Company Name: T-Mobile US Inc
Company Ticker: TMUS US
Date: 2017-04-24
Event Description: Q1 2017 Earnings Call

Market Cap: 54,777.01
Current PX: 65.93
YTD Change($): +8.42
YTD Change(%): +14.641

Bloomberg Estimates - EPS
Current Quarter: 0.467
Current Year: 1.767
Bloomberg Estimates - Sales
Current Quarter: 9878.737
Current Year: 40555.542

Q1 2017 Earnings Call

Company Participants

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

Other Participants

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

MANAGEMENT DISCUSSION SECTION

Nils Paellmann

GAAP and Non-GAAP Financial Highlights

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

John J. Legere

Q1 Highlights

We're coming to you live from beautiful sunny Bellevue, Washington

We are just about to mark our four-year birthday and anniversary as TMUS as a public company

Deal with MetroPCS

- And as many of you recall, we closed our deal with MetroPCS on May 1, 2013
  - This is just a few months after we declared war on the status quo and launched the Un-carrier
- We spent the last four-plus years fighting for consumers and forcing a stupid broken arrogant industry to change
  - Customers have responded and this has yielded results beyond even our own expectations
- I'm very proud of the success that the T-Mobile and MetroPCS teams have been able to achieve
  - It's nothing short of incredible

Customer GROWTH

Net Adds

- Now that trend continues with our first quarter results
- You have the release and the Factbook, but I want to quickly cover a few highlights for the quarter
- In a quarter where we forced everyone to follow our move to unlimited, T-Mobile kicked ass
- We delivered industry-leading customer growth and financial results that the competition can only dream of
- Our customer growth numbers remain strong with 1.1mm total net adds in Q1
  - By the way that marks four straight years or 16 quarters of adding more than 1mm every single quarter. 914,000 of those nets were branded postpaid customer additions and it looks like it will be the fifth quarter in a row that T-Mobile comes in at the head of the pack, now that the other guys they have possibly figured out, the tablets aren't the answer

Branded Postpaid Phone Customers

- We added 798,000 branded postpaid phone customers
- That's 13 quarters in a row that we've led the entire industry in postpaid phone nets
- We estimate that we captured over 250% of the industry's postpaid phone growth this quarter
- And, as you've seen, Verizon reported a disaster of a quarter with nearly 300,000 postpaid phone losses, despite all the hype around the launch of their unlimited plan
- Ouch, that's really got to be embarrassing after all that mic-dropping
  - Well, we'll get to their network in a minute

Postpaid Gross Adds and SOPI

- But back on competitive share, T-Mobile took home an estimated 29% of the industry's share of postpaid gross adds in Q1, our best result in three years
- And when we look at the share of port-ins or SOPI for customers with a 24-month tenure, T-Mobile combined with MetroPCS was averaging around 35% for the quarter and even had a week where we were north of 40%

Porting Ratios

- Okay
- I've got to touch on porting ratios. We've now had four years in a row, every quarter with positive postpaid porting ratios overall, and more than three years positive against every major carrier
  - In Q1, we killed it with improvements in postpaid porting ratios against every carrier, both y-over-y and sequentially

Prepaid Front

New Customers, Prepaid ARPU and Churn

- On the prepaid front, we added 386,000 new customers driven by a continued strong performance at MetroPCS.
- I should note that prepaid ARPU reached a record of $38.53, up 2.5% y-over-y
- Now churn
- We're seeing record lows here
- Branded postpaid phone churn in Q1 was down 15BPS y-over-y and 10BPS sequentially to a new record low of 1.18%

Financial Results

Revenues, EBITDA and Investments

- Our financial results are fantastic too
- In Q1, we delivered 11% y-over-y growth in total and service revenues and 21% in adjusted EBITDA, excluding the spectrum gains this quarter and last year
  - These results are due to investments we've made and will continue to make in our network, which brings me to the auction

Incentive Auction

- Just two weeks ago, the FCC announced the results of the groundbreaking 600-MHz incentive auction
  - This auction was the first of its kind and generated billions for broadcasters and U.S. taxpayers
- It was a massive undertaking, so I want to offer my congratulations and thanks to the folks over at the FCC.
  - The auction outcome is a huge win for consumers and for T-Mobile
- We secured a nationwide footprint that will enable us to bring low-band spectrum to consumers across every single inch of the country
  - This is a game changer for T-Mobile and sets the stage for us to continue our momentum moving forward

600-MHz Low-Band Spectrum

- As I'm sure many of you read, T-Mobile acquired a nationwide average of 31 MHz of 600-MHz low-band spectrum covering 325mm POPs for $7.99B.

- Why is this important? For several reasons
- First, we quadrupled our low-band holdings and now have an average of 41 MHz nationwide
  - This covers 100% of the U.S. and Puerto Rico
- This gives T-Mobile significantly more low-band per customer than any of our peers and nearly TRIPLE the low-band spectrum per postpaid customer vs Verizon
  - This new low-band is going to allow us to compete in every single corner of the country while improving the overall network and in-building coverage for all of our customers

Holdings and New Spectrum

- Second, this historic auction was so significant to our overall holdings that we increased our total nationwide spectrum by 39%
- T-Mobile now has more spectrum per customer than the duopoly and over 50% more than Verizon
  - This means more uncongested wide-opened wireless freeway lanes for T-Mobile customers
- Third, contrary to what you may be hearing, we will start to put this new spectrum into use this year
- We expect spectrum covering 1mm square miles to be clear in 2017, enabling Neville Ray and his team to commence service before year-end
  - We kick started the ecosystem more than a year ago, and as a result, Ericsson and Nokia have already announced radio equipment availability and Qualcomm has announced chipsets on the handsets, we will have Samsung devices by the holiday season and other OEMs are making plans
- Clearly, by year-end it will be a differentiated experience for our customers

LTE Build and 700 MHz Deployment

4G LTE Network and Verizon Network

- Now, let give you an update on our LTE build and 700 MHz deployment
- Our 4G LTE network covers 314mm people today and we have 321mm in our sights for year-end 2017
  - Our network remains the fastest in America, with download speeds of 25.6 megabits and upload speeds of 12.2 megabits
- We've been the fastest for 13 quarters in a row, and by the way, the gap between us and our competitors increased last quarter
- And something we'll talk about is that interestingly, since launching unlimited, the Verizon network has gotten noticeably slower, slower than even AT&T in recent weeks, which shows once again we have the only network built for unlimited
  - I guess we now know why Fran was saying Verizon customers didn't need unlimited plans before he left
- He knew the Verizon network couldn't handle it

