# Q2 2020 Earnings Call

## Company Participants

- Jon Freier, Executive Vice President, Consumer Markets
- Jud Henry, Senior Vice President, Investor Relations
- Matt Staneff, Chief Marketing Officer
- Mike Sievert, President and CEO
- Neville Ray, President Technology
- Peter Osvaldik, Chief Financial Officer
- Unidentified Speaker

## Other Participants

- Brett Feldman, Analyst
- Craig Moffett, Analyst
- John Hodulik, Analyst
- Jonathan Chaplin, Analyst
- Michael Rollins, Analyst
- Peter Supino, Analyst
- Philip Cusick, Analyst
- Simon Flannery, Analyst

## Presentation

### Operator

Good afternoon. Welcome to the T-Mobile Second Quarter 2020 Earnings Call. Following opening remarks, the call will be open for questions via the conference line by pressing the star followed by the number one and via Twitter by sending a tweet to @TMobileIR or @MikeSievert using hash tag TMUS.

I would now like to turn the conference over to Mr. Jud Henry, Senior Vice President and Head of Investor Relations for T-Mobile US. Please go ahead, sir.

### Jud Henry {BIO 17995947 <GO>}

Good afternoon and welcome to the T-Mobile Second Quarter 2020 Earnings Call. With me today are Mike Sievert, our President and Chief Executive Officer; Peter Osvaldik, our Chief Financial Officer; Neville Ray, our President - Technology; Matt Staneff, our Chief Marketing Officer; and Janice Kapner, our Chief Communications Officer as well as other members of the senior leadership team joining us remotely.

During this call we will make forward-looking statements that include projections and statements about our future financial and operating results, our plans, the benefits we expect to receive (Technical Difficulty) our business and operations in light of COVID-19 and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties outside of our control that could cause actual results to differ materially, including the risk factors set forth in our filings with the SEC.

Reconciliations between GAAP and the non-GAAP metrics we discuss on this call can be done in the quarterly results section of the Investor Relations page on our website. Also I want to point out that our comments related to Q2 2020 reflect the combined results of New T-Mobile unless otherwise noted. The prior period results in our earnings materials that accompany our Q2 results represent the stand-alone T-Mobile prior to the merger with Sprint, but we do provide some on unaudited pro forma historical financials on a supplemental basis. They are not directly comparable with the actual results for New T-Mobile in the second quarter and going forward. Nor are they directly comparable with the previously provided pro forma financials and prepared prior to the completion of final purchase price accounting and policy alignment issues. We are not providing pro forma historical customer base metrics due to the inability to reprocess historical activity under all New T-Mobile subscriber policies. As such, we'll focus our comments on future results and the comparable forward-looking guidance as the best way of looking at the business moving forward.

With that, let me now turn it over to Mike.

## Mike Sievert {BIO 2140857 <GO>}

Okay. Thanks, Jud, and hi everybody listening in or watching online. We're coming to you live and socially distanced from here in our Bellevue headquarters. Employees are nice to be back in the office for once even if we're behind these huge plexiglass panels and sitting 10-feet apart. First of all, let me just say thanks in advance for your patients because my upfront remarks will be just a few minutes longer than usual today given that this is our first quarterly report for the new company and there is a lot to cover. I promise, I'm not filibuster. Q2 was our first quarter together and what a quarter it was.

I am incredibly fired up about everything this new combined team has accomplished since we last spoke in May, and I'm more excited than ever about the future of T-Mobile. We have already hit major milestones in record time and made significant progress on integration and we did it while achieving incredible business results for the quarter. You know that very quarter our competitors were telling you that we'd be too distracted by the merger to execute, yeah that (Technical Difficulty) So let me start by saying this we kicked up the quarter by achieving something nobody really thought possible just a short time ago.

Our total branded customer count surpassed AT&T, making us the number two player in wireless at the beginning of the quarter. This monumental milestone in US wireless history was an historic achievement for all of us at T-Mobile. And even better, we haven't looked back since. We have no intention of slowing down. Our lead versus AT&T is even wider as we talk to you today. In Q2, T-Mobile once again led the industry in total branded customer growth for the 22nd consecutive quarter, firmly establishing New T-Mobile as the leading growth company in the industry. Now with over 98 million customers at quarter end, we're staring down Verizon with our sights set on the number one spot.

