to get your taco at the T-Mobile Tuesdays app as well.

Digital is a really important strategy for us and we're pursuing it a little differently than I've heard some of our competitors are pursuing it. Yes, we're interested in pure digital acquisition, and we've done some amazing things on that front, including being one of the only ones with a great all-digital eSIM activation process, taking advantage of new eSIM capabilities. We have the highest-ranked e-commerce platform in the category that we've quietly built and executed. We've seen growth in all digital, which remains in the single digits by the way, but significant growth in all digital.

But I think and we think the biggest opportunity near term in digital is to make the 90% more effective, meaning digitally accelerated retail. And most of our investments are in that arena, making the retail experience better. What we've learned and all carriers probably have learned is that nearly everyone goes to the web or mobile platforms to research the category before showing up at retail. And so, the question really for digital is, how do you use that existing customer behavior to create a great end-to-end experience that begins in digital and ends in a fantastic retail experience that's better for customers and lower cost for us. We've made some great strides in that arena and you'll see most of our dollars and most of our development behind the digitally accelerated retail concept.

<Q - Amy Yong>: Maybe if I could squeeze two in. Can you talk a little bit more about service revenue which grew 6%, what are the puts and takes for 2019? And then, maybe, look, a second one on the prepaid market, I think you elaborated or you mentioned that post is growing faster than prepaid, what are you seeing in terms of the market and competition and maybe if you could talk about the rebranding of Metro by T-Mobile, where are the results so far? Thanks.

<A - Neville R. Ray>: When you look at the service revenue piece of the equation, Amy, for years we've been not only significantly outstripping the competition and growth, we continue to do that when you look at Q4, I think we were the only carrier that really grew total service revenues. But the underlying basis there is the ramping of the subscriber base. And remember, we have a generally stable ARPU which really translates to that additional scale, is what's driving that top line service revenue growth. And that's really the way that I would look at it and that's definitely the assumption going into 2019.

<A - G. Michael Sievert>: And then on prepaid, Amy, this was a fantastic quarter for us. Big sequential gain and, of course, we took more than 100% of the net adds in the category because we believed that the subcategory of prepaid, at least until we see TracFone's results, was not growing. And yet we delivered 135,000 net additions.

And you asked about Metro by T-Mobile, and I would say it's a big piece of why we're performing so well. Tom Keys and the team have delivered a terrific strategy that we've been considering for a long time, which is whether or not there's a way to very carefully bring the MetroPCS community closer to the T-Mobile brand, because what they want is a great network experience and they want the simplicity and value of Metro and the convenience of Metro which is in their own neighborhood.

And what we have found is a combination that's really starting to win. And you saw a nice sequential improvement. In the quarter, we launched Metro by T-Mobile, and we're starting to see more network attribution among Metro customers understanding that they're a part of something really different than other prepaid brands might be able to offer them. So, we're delighted with what we're seeing with the strategy that the team delivered so far.

<A - John J. Legere>: I'd just say what's happened with MetroPCS since we acquired them is a great example of something to look back on to show the credibility of what we plan on doing with the New T-Mobile. We heard quite a few things about problems with network integration and what's going to happen to employees, what's going to happen to customers. And we were able to have now twice as many customers at MetroPCS than when we acquired them, three times as many employees, twice as many stores, five times as many cities and they are clearly getting way more at lower prices than what they were getting, including fully loaded offers that include Amazon Prime and Google One, et cetera. So, it's been a great, great story associated with what we plan to do with the New T-Mobile; great example.

<A - John J. Legere>: We sure can, Colby. I think Colby just wanted to say how awesome the quarter was and [indiscernible] (01:17:30).

<Q - Colby Synesael>: Can you hear me?

<A - John J. Legere>: Yes. Go ahead.

<Q - Colby Synesael>: Yeah. Sorry about that. So, for Netflix, they just recently increased their pricing. I'm just curious if you could talk to us about what you expect the impact to be and then the timing on that. And then, Neville, CBRS seems to be getting quite the momentum, just curious what your thoughts are on that in terms of timing and how you guys plan to deploy that as well. Thanks.

<A - G. Michael Sievert>: On Netflix, it's generally what we said when the price increase came out, which is we are not passing through an increase to our customers right now. And, in fact, we did not receive a pass-through from Netflix yet. So, it's a great partnership. We're working together to make a plan, and we've announced that we won't have much more to say about it until May 1. Between now and then, no change for our customers, no change to the benefit.

<A - Neville R. Ray>: And then, super quick, Colby, on CBRS, obviously we're engaged with testing, trialing. No confirmed date yet for the auction of the license spectrum, and still uncertainty if that's going to happen in 2019 or whether that would slide into 2020. So, continued interest from us, but obviously the spectrum volume that's available there, especially in licensed, is pretty limited. And there are some power issues and so on to work through in terms of its propagation capabilities, but we continue to look at the spectrum and evaluate and we'll see where the auction timeline comes out.