Deployment of Extended-Range LTE

- Our deployment of extended-range LTE on the 700 MHz A-Block spectrum band is essentially complete with the launch of Chicago last week
- And you just heard me say that Neville will start rolling out 600 MHz spectrum by the end of this year
    - This network expansion is providing us with the unique ability to grow our distribution footprint by 30mm to 40mm POPs
- We plan to open an additional 3,000 stores this year, roughly 1,500 T-Mobile and an increase of 500 over our original goal, and 1,500 MetroPCS stores
    - This program will continue to ramp in Q2

Growth and Un-Carrier

- So putting that all together, the new spectrum and the work we're doing on our current spectrum sets, sets the stage for continued momentum and the future growth of T-Mobile
- We can take the Un-carrier to every corner of the United States, bringing real choice and competition to wireless customers in every part of the country
    - This is going to be fun, and we can't wait to get started

Performance

- As we celebrate four years as a public company with a kick-ass quarter and we look back at the trends, the story is clear
- It's been four years that T-Mobile has ported positive postpaid every quarter against the industry and four years that we've added more than 1mm nets per quarter
- I've never been more confident about the future of T-Mobile as we look ahead to the remainder of 2017 and beyond
- Braxton will update you on our 2017 guidance in detail, but let me just highlight the big picture

Branded Postpaid Net Customer Additions

- We're increasing our guidance for branded postpaid net customer additions to a range of 2.8mm to 3.5mm, up from the original guidance of 2.4mm to 3.4mm
- At the same time, we are maintaining our financial guidance of strong underlying EBITDA growth, solid CapEx to support our network build, and a strong 3-year expected ramp of FCF.

J. Braxton Carter

Financial Highlights

And I'm so excited to share, once again, outstanding financial results

Let me give a quick snapshot of our excellent financial results and then details on our 2017 guidance

Let's start with the financial results for Q1

Customer Growth, Revenues, EBITDA, Cost and SG&A

- Our customer growth continues to translate into strong financial growth, as we delivered industry-leading metrics once again
- Service revenues grew by 11% y-over-y and adjusted EBIDTA grew by 21% excluding spectrum gains this year and last year
  - The adjusted EBITDA margin excluding spectrum gains expanded to 36%, up from 33% a year ago
- EBITDA benefited from strong cost discipline, as both cost of service and SG&A showed operating leverage, even as T-Mobile is expected to capture over 250% of the industry's postpaid phone growth in the quarter
  - As a percentage of service revenues, cost of services declined by 240BPS and SG&A by 150BPS y-over-y

FCF, Net Cash and CapEx

- FCF improved by almost $0.5B to $185mm in Q1 2017 from a loss of $310mm in Q1 2016
- Net cash from operating activities increased by two-thirds y-over-y
- The improvement in FCF occurred despite higher cash CapEx, which increased to $1.5B as a result of front-end loaded CapEx in order to finish the rollout of our 700 MHz A-Block spectrum and a higher paydown of accounts payable both sequentially and y-over-y

EPS and Tax Rate

- EPS came in at $0.80 in Q1 compared to $0.56 in Q1 2016
  - EPS in Q1 2017 benefited from $37mm spectrum gain and an income tax benefit due to a reduction in the valuation allowance against deferred tax assets in certain state jurisdictions, resulting in an effective tax rate of minus 15% for Q1
- We currently expect the effective tax rate for the remainder of 2017 to be in the range of 36% to 38%
- And of course, we have NOLs that take us well into 2020
- The spectrum gain and the income tax benefit had a combined impact of $0.32 on Q1 EPS.
  - The improvement in y-over-y EPS occurred despite a large spectrum gain contributing $0.46 per share last year
- On a like-for-like basis, excluding the spectrum gains and the income tax benefit, EPS increased by $0.38 y-over-y, from $0.10 to $0.48

Branded Postpaid ARPU

- Branded postpaid ARPU of $47.53 in Q1 grew by 2.9% y-over-y
  - We expect ARPU will continue to be generally stable from full year 2016 to full year 2017, with some quarterly variation driven primarily by the actual migration ramp to T-Mobile ONE, including taxes and fees

Debt Expense and Losses

- In terms of customer quality, we saw stable to improving trends in the quarter

- Total bad debt expense and losses from sale of receivables were $188mm or 1.96% of total revenue compared to $173mm or 2% I n Q1 2016, even with a customer base that grew by over 7mm from Q1 2016
  - As a percent of total revenues, the 1.96% reported this quarter was a record low quarter for a first quarter

Guidance

Branded Postpaid Net Customer Additions

- Now let me get to 2017 guidance
- Our target for branded postpaid net customer additions is 2.8mm to 3.5mm, which is an increase from our original guidance range of 2.4mm to 3.4mm
- We will continue to update guidance as the actual quarterly results warrant over the remaining quarters of the year
- You guys know the playbook

Wholesale Net Additions and Net Customer Losses

- On a side note, as already mentioned last quarter, we expect wholesale net additions to be negative in 2017, as our MVNO partners deemphasize Lifeline in favor of higher-ARPU customer categories
- This is exactly what happened in Q1, with wholesale net customer losses of 158,000
  - Despite the potential decline in customers, we expect growth in total wholesale revenue and margins this year

EBITDA and Leasing Revenues

- For adjusted EBITDA, our target range of $10.4B to $10.8B unchanged from the prior guidance range
  - Our EBITDA target includes expected leasing revenues of $0.8B to $0.9B, again unchanged from last quarter
- First quarter leasing revenues were $324mm
  - We expect leasing revenues to decline in future quarters in line with the annual guidance

Accounting Change, EIP Receivables and Cash CapEx

- As disclosed in our year-end 2016 earnings material, we also made one accounting change in 2017 in line with all of our big four competitors
- We included imputed interest associated with EIP receivables within revenue for us in other revenues, which is included in adjusted EBITDA.
  - The impact from this accounting change is expected to be approximately $200mm to $300mm in 2017 compared to $248mm in 2016
- We restated the comparable quarters in 2016 accordingly
- Q1 impact was $62mm
- We target cash CapEx of $4.8B to $5.1B in 2017 excluding capitalized interest, again, unchanged from prior guidance

FCF

- Finally, we expect FCF, defined as net cash provided by operating activities minus cash CapEx, to increase at a three-year CAGR of 45% to 48% from full-year 2016 to full-year 2019, again, unchanged from prior guidance
- During the same period, we expect the underlying net cash provided by operating activities to increase at a CAGR of 15% to 18%
- When modeling FCF for 2017, please be aware that cash interest payments will be elevated compared to 2016 for two reasons

Net Debt and Call Premiums

- First, the additional net debt as a result of the auction
- Secondly, the payment of significant one-time call premiums due to calling selected call for bonds with higher interest rates

NPV Savings, Interest Payments, Cash Interest Expenses and Capital Structure

- Calling these bonds will result in significant NPV savings over the life of the debt instruments, but will increase cash interest payments in Q2 2017 to $0.7 to $0.8B, including call premiums of $238mm
  - For comparison, first quarter interest payments amounted to $495mm, including $29mm in call premiums
- For the full year, we expect cash interest expense, including call premiums of $267mm of $2.1B to $2.2B compared to the $1.7B in 2016
  - Excluding the call premiums, the normalized run rate for the year will be $1.8B to $1.9B.
- You can see the significant changes and the work on the capital structure paying major dividends for us

QUESTION AND ANSWER SECTION

<Q - Philip A. Cusick>: First with 3,000 stores to be built this year, 1,500 of them post-paid, and the low band coverage expansion. How should we expect your gross add share to ramp over the next couple of years? Should we be looking for that ratably or delayed a little bit?