Despite the significant challenges we all faced this quarter, in T-Mobile's case including combining with a much lower growth company in Sprint and continuing to deal with the global pandemic that led to a lower switching environment, this team adapted and delivered. We didn't skip a beat, in fact we moved faster. We again led the industry and adding 1.2 million total branded customers across postpaid and prepaid in Q2, more than three times AT&T and Verizon combined. Total postpaid net additions were 1.1 million, also leading the industry and over three times more than Verizon, who was the closest competitor. And we actually got something of a formula error when trying to divide by a negative number for our AT&T compares. I can't believe we wrote that. Needless to say we are still competing aggressively and our team is having fun with it.

And while we're on this topic, I do want to take this opportunity to recognize our T-Mobile for Business team for really stepping up in a big way to help schools and businesses adapting to new remote learning and work challenges (Technical Difficulty) Most of our over-performance this quarter versus guidance on postpaid was in this area. We also delivered 253,000 postpaid phone net adds, leading the national carriers again for the 26th quarter in a row. And this is after taking a 90,000 unit postpaid customer disconnect accrual related to the FCCs keeping Americans Connected Pledge. And not to be forgotten, we also delivered Q2 postpaid phone churn of 0.8%, prepaid churn of just 2.81%. I'm particularly proud of the churn progress as we integrate the traditionally higher churning Sprint business.

Now let's talk about how all of our team's hard work and real-time adjustments to the rapidly changing market resulted in incredibly strong Q2 financial results. This includes adjusted EBITDA of $7.0 billion, which exceeded our guidance. Our new Chief Financial Officer, Peter Osvaldik will share more on our financial results in a moment, but I'll just remind you that our formula is pretty simple, investing in customers leads to customer growth, which leads to revenue growth, which if we run the company well leads to EBITDA and cash flow growth, a lot of which we invest right back into our customers and their network experience. It's a virtuous cycle that delivered all of our early success as the Un-carrier and it will continue to propel us to our goal of being number one in customer choice and number one in customer [ph]starrings.

While delivering these results, we picked up a huge list of accomplishments to position New T-Mobile to win. Peter will share more details about our work in the market, but I just want to mentioned three big milestones. First, our team executed the largest dual-tranche secondary offering in US history, the sale of SoftBank's shares in T-Mobile and actually created a positive trading dynamic in our stock with the transaction. We also fulfilled a major merger commitment when we closed our transaction with Dish to divest the Sprint prepaid business. And we issued $4 billion of senior secured notes at a weighted average interest rate of just 2.16%. All three had super successful outcomes. On the customer side, we launched Connecting Heroes providing free smartphone service and 5G access to state and local non-profit first responder agencies nationwide.

This was the second initiative in our 5G for good Un-carrier announcement from last year following T-Mobile Connect, the low price plan we launched ahead of schedule in Q1. The final part of that move, Project 10Million will be coming very soon, so stayed tuned. And we unveiled our latest Un-carrier move Scam Shield. Scams and robocalls are a huge customer pain point and in fact they are the leading FCC compliant. So we put together the industry's most comprehensive solution for customers to help stop this abuse. With Scam Shield we're helping protect T-Mobile, Metro by T-Mobile, and Sprint customers against scammers for free, while AT&T and Verizon make customers pay for it by requiring a certain plan or phone or premium add on. This move clearly mattered to consumers, because this announcement drove massive social media engagement and the most press coverage we received since our first Un-carrier move way back in March of 2013. And like all Un-carrier moves, Scam Shield is designed to change wireless for good. So I hope that AT&T and Verizon will step up to our challenge and join us in taking this problem a lot more serious. And I can't forget to mention that T-Mobile's care team continues to break records. We just recently received the highest ever score recorded in our industry on the JD Power 2020 customer care survey, taking home our sixth win in a row and the 20th time we've ranked highest among full service providers. Our team loves our customers and it shows. Okay, I really just scratched the surface on what this team accomplished this past quarter, but I know you're all really interested in our top focus and that's of course integration and the work we're doing to go big and go fast on synergy attainment.

