

## Q3 2017 Earnings Call

### Company Participants

- John J. Legere, Mobile US, Inc.

### Presentation

#### John J. Legere {BIO 1729754 <GO>}

Hello, everyone. It's that time again. One of my favorite times of every quarter, when we get to report our financial and operational results. However, with all the rumors and speculation out there, we decided that we wanted to make sure you all saw and focused on our Q3 results and not just on the rumors and speculation that seem to fill the news every day. What better way to do that than to do a video blog. So here we go.

Q3 was another great quarter for T-Mobile across the board. We broke records with our financial results, delivered incredibly strong customer growth. And we're raising our guidance for 2017 once again. Back when we started this Un-carrier journey in 2013, we said customer growth will lead to revenue growth, which will lead to growth in adjusted EBITDA and ultimately, free cash flow. Well these results make that pretty obvious. Should I just drop the mic now? If there are still skeptics out there after 4.5 years, let me take you through these numbers.

Let's start with our record-breaking financial results. Our service revenue grew to \$7.6 billion in Q3, the highest in T-Mobile history. We expect to be the only company in U.S. wireless, growing service revenues year-over-year, call that one of my famous predictions. As a reminder, both AT&T and Verizon have lower service revenues today than they did in the First Quarter of 2013, when the Un-carrier started. Meanwhile, our service revenues are up nearly 50% since then. And it doesn't stop there. Adjusted EBITDA hit \$2.8 billion for the quarter, our best Q3 ever. Free cash flow? Another record. We generated \$921 million this quarter, up almost 60% year-over-year. And we're hitting these records while continuing to invest in the network with CapEx up 24% year-over-year.

What's our secret? We actually like our customers. And we listen to them. Everyone should try it. Yes. It's simple. But it's something the duopoly just doesn't seem to understand.

Now on to customers. In Q3, we welcomed 1.3 million net new customers to T-Mobile. This is the 18th quarter in a row that we delivered over 1 million net adds. Yes. That's nearly half a decade. 595,000 of those customers were postpaid phone nets. And it looks like we'll lead the industry in this category for the 15th quarter in a row. We also continue to grow on the prepaid side, adding 226,000 new customers in Q3. In Q2, our prepaid ARPU hit a record high. And we just beat it again in Q3 with prepaid ARPU at \$38.93. Our prepaid business is fueled by MetroPCS, a company that we acquired in 2013, the same

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year we started our Un-carrier revolution. Now that was an acquisition that delivered goodness to both shareholders and customers. As analysts have put it, we rewrote the book on telecom mergers and our MetroPCS customer base is set to double by the end of this year from the time of the acquisition.

Now I do want to take a second to talk about the impact of hurricanes during the quarter. First, I have to reiterate that our thoughts, prayers and our sympathies go out to everyone who is still dealing with the aftermath of these devastating storms. It's truly heartbreaking. I also want to sincerely thank all of the employees who came together to help those in need. It shows what T-Mobile is all about. Finally, Neville and his team are working around-the-clock in Puerto Rico to get our network up and running, as the hurricanes destroyed vital infrastructure. I'm incredibly proud of what they've accomplished so far. And we won't rest until the full network is up and running again. We are standing strong with Puerto Rico.

Our network is at the heart of T-Mobile and it powers everything we do. We set a goal years ago to have the best network in the United States. This was at a time when we had 0 LTE and 0 low band spectrum and today, we cover 316 million POPs of LTE, with 321 million POPs targeted by the end of this year. This will all be possible with the 700 megahertz we deployed. And now the 600 megahertz spectrum, some of which is already live today.

Did I mention our new 600 megahertz sites are being launched with 5G-ready equipment? So exciting. When the time comes, we will literally turn on 5G with the flip of a switch. And as I've said many times before, we expect to be the first wireless provider with a nationwide 5G network. Our network continues to get even faster and once again, was the fastest LTE network in the country in Q3, with the gap to our competition widening more and more. That marks 15 quarters in a row with the fastest LTE. All of this hard work led to T-Mobile's network being ranked #1 in every single category in OpenSignal's recent report. You heard that right. T-Mobile is OpenSignal's new #1 network. We swept their most recent network award, something no major provider in the world has ever done. Verizon's network continues to struggle since we forced them to offer unlimited. Even with their best efforts to walk back their unlimited plans, their network is still choking. And their counterpart isn't doing much better. AT&T's taking all their declining businesses, bundling them together and begging customers to buy bloated and antiquated bundles. We attacked this pain point in Q3 with Netflix on us. Now America's best unlimited is even better.

Our network expansion has set the stage for us to really drive our expanded distribution. And we're taking full advantage of this opportunity. With 2,500 new Magenta and Metro stores already built this year, we're well on our way to our 3,000 new stores target for this year. Many of these stores are in places where T-Mobile has never had a presence before. And customers are so excited to see us come to town. This brings true competition to many rural areas who had no choice outside the duopoly. Our Q3 results show that the success of the Un-carrier continues.

Q4 has already begun. And we're raising our guidance for 2017 again. We now expect to add 3.3 million to 3.6 million postpaid nets. That's up from 3 million to 3.6 million,

previously. And we're raising adjusted EBITDA guidance for the second time in 2017. We expect adjusted EBITDA to land between \$10.8 billion and \$11 billion. That's up from \$10.5 billion to \$10.9 billion previously.

As I close, I just want to thank our customers and congratulate our employees on another amazing quarter. We forced dramatic change in this industry. But we've got a lot more work to do to get it where it needs to be. So I'll end with the 3 words that delight our customers and terrify our competition, we won't stop.

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