And then second, Neville, can you talk about the process for clearing 600 specs from across the 1,000 POPs, and how much of your markets that are not covered with low band today will be taken care of by that one million in the next year? Thanks, guys.

<A - G. Michael Sievert>: Let me start by saying a big piece of the strategy as we expand geographically, as we expand segments, is to allow our gross add share to continue to grow, to keep pace with our growing company. If you think about it, as we grow, even as we hit historically low churn rates, there's the opportunity to churn off more customers. And so, as we penetrate prime consumer families in the suburbs, as we go after businesses, and as we expand geographically, those are opportunities to continue taking share of the market. It's kind of interesting to stop and note as the premise of your question suggests that all this ass-kicking we've been doing in the industry taking well over 100% of the growth is in a world where we're only competing in two-thirds to three-quarters of the country. That's why we're expanding stores and networks so rapidly, so that we can participate geographically, but also that we can go after segments that have been hesitant around T-Mobile in the past.

I'm going to add as we go over – Phil, I know you know this, but I want to add it for other peoples' benefits, is we put out in the release that we already had 29% postpaid share of gross adds this quarter, which I think is a little bit surprising. It's as high as we've been almost ever. And the share of port-ins was 35% with MetroPCS and as high as

40%. Now this store count, I think this is where, especially when I heard Comcast announce their distribution plans and how close customers are to their 500 retail stores. We started this year with 9,000 approximately MetroPCS stores, and we're moving that to 10,500. And we started with approximately 4,000 Magenta stores, and we'll move to 5,500. That's 16,000 presences, doors.

And so far, the other status is, you know, the year is about a third done, and we're about a third done. The pace at which we're adding stores is historic. And I know there was one day, a couple of weeks ago that we opened 90 doors on that day. So it's very historic and it's a big change. And that is such a great understanding to lay this 600 MHz win on top of, because in the same way that Neville will announce how he has got a huge jumpstart on creating that ecosystem, we have a huge jumpstart on creating the retail presence that we'll go with serving these customers. But Neville, you want to go into the clearing?

<A - Neville R. Ray>: Let me start with saying there couldn't be anybody more delighted than me with the motherload of spectrum we just succeeded in securing. Just to repeat once that our spectrum holdings increased 39%. That's quite an event for any company in the wireless industry. So while Braxton often calls me the happiest CTO, well, I'm the even happier CTO today.

Phil, it's not just about acquiring the spectrum, to your question, Phil, it's about how quickly can we clear. And obviously, we've been doing a ton of work before this auction. We even kicked into gear and started well over a year ago. And the good news is from a clearance perspective that there are many areas of the country where they're actually clear today and all broadcasters have announced their plans to exit their licenses within 2017. So our conservative estimate on the information we've secured and put together to-date is that's north of 1mm square miles in the U.S. So a lot of geography for us to run at.

We've obviously been feeding the ecosystem with radio equipment, chipsets, and John referenced in his opening comments we can now – we're delighted to announce we'll have 600 MHz handsets within the year. I think that's a huge surprise for most folks out there that not only come in clear spectrum, build spectrum, launch spectrum that we can get our customers starting to use the spectrum inside 2017.

And then the last part of your question was about so what does this mean for the areas where we don't have low-band today? But just to reiterate with the Chicago launch last week, our low-band spectrum holdings now reached 269mm people in the U.S. so 99% of the licensed POPs we have on the 700 MHz. And clearly, our first target is to make sure the areas where we haven't successfully launched low-band to-date, those areas will be the ones that we first take care of.

So more details to come on that, Phil, as we work through the next two months to three months, but we are running very, very hard and we've actually already we're into pre-deployment phases in some parts of the country, but we'll map out the exact cities and where we're going and what our geography looks like as we move through the next couple of months.

<Q - Philip A. Cusick>: Can I follow up really quickly? We get pushed back that the 600 band will be hard to get into some handsets because you're the only one using it, not just in the U.S. but in many parts of the globe. Is that going to be an issue at all for you?

<A - Neville R. Ray>: We don't think so at all, Phil. I mean 600 is a band that's actually starting to build popularity globally and of course it's going to happen here in the U.S., not just with T-Mobile but with other providers. And this is for us, I mean we did exactly this with the AWS band going back five years, six years ago. Most carriers, most operators, including T and Verizon sat back, we charged through, we cleared the band in record time, even without FCC mandated clearance periods, anything approaching what's in place to-date with the 39 months. And so we've got a ton of experience on how to go at this.

And look at where AWS today is. That's the primary band for LTE services across the United States, and it was us that kind of drove the clearance in the handset ecosystem in there when you go back in time. So delighted that we can have 600 MHz handsets in year, I think folks really understand and see what the opportunity is with 600 MHz, the fact that it can reach so many places and the swap of it we have and others have, right. We did land 45% of the auction proceeds, but there's a lot of other 600 MHz. So we'll drive the ecosystem. We're very comfortable doing it.

<Q - Simon Flannery>: On CNBC you touched on some of the porting numbers. Can you just update us on where we stand now after the unlimited offer is getting refreshed by Verizon and others? And maybe just touch on prepaid. Obviously, we have the late tax season, some competition. How should we think about prepaid getting pushed from Q1 into Q2? Thanks.

<A - John J. Legere>: On the postpaid porting, we finished the quarter about 1.89. That's up from 1.53 last quarter and, round numbers, that's about 2.3 with AT&T, 1.7 with Verizon, and about 1.6 with Sprint. And by the way, with Verizon and AT&T, those are postpaid porting ratios that take it back to places they haven't been since 2014. And Sprint has consistently now moved up to those kinds of levels. From the standpoint of this quarter, which is certainly too early to tell, we are positively porting still, once again, with every one of the others.

I think the best way to think about what we saw with Verizon is we had about four days in Q1 of negative porting with them after their announcement. And certainly the 1.7 that was the quarterly number could have been a lot worse for them, but we really haven't seen much impact from AT&T and Sprint's plan so, so far, that's kind of where we stand, positive again vs. everybody.