Let's start with the Network. This is a huge piece of our synergy realization [ph]plans and Neville and his team are full steam ahead. We've talked about the fact that our -- that the biggest block of our synergies come from the Network and that it's a three-step process as we first light up the available Sprint's spectrum on the New T-Mobile anchor network, which second, creates the capacity to migrate the Sprint traffic over, and then third, allows us to finally decommission the sites that aren't in the go forward plan. All of that of course takes time and amazingly decommissioning, the third step, of our initial sites is already underway. The Network team's working in overdrive to migrate Sprint postpaid traffic onto the T-Mobile network and it shows. In fact, as of today we have already moved more than 10% of this traffic before we've even started the customer migration.

This is possible because we now have more than 85% Sprint postpaid phone base with devices that work on the T-Mobile network, something we made fully available right out of the gate. So now over 10 million Sprint postpaid customers on average are using the T-Mobile network every single day. Plus the Sprint base historically had limited access to VoLTE, Voice over LTE, but we already have roughly 75% of Sprint postpaid base now enabled on VoLTE. So they're enjoying a better voice experience with simultaneous data access. I hope those stats strike you as surprising and unprecedented because they are.

We also un -- officially unveiled our retail operations and unified our retail operations and rebranded thousands of Sprint stores to T-Mobile stores last Sunday. This is an important milestone for our business and while we did it, we also rolled out the needed tools and systems across our distribution footprint to allow us to serve both legacy basis of postpaid customers in all T-Mobile stores. Let me be clear, this was a massive lift. I just can't say enough about how our team flawlessly nailed this effort and executed incredibly fast. This would have been a major accomplishment even outside of a pandemic. It was really amazing to see all of that come to life during these complicated times. And since the bringing two big brands like T-Mobile and Sprint together only comes around once, we wanted to market in true Un-carrier fashion by doing something really big for our customers so we launched 4 for a 100, get four lines of the industry's best unlimited for $25 dollars each per month. This is possibly our most ambitious consumer promotion ever and it includes 5G access. Remember the other guys may be charging extra for 5G. Ours includes it. Now to be clear, this is a limited time promotion to celebrate and build awareness for the newly integrated brand. But even after it's done, we'll find other ways to compete. We said we'd bring the competition with this merger and I hope we have addressed any lingering questions on that [ph]front. I've said it before and I'll say it again, we are here to show customers that they no longer have to choose between the best value and the best network; with T-Mobile, they'll get both. Our team's also been working hard to rapidly deliver T-Mobile benefits to legacy Sprint customers and they are loving all the Un-carrier goodness like having access to the same great unlimited plans without future step-ups and perks like T-Mobile Tuesdays. So the synergies we're starting to see are not just for our investors, our customers are winning big too. At the same time, we've focused on evolving our organization structure and design to become one team. It'll be more efficient and more effective with clear roles and responsibilities for our employees. That'll help us all move faster and deliver results for the business. This was a process that we originally expected to take 12 to 18 months, but we've nearly completed it in just one quarter and we felt it was important [ph]to do so. And we are hiring. We've doubled down in areas that are focused on better serving our customers today and in the future by kicking off our Un-carrier jobs initiative. [ph]We had 5,000 new positions in just the first 12 months alone. We also accelerated the rationalization of hundreds of retail stores. Work that we originally planned to do over several quarters and we consolidated and began to adjust our marketing spend well ahead of schedule.

These actions in Q2 alone are beginning to unlock significant synergies now, setting us up financially to be able to make investments throughout 2020 and next year and ultimately unlocking future synergies on a net basis. Last time I told you I was even more confident in our synergy plans than I was before the merger. I just -- I hope now you understand why. We are executing lightening fast. We said we would but now we've laid down a ton of track, because based on the quick action we've taken I'm confident in our ability to not only deliver 43 billion in synergies like the previously talked about, but potentially unlock even more than originally planned and to do it all faster (Technical Difficulty).