And on the prepaid side I think we had a number of things. That 386,000 prepaid nets driven, as I would call it, heavily, heavily by MetroPCS as we're kind of deemphasizing Magenta prepaid. There was some delay through the tax season and probably some competitive activity amongst others by Boost that we did see. What we're most impressed with that we worked very hard on, is not just 386,000 prepaid nets, but record high ARPUs of $38.53 which certainly suggests that we are managing the prepaid side of the business very aggressively and very profitably.

<Q - John Christopher Hodulik>: I know you can't talk specifics going into the expiration of the anti-collusion rules on Thursday, but can you give us a sense for how you would frame the situation going into Thursday and sort of how T-Mobile may fit into the sort of broader equation?

<A - John J. Legere>: And I can comment especially because my views are consistent with what I've shared in prior periods before. But you're right, on anything specific I'll have to defer. I was just on CNBC and I kind of outlined a way that people should think about what's going on. And first of all, we should be clear that there are strategic possibilities between wireless companies, cable players, adjacent industries, Amazon, Internet players, that should be thought about, because they drive great value for shareholders and also new opportunities for customers. So there definitely are some things that are intuitively obvious.

Second is, none of them are being talked about and there's this huge pent-up energy, because it's been over a year since people could have conversations. Thirdly, there are some players who – I'm not bashing – but they have been clear that they need to do something, whether it be Dish or Sprint or, I would submit, Comcast or others, they need to do something to complete their hand. And then there's a general feeling of enthusiasm that the new administration under President Trump could be more favorable for the opportunities that exist.

So when you put all that together, what I look about from T-Mobile is I had hoped and strategized with my team that as this period ensues, we would be exactly where we are, which is a brand who's strongest in the industry, whose net promoter scores are higher than ever, whose team is executing on full cylinders, who has not exhausted the potential growth and has 45% to 48% three-year CAGR on cash. Now we then enter into this period where we can, especially with the win in the low-band auction, we can be highly successful and will continue for both our customers and shareholders. However, there are things that we would be interested in taking a look at to understand if you can do both. So the inorganic and organic possibilities for the company are tremendous and it's great to enter those kind of periods, not from a hostage standpoint. But we are interested in looking at some of the possibilities.

<Q - Craig Eder Moffett>: I wonder if you could comment a little bit on the announcements that Comcast made about launching their own MVNO service with Verizon and how you think that will work out given the unlimited environment that you've created and what impact, if any, you think that will have on the way – the market dynamics that you compete in?

<A - John J. Legere>: Comcast's announcement was the biggest non-announcement ever in the history of the wireless industry that was built up over time. And I would have to say, it's pleasant to me to see that AT&T and Verizon don't have a corner on the market of arrogance because they showed huge arrogance about the ability to come into an industry, start by only offering service mostly to employees in their home territories, which by the way doesn't include New York and LA, force players to WiFi without any real handoff between WiFi and LTE, expect that Verizon as an MVNO will be their source of economics in an industry that's highly competitive, and have 500 points of distribution, at the same time that they are by far the most hated corporation on the planet, who will go into their own customer base with a great proposition. Hey, I know you hate me from this hostage I've held you in the cable industry, but I have a great idea. Why don't we offer you the opportunity to buy wireless services from us as well, and by the way, for that opportunity of dropped calls and missed handoffs and driving 15 miles to get you capabilities, we will price to you higher than T-Mobile or the industry is.

So I think it's a charade, and I think pretty clearly at some point if they're serious about this game, they're going to need owner economics. And for now the only positive news for them is that Verizon is melting down in such a fashion that it seems to me possible that the player that could have been created by the two most hated companies coming together that I previously called Vericast could possibly now become Comizon because they need each other. So I hope that answers your – I have no concerns at all about this, and I think their non-announcement was one of the most exciting events for me in Q1.

<Q - Craig Eder Moffett>: If I could just follow up with one thing, one of the things they have done that perhaps is more interesting is they seem to be targeting what is clearly a minority of customers in their pay per gigabyte plan, which probably isn't what most customers want, but maybe a small segment. Is that something that's interesting enough that despite your unlimited positioning, you might consider doing the same kind of thing if it shows some success?

<A - John J. Legere>: It's back to the future. It's confusing, it's expensive, nobody understands what it is. It's Project Fi under a different name. So again, it's probably an idea they came up with in real time for big monolithic corporations that made sense before the world had completely gone to unlimited. So I don't know if you want to comment on that, Mike. I think it speaks for itself. And I think even you're trying to find a bone to throw them. The bone to throw them is that they're arrogant, they're going to fail miserably in this industry, and at some point they will try to move to some sort of a consolidation to get owners economics.

<Q - Amir Rozwadowski>: I was wondering. How should we think about your go-to-market strategy from here? Some carriers have suggested that unlimited in its current form is unsustainable. Do you think that that's the case, or is there willingness to trade the prospect for rising ARPU levels for further share gains? In other words, how do you think about the direction of pricing to go from these levels?

<A - John J. Legere>: There are a couple things. So that was certainly Fran Shammo's position as he left the business, and I think they hiccupped in the wake of him leaving to [ph] bowling (36:45) Verizon, I'm sure you're talking about Verizon as the main leader, not thinking that unlimited is sustainable.

Let me give you an interesting statoid, which is that we had for the 13th quarter in a row the fastest 4G LTE network at just over 25 megabits of speed this quarter and widening our advantage, both on the download and the upload vs. Verizon. But an interesting thing has happened since Verizon announced unlimited, and it won't show up until you get to the next quarter's results. Verizon's network has slowed down 14%, and they are now slower on the 4G LTE side than AT&T. And in the same time the speeds on our network have grown 10%. So when we say there's only one network that's built for unlimited, it's clearly ours, so I don't agree.

We see stable ARPU. We see good monetization opportunities, and we do see that our competitors don't have the ability to do this or, most importantly, the desire. Our position is very clear. We sell a monthly subscription to the Internet, and the Internet was meant to be consumed in an unlimited fashion, taxes and fees included. And that's something that they're going to have to swallow or they're going to continue to erode at the same way that they have.

<Q - Amir Rozwadowski>: If I may follow up on a prior question on the structure of the industry, what is your take on the current regulatory environment? And do you see any shifts suggesting a changing tide when it comes to what potential combinations and permutations could be supported? And if you had a wish list of assets that could help accelerate your current trajectory, what would they include?

<A - John J. Legere>: Two things to think about. One is – and I'm bringing up an oldie but goodie. All content will go to the Internet, all Internet will be viewed mobile, which has been updated to all content will go to the mobile Internet. We are the mobile Internet. So clearly, when I look ahead, as everybody else looks ahead, nobody has the full portfolio of capabilities to give customers access to the mobile Internet and all the content that they want, so I think about that. I also know, you can always have more scale in the any big fixed asset industry.

Now I do feel that the old lore of the four wireless player market, it's dead. It's gone. So did Comcast enter or not? How long are we going to play that game? Is Google in or not? Will Amazon come in at some point in day? Even go the other way. Is Sprint still in or not? And so there are a tremendous different set of possibilities for an industry that will be different. And yes, I like – I've been very clear. I can't talk about specifics. But even before the auction, I've always told you, I think DISH has access to good content and spectrum. I think Sprint has an awful lot of scale and a good customer base, and something that would be interesting to take a look at. I think that the United States will ultimately converge, and I do believe that a national footprint around cable and wireless needs to be created at some point. So that's topographic.

From a standpoint of Washington, in anything that I would think of possibly wanting to do with T-Mobile that included some other player, I'm very comfortable that we could make a case that it's in the best interest of customers, of the country, of the industry, vs. the alternatives of the status quo. So I look forward to it. There are some intuitively obvious things that could take place.

<Q - Michael I. Rollins>: First, what's the average monthly data usage for your postpaid and prepaid customers, and how fast is that growing? And then second, are there initiatives that we should be mindful of that can create step-function changes in your cost structure over the next one to two years?

<A - John J. Legere>: We'll let Neville take the first piece. And if he does it in less than an hour and a half, we can have Braxton and Mike talk about the cost structure because there are a significant amount.

<A - Neville R. Ray>: We don't disclose the monthly postpaid customer data volumes. Obviously, they've been rising, I can tell you, and we do disclose this, that annually traffic is moving about 40% – is growing about 40% year on year. That will give you an indication of how much growth is out there. We're a little heavier than the rest of the pack. Obviously, as John referenced, we've been doing a great job on unlimited for many years. And so you see industry reported averages in the four to five gigabit per month range, and so they're pretty accurate.

<A - John J. Legere>: Can you talk about – both of you want to talk about – there are some great ones.

<A - G. Michael Sievert>: And just to be clear on that usage piece, we do believe, as Neville said, that our customers use the most mobile Internet of any customer base in this industry. And that's in a world where we're still, despite that, the fastest connection in the industry. I think that's worth noting. It shows that our network was built for the kind of capacity that our customers demand.

Hey, actually, Amir got into this a little bit too with regard to the pricing and the ARPU and where things are headed. There's another side to this, which is our focus on radically simplifying what we offer with T-Mobile ONE with taxes and fees included has another advantage. Not only does it allow us to be competitive in the marketplace and do what we do as a brand, give customers what they're looking for, but it allows us to tackle the inside of the company and simplify our operations at the same time.

We're not making very specific outlooks for you, but inherent in that very optimistic operating cash flow number of 15% to 18% and the overall CAGR of 45% to 48% is a business that's getting more efficient over time. And efficiency comes from the radical simplification of our offers and from being able to tackle every part of the operation from how we handle retail, how much of our customer service is handled by human beings. And imagine being able to be twice as big as we are down the road with this current team handling the capacity. There's a huge unlock there. And so we're really excited about the potential.

<A - J. Braxton Carter>: Let me add. Just think about customers calling half of their frequency that they do today, think about in a retail fleet activations occurring in half the time or less. We've been making a major investment multiyear in the infrastructure that's going to enable just that. And you couple that with the simplification and what Un-carrier is all about and then you look at our evolution to digital and fulfilling digital and what that can do to our cost structure. There's a lot of goodness. Now we spent the last four years driving a tremendous amount of cost out of the business. You're seeing tremendous scale in the network side of business. You're starting to see it in SG&A, but there is absolutely more to come which is just all upside not only for our cash flows and our profitability, but it's upside from a growth standpoint too.

<A - John J. Legere>: And as we go to the next question, underneath what you just talked about, some of the most exciting parts about what we're about over the next few years which is why we gave the FCF guidance that we have given. Again, it's important to note that it's been since 2014 that any of the wireless carrier has grown service revenue on a y-over-y basis, and we've been growing, as you know, double digits, so we get a lot more market that we can take and at the same time, tremendous amounts of opportunity to remove costs from the business. And removing costs from the business while you're growing comes up to a very exciting result as opposed to being something that you need to do to survive. And the combination of where we are in the scaling towards FCF is – it's very exciting possibilities for the company. Is there anything here on the – outside of the 27,000 Roger Cheng notes that are coming in? Roger, great job on all of your tweets. Let's continue down. We'll pick a couple on the Twitter, but operator, let's take the next one on the phone.

<Q - Brett Feldman>: And obviously, everyone's doing the mental gymnastics now to think about all the scenarios that could unfold. But unless or until we actually see you guys do something, you obviously have to execute against a base case. And so, Braxton, my question for you is what is the company's capital allocation policy going forward from here? We've seen what you spent in the auction. Where are you comfortable from a leverage standpoint? Do you think you need to preserve certain amounts of balance sheet capacity for additional spectrum purchases or other growth investments? And where would you need to be as an organization if you're comfortable maybe expanding capital allocation to return cash to shareholders?

<A - J. Braxton Carter>: We're actually have that in our scope of vision. You look at the CAGR that we put out with FCF, it implies a minimum of $10B of true cash generation over this three-year time horizon. When you look at other available spectrum opportunities, there really isn't that much out there right now. All the rest of the 700 MHz is owned and being operated by other carriers. We have a situation where there will be a very significant 5G auction coming up with over 150 MHz of high-frequency spectrum. But that's still going to be a ways off, and pretty much in the middle to the latter part of the time horizon that we're talking about.

And our capitalization policy has been really clear. We really target leverage to be between 3 times and 4 times. And we look at it after taking out the non-cash impact of leasing. We know that's just accounting geography. But what this implies, especially with our rapid growth and our rapid deleveraging that we're going to be approaching sub-3 times in the not-too-distant future. And without another potential source to create a higher return, we obviously would be looking at things that would return cash to our shareholders and I think it's a very effective strategy.

<Q - Brett Feldman>: And if you went down that road, would you most likely be thinking about share repurchases? Is it too soon to think about dividends?

<A - J. Braxton Carter>: The thing about the dividend, is another form of permanent debt. Look at the true cash flow of Verizon and AT&T after dividend, I mean it's a fraction of the true cash that's generated by the business. We probably would initially look at buybacks and who knows, ultimately there could be a dividend in place.

<A - John J. Legere>: Before we go to the next question with the operator, I am going to grab a couple of these that are coming in on the T-Mobile IR, [ph] Stephen Bubowski (49:00) that is T-Mobile staying concentrated in the wireless business are looking to do the kind of diversification others are doing.

Let's be clear, the other guys are not trying to diversify, they are dying, and they are virtually exiting the wireless business and attempting to create new revenue streams to replace the ones they have. AOL, Yahoo!, Go90, these are new businesses along with AT&T now trying to buy Time Warner. This is eroding wireless businesses and new businesses meet. We right now are the wireless business and we are not trying to diversify out of the wireless business. The core business of what we do is wireless, we are open to looking at ways to enhance that wireless businesses capabilities to customers. But in no way are we trying to kind of exit the way that the other guys are.

[ph] Diana Goebbert (49:56), this is a quick one to give to Neville. Plans for LTE-U on 600 MHz, what about carrier agg, 256 QAM et cetera, will those come at launch or later?

<A - Neville R. Ray>: A couple of pieces in there, there was a couple of other questions too. So just LTE-U real quick. So first handset with the launch of the Galaxy 8, that's our first LTE-U capable handset, so delighted to see that move into the marketplace and we started deployment. So in a few locations now across the U.S. we are starting to turn-up LTE-U, there will be more of that as we move through 2017, but we are still doing a lot of outdoor testing, trialing. Long story short, 2018, 2019, LTE-U and into LAA is a big deal in terms of capacity and capability for wireless networks going forward. So again, we are very happy to be at the tip of the spear driving ecosystem on equipment on both the radio and the handsets.

On 600 MHz, I think common theme here about carrier agg. And yes, I mean obviously the first thing to run out on 600 MHz will be low-band with aggregation with mid-bands and then as we move through into 2018 looking at aggregating to low bands. Not as easy as low to mid, but all of those combinations will be working through standardization as we move into the latter part of 2017 and early 2018.

<A - John J. Legere>: Let's slightly celebrate the fact that Neville talked about LTE-U in less than 45 minutes.

<Q - Jonathan Chaplin>: Got through those ones so fast, well let give him a chance to speak again. So I'm curious why given your spectrum position compared to Verizon's, there isn't even a much wider gap between their network speeds and yours. How are they managing to maintain the performance they've got on this network given their assets and when do you think they hit the wall?

<A - Neville R. Ray>: And as John referenced, I mean as soon as they turned up their unlimited offering last quarter, we could start to see a fairly serious decline in their speeds and they started to dip below the AT&T levels and a big separation opening up with us.

So where are those guys? I mean we talked about what we pulled down in the recent auction. I mean our total spectrum assets are about the same as Verizon's now with 1 MHz or 2 MHz less in terms of absolute spectrum owned. And when you look at spectrum per customer, my God, we're killing it now. And so you look forward and you say, what are those guys going to do? How are they going to sustain the offerings that they have in the marketplace let alone the unlimited thing they pushed forward into the market over the last month or so? It's pretty challenging.

They've said they're going to build, not buy so they didn't want to buy too much spectrum. They wanted to build instead. I think their CEO announced 12,000 or 13,000 small cells. They've successfully put on air over the last, I don't know, three, four years. They've been working on that. We're about 15,000. We've got another 25,000 contracted. So I don't see a great densification story which has been the saving grace that Verizon has talked about seeming to appear very soon.

So, Jonathan, I don't know what they do. They have the worst spectrum position per customer of all the wireless players in the U.S. and by a material difference now. So they have their challenges. That said, I mean, we're continuing to drive really, really hard to build greater capacity on our network and gap on in terms of speeds and performance as we go forward. Everything from LTE-U I touched on, all the work we've done on QAM, on 4x4 MIMO, we've got AWS-3 spectrum to roll out. There's a whole host of things we're doing. And of course we're the global leaders on VoLTE, 7% of our calls now on Voice-over-LTE allowing us to refarm at the fastest rate of anybody.

If you think about our competition, especially Verizon in these terms, heavily loaded up on their legacy network with legacy technologies in CDMA and a real issue for those guys in Sprint too to get off of CDMA and into the VoLTE story. So re-farming, adding capacity, small cells, we have a ton of activity ongoing and now, of course, we have this motherload of spectrum to help fuel our growth going forward. So we're pretty excited about our position, and I think ultimately you have to ask the Verizon guys what is it they're going to go deal.

<A - John J. Legere>: We're going to go to the next question. And I'm excited because the longer that Walter Piecyk is talking here, it's less time than he's embarrassing himself on Periscope. So can we take the next question?

<Q - Walter Piecyk>: I just want to take the opportunity to lobby to move our earnings reports back to the morning again from this afternoon. Are you guys trying to like imitate AT&T right now?

<A - John J. Legere>: To be honest, you've never lived in Asia. I used to live in Asia and one of the lessons I learned in studying – in singing karaoke is when the worst singer goes, you go next and after Verizon announced their earnings, I couldn't wait any longer, so sorry.

<Q - Walter Piecyk>: Well that could be positive for AT&T then for tomorrow. So a question for Neville. Neville, you'd been really voiced some good opinions on 2.5 gigahertz historically. I wonder if you can update us on those views on 2.5 gigahertz and whether it's useable with your current footprint, especially now with HPUE, if you had an opportunity to gain access to that spectrum in some shape or form?

<A - Neville R. Ray>: I shouldn't read the media, where I heard there's a bunch of it for sale or something today. Was that right? I'm not sure why I read it.

<Q - Walter Piecyk>: I don't know about that, but there's obviously a number of different ways you could get your hands on that so. Just curious on what you think about its usability is.

<A - Neville R. Ray>: Obviously there's a lot of spectrum there. I think the biggest news about the 2.5 gigahertz, the fact that not much of it is deployed by Sprint yet, has been the HPUE story where you get additional uplink benefit out of a handset solution. And I've seen discussion about how HPUE now kind of levels the playing field between 2.5 gigahertz and obviously more valuable and greater propagation spectrum in mid-band. I can tell you, I mean we're testing and checking into that Walt. The work that we've done with the now-released HPUE handsets, especially the LG G6, they show a fairly nominal improvement in HPUE devices coverage footprint.

To give you some specifics, we drove a fairly large area in and around the Bellevue and Seattle here and the handsets were camping on the 2.5 gigahertz about 60% of the time and with an HPUE handset that number went to about 65%, which is far from the kind of 90%, 95% that's been talked about. So I'm sure they're doing work on optimizing. I think HPUE has some benefits for them, but I think it's going to be a far cry from leveling the playing field with mid-band spectrum.

That said, there's a lot of it inside that company and clearly it's got use for capacity, it's got some interest around the 5G space. I naturally believe that 5G is going to roll across all spectrum brands. I don't believe that 2.5 gigahertz is the new low band of 5G. I mean, we're going to see 5G in low-band and mid-band and 2.5 gigahertz and 3.5 gigahertz and everywhere else. That's just a matter of time. I mean, so it's an interesting asset. I mean, I think HPUE helps. We haven't seen the results yet that would make us hugely excited about comparable values with mid-band, but we'll wait to see more.

<Q - Walter Piecyk>: And then just one other on stores. It just seems like in the media, there's a lot of people talking about so much retail getting closed and like malls and everyone hurting on that front. It seems like an odd time to add a bunch of stores. I'm just curious what do you think is different about the wireless industry that your plan of expanding stores is the right strategy when it seems like retail in general is going the opposite way?

<A - G. Michael Sievert>: I've actually posted a piece on this on LinkedIn a couple of weeks ago, because it's an intriguing topic. We think generally the idea that digital has come along and is therefore rendering retail obsolete is a copout. It's up to retailers to create a retail experience in their category is that remains relevant to customers and digital changes what it takes to be relevant at retail. We're certainly doing that. In our industry, it's an industry built on trust and on helpfulness and we're building a retail future where customers can do an awful lot for themselves.

As Braxton said, we expect the transactions to be faster. We expect some of the categories of transactions to be fewer. But when they come to us, they're coming to us for our knowledge and expertise. And that's what we're creating in our retail stores with people who are trained great, with great tools, with a revamped IT infrastructure, and with digital capabilities outside the store that are connected directly to the experience that people have inside the store. Because we see ultimately digital being an incredible complement to what happens at retail, at least in our industry and in our company vs. a replacement to it. And frankly, that a lot of retailers are giving up, throwing their hands up, and closing down reflects a lack of imagination about how to take advantage of our digital future more than anything.

<Q - Colby Synesael>: Two if I may. Obviously, the unlimited and T-Mobile ONE offer had a huge impact on the marketplace. I'm just curious if you guys are envisioning any new Un-carrier type offers that we could see coming down the pipeline later this year. And do you think you need to have a – it involves some form of M&A, or things that you could do on your own? Thanks.

<A - John J. Legere>: Let's remember that there have been 13 things that we've done that are all permanent and all meant to change the industry. And small things like international data roaming and music streaming and Binge On, on video stream, which is a big precursor to this, no contracts, Contract Freedom, et cetera.

So the question obviously goes to is the industry all empty of pain points that need to be solved? And the answer is a gigantic no. I don't know how much we want to go through. I'd go as far as to say the quarter that we're in, before the quarter finishes we'll do another one. And if I announce the topical area that we think is gigantically poised for fixing, it may give away too much as to what the topic is. But there's one that we're working on that we'll do this quarter that is so intuitively obvious of a gigantic shortcoming of the wireless industry that we're going to attack it, and we're going to attack it soon.

<Q - Colby Synesael>: And if I could just slip one more in there. Churn, I'm just reading through your disclosures that you guys put up today. It seems like churn excluding the changes that were made in Q3 in terms of taking out some of those Walmart subs was relatively flat on a y-over-y basis. Are we done seeing the churn improvement that we've seen for the last few years, or do you think that there's more that can be taken out? Thanks.

<A - G. Michael Sievert>: There's more opportunity left. If you think about it, our network aspiration is to create a network experience that's second to none. And we've spent a lot of this call laying out that we now have the resources necessary and the raw ingredients required to get that done. So we won't stop until our network experience is the best, is second to none in this industry. And we're a company already building incredible fame for treating customers right, putting them first. That's what the Un-carrier story has always been about and at a fair price. So that's a formula in our industry with a company that is totally committed to this industry, as John said, that I think has the opportunity ultimately to create a company that has the best churn profile in the industry. This happens step-wise, and over time there will be ebbs and flows in our journey towards that result, but that's our aspiration as a company.

<A - John J. Legere>: I'm flipping through some of the ones on the IR, and I do want to acknowledge one of the 700 from Roger Cheng, who said, so John Legere, thoughts on the AT&T deal to buy Time Warner.

And I think I may have been clear about this. This is almost – it's almost irrelevant to us. It's an entirely new industry that AT&T is trying to go in adjacent to something that they've exited before. They have not added a postpaid customer since Q3 of 2014, which I think would be almost exactly when they bought DIRECTV. They've had service revenue declines for a long time, and they're trying to acquire their way into an entirely new industry. So I have limited to no thoughts on the AT&T deal.

<Q - Ric H. Prentiss>: First question, the 269mm POPs that you covered today with low-band, I think John mentioned that with the auction you'll be at all 325mm POPs. Neville, you also mentioned given you have few months to lay out the details. But as we think about longer term, not trying to hold you to what you're going to do in 2017, but as we think out over the next three years, any reason to think you wouldn't build out to every corner, every inch of the market as was suggested you now have spectrum to?

<A - Neville R. Ray>: I'd say this though, we have some great roaming partners that we work with and those that continue to work with us and deliver a great LTE experience, and we've done that with sharing spectrum and other things over time. There are possibilities there, so we may not organically cover all of it. But what I will say is with or without roaming, we're going to make sure we deliver the right customer experience. And so that's what we're grounded in. That's what we need to go do, and we want to take that across the U.S. from coast to coast. So obviously, that's not going to happen in 2017 everywhere. But as we move through the next two to three years, the plan is to have the best.

The lofty ambition from us seemed crazy three or four years ago is to have the best damn LTE network and into 5G network in the U.S. And we've now got the rural assets and capabilities to go do that in a way that we couldn't have talked about even two, three weeks ago. So exciting opportunity for us.

And for us to pick up the volume of low-band spectrum, we have effectively the same amount, absolute amount of low-band spectrum as Verizon and AT&T does. And that low-band duopoly ownership defined the industry for so long in so many parts of the country, and now that lock is finally broken and the company that can go and unlock all that value for new customers and folks looking for T-Mobile and other T-Mobile value offering and simplicity across the nation, we're now in a position we can go fully do that.

<A - J. Braxton Carter>: I can pin us down on this year's aspiration, it's 321mm...

<A - Neville R. Ray>: 321mm.

<A - J. Braxton Carter>: POPs covered by the end of the year, including the traditional [ph] ILECs (1:06:36).

<A - J. Braxton Carter>: John Atkin sent a text message in asking Mike about an update on B2B initiatives as well as click-to-brick. I think that's a good one.

<A - G. Michael Sievert>: Q1 we quietly delivered the best quarter in our history in B2B, just like we told you we would be doing. It continues to grow as a percentage of our total nets. In fact, in Q1, it was highest percentage of our net add performance that it's ever been, and that's pretty obvious why. Business customers are really smart and do the work ahead of time to figure out, will the network meet the needs, will the company treat me right, does it have the right solutions and capabilities, and they test those things.

And what's happened over the past few months is, when they test those things, they come to realize that the answer to that is yes. T-Mobile has a competitive offer on the network front, rapidly moving towards a superior offer, while at the same time providing the pricing, the solutions, the customer centricity that they're looking for. So we're really, really excited about what's happening there. Our team under Jon Freier and Mike Katz are killing it.

On clicks-to-bricks, really interesting. This is an area – we talked about – both Braxton and I talked about our digital transformation and our digital future. And a big piece of that is having experiences online and mobile that translate into retail. And we're seeing all kinds of great things happening here. We're one of the first companies doing real live commerce with Facebook Messenger, and we're really excited to have built commerce activities into Facebook Messenger that people can redeem directly and ultimately at retail. We're doing messaging and handling both retail transactions and messaging care transactions using LivePerson, and those are things that we're really excited to be leading the industry on.

We're also doing in-store fulfillment of online offers with our brand-new website and targeting those offers to customers. And we're really excited about what's happening there, both targeting directly and targeting through social media. So all kinds of exciting things happening along the themes that I talked about before of connecting the digital experience to the retail experience and having the two add to more than one plus one. Our team under Nick Drake is doing a fantastic job in that area.

<Q - Mike L. McCormack>: Maybe just a quick comment on ARPU trajectory and how we should be thinking about taxes and fees and what that might look like over the next year or so as far as ARPU goes.

<A - J. Braxton Carter>: When we launched T-Mobile ONE, it was certainly accretive to ARPUs, but we knew at that point that the vision here was rapid, ultimate simplification by going to tax and fees inclusive. And looking at those two together, we really anticipate that we're going to be generally stable in the ARPU, or fairly flat. And we reaffirmed today what we've been saying the last couple of public sessions about this, is that when you look at ARPUs for full year 2016 to full year 2017, the expectation is generally stable. You will get some quarterly fluctuation based upon how migration ramps, et cetera, but we're really executing to that stable ARPU and it's deliberate. We get massive benefit out of scale. We're reinvesting in the customers. We're managing to a flat ARPU environment and unlocking the margin potential of this business as we continue to grow it.

<Q - Matthew Niknam>: Just two, if I could? One follow-up on the last question on ARPU. Maybe, Braxton, can you talk about how much of the existing base has actually migrated to the new plans, including taxes and fees? And what guidance assumes just in terms of migration within the base? And then, secondly, on the competitive landscape, if you can talk about how that trended into Q2? And really just looking for any more specifics on porting ratios, John had mentioned you were positive quarter-to-date. Just want to see if we can get any detail on how that compares to the 1.89 in Q1. Thanks.

<A - J. Braxton Carter>: Let me start and I'll hand it over to Mike. All we're selling now is T-Mobile ONE tax and fees inclusive, so all of our flow there – and there certainly is migrations. We haven't disclosed the migration aspect, but our expectations are fully embedded in all of the guidance that we've given and our expectations have been shown to be very realistic with what we've seen so far. But let me turn it over to Mike.

<A - G. Michael Sievert>: One way to think about it is similar if you've been following our journey for a few years, similar to when we moved to Simple Choice in 2013 and we started tracking for you our migration from Classic plans to Simple Choice. And we said ultimately we would fully penetrate the base and we did. We hit 95%, 96% essentially full penetration. And that's the journey we're going through again. We think that the era of the data bucket is over. The era of the rate plan is over. The Internet was meant to be unlimited and the mobile Internet is the Internet. That's our strategy. So you're going to see a step-wise movement through the base as we give people the kinds of offers and incentives that they need to move across, because we think it's going to free them and give them the very best experience and because we've built a network that can handle it. And this is an area that we think is not only right for customers, but strategically right for T-Mobile.

<A - J. Braxton Carter>: You know, here's an interesting Twitter question from Wireless Week. How much head start on 600 MHz, if any, are you expecting from your ERI deal last year, color on roll-out logistics?

<A - G. Michael Sievert>: So let me take it up a notch on this question. I mean so we've been – I talked earlier on about the work that we've done with our radio vendors, handset vendors, the traditional ecosystem. We started work last year with the suppliers in the broadcast space to help kind of kick start the logistical challenges they would face in terms of repacking and relocation. We started work with production investments on antennas and equipment. We've started some logistical work on crews to do the actual activities of antenna replacement and the repack work. So we've been, kind of, fueling another ecosystem in the broadcast industry as well as our own in the wireless space. We absolutely believe that what we've done there will enable many of these broadcasters and there are many of these broadcasters that want to move quickly. We will help facilitate their progress to repack and actually relocate much faster than they could have without us. So that work is ongoing.

Many of you are aware on the call I'm sure NAB is ongoing this week and we continue our work in that space with the broadcasters and the supply chain in the broadcast industry as we sit here today. So a lot happening on that front and has been for some time. And not to repeat myself, but we're very excited about what we see is our head start in 600 MHz if you want to call it that. And of course, our track record on 700 speaks for itself, and so we look to do as faster rollout if not faster in the 600 MHz space.

<Q - Timothy Horan>: Could you give us a little color what's goes on with these store openings, how many customer adds you have maybe vs. a typical store? And any other color would be great. And just a quick follow up to Neville. Thanks.

<A - G. Michael Sievert>: A couple of things to note about them. There's a ramp time associated with a store opening. It's several months long before it reaches its max productivity. That's number one. And number two, some of these stores, because they're in suburban fringe areas and greenfield areas are smaller format stores. In some cases, that doesn't affect their production size at all. In some cases they are a little bit smaller. So that's something to think about if you're trying to do modeling on it. But overall, our mission here is pretty simple. It's from the end of 2015 through the end of 2017 to add 30mm to 40mm marketable POPs to our base, up from about 230mm back when we started this journey of building, and it's really happening in a step-wise fashion as John said. It's kind of pro rata on the year overall and actually we're running – I would say on the MetroPCS side which – where we're also building, we're probably running actually ahead of the pace to finish our 1,500 stores throughout the year. So we're really delighted with how it's going.

By the way, we're finding fantastic locations. A lot of times right line of sights of the Verizon store, the AT&T store, you can stand on our store and look at theirs. So we couldn't be more excited about the leases that we've signed, the openings that we've done. And by the way, early on, it's looking really good on their performance too. I saw a factoid that I can just toss out there which is 94% of our stores in their first month hit their benchmarks for the first month and we had a really aggressive first month ramp up benchmark form. So delighted with the performance. The team is doing a phenomenal job and really pulling off something that's completely unprecedented in this industry. You got a follow-up?

<Q - Timothy Horan>: Maybe just give us some color on what the radius is for the 600 MHz or how many cell sites – or how does it kind of compare to the mid-band spectrum and maybe similar thing for capacity on your trials?

<A - Neville R. Ray>: 600 MHz is going to go a lot further. So very excited about the propagation benefits. It's going to be better than 700 MHz. Traditional math, it would be three or four mid-band cells to meet the range and capability of a low-band cell. So we truly expect – I mean, this is just tremendous spectrum for us to go and take down the last pieces of geography. We talked about how many POPs we're at. We're about – we're closing in on 2.1mm square miles of coverage is our goal for the end of the year or was our goal. We're working our math now to see how much we could pump that in some of the rural areas with 600, but certainly it's going to be more than 2.1mm square miles by the end of the year. There's a very good reason why it's really, really tough to cover the size and scale of this marketplace unless you have material low-band assets. And so once and for all we've put that to bed to T-Mobile.