Now let me just say a few words about one of my favorite topics, our rapidly expanding network. In the 5G race, T-Mobile is pulling way ahead. In the past few years, we've heard a lot of competitive banter and marketing [ph]speak when it comes to 5G, all talk and most of it is just hot air. AT&T and Verizon don't want you to see what's becoming so painfully obvious. T-Mobile is miles ahead of both of them and we're quickly pulling away from the pack. But instead of taking my word forward or Verizon's or AT&T's for that matter, let's just take a look at a few actual facts. Nobody disputes that we have America's largest 5G network. And the competition isn't even close. Just this week, we had a major breakthrough when we launched stand-alone 5G and now our 5G network reaches over 250 million people and 1.3 million square miles. We now offer coverage across all 50 states and Puerto Rico on 5G. This geographic coverage is roughly double AT&T's and exponentially higher than Verizon's. But it's not just our reach that matters. It's the experience our customers have on our network too the differentiates T-Mobile's 5G from the other wireless space. Verizon, as you know, likes to spend a lot of time telling you that they have real 5G. What is 5G is all about ultra-wide band or millimeter wave. But again lets put the facts on the table. T-Mobile customers with 5G handsets already have faster average speeds in more places than Verizon customers with 5G handsets. And we're just getting started, lighting up our mid-band. We're already lighting it up in 2.5 GHz in major metros, including New York, Philly, Houston, Los Angeles, Dallas, Washington DC, and Atlanta. And by the end of the year, customers will find mid-band 5G in thousands of cities and towns across the country by the end of this year. We are currently seeing average speeds north of 300 megabits per second, better than most home internet speeds and eight times faster than 4G LTE with peak speeds of a gigabit. And it will be even faster as we exit the year across a massive footprint. But even today, we have the advantage. Take a look at Opensignal's latest report where T-mobiles customers have the best 5G availability, meaning that Un-carrier customers get a 5C -- G signal more often than customers on any other network. That's two times more than AT&T's 5G and 56 times more than Verizon. Not to mention, Ookla found that T-Mobile customers get a 5G signal in nearly four times more cities than Verizon and AT&T combined. By the way, Verizon would also like to excitedly tell you that in that same Ookla test they had the fastest 5G speed scores. But they often forget to also mention that you can only find their 5G 0.4% of the time. And may be they'll deliver nationwide 5G coverage someday, but they'll beg, borrow, and steal from their LTE network to do it, claiming that tools like dynamic spectrum sharing will overcome their spectrum [ph]shortage. When we get to what's real about 5G, T-Mobile's network is demonstrably ahead of the competition, even as we just start pouring on the gas and it's now clear to most observers that it takes all spectrum bands to build a real 5G network and our strategy to use 600 MHz low band as the foundation for 5G, something we had planned for years in advance was the right move to make. But it also shows just how well positioned we are to take share in the 5G era that everyone is now talking about.

T-Mobile controls 319 MHz of combined low and mid-band spectrum on average nationwide. That's more than AT&T and Verizon combines. We also have millimeter wave spectrum than AT&T. And get this, we already have as many 5G devices on our network as AT&T and Verizon combined. This is a huge advantage for us as 5G becomes more prevalent for businesses and consumers. All of our brands will benefit from a robust 5G network and according to the facts on the ground, T-Mobile customers are already taking advantage of how quickly we lit up that 600 MHz footprint and the work we've already begun to do to rapidly increase capacity and boost speeds with the second layer of our 5G layer cake, our deep 2.5-GHz spectrum. Honestly, I don't think I could be more excited about the progress we've made on this network and what we're building every single day. [ph]That past is precedent, Neville will tell us more about all of this when he gets his first question almost regardless of the question he actually gets asked.

As the growth leader in wireless, we're poised to bring an even more capable Un-carrier to even more customers in more places. We are building the best network and offering the best value and that's what's superchargingly Un-carrier is all about. We've set the stage for a strong second half by delivering powerful Q2 results, and as you know, we're not stopping there. I really believe that as the 5G era finally gets underway at scale later this year, this is our moment. We're way ahead. We have the strongest assets and we have what will very quickly become the demonstrably superior network in the US combined with the Un-carrier's brand DNA. That's a powerful combination that our competitors will struggle to match and that will translate into (Technical Difficulty).

Okay. Now I'm going to ask our new Chief Financial Officer, Peter Osvaldik to take us through the financials and our guidance. Most of you know Peter. Prior taking this role, Peter was already a huge contributor to our outstanding results. He served for years as our Chief Accounting Officer and number two Financial Officer, participating in every major financial decision that we've made. And like me, he knows what it's like to have big shoes to fill and his transition to the Chief Financial Officer role has been [ph]seamless. It comes at an important time for our business, so I'm thrilled to have them in the role and Peter take it away.

## Peter Osvaldik {BIO 18597986 <GO>}

All right. Thanks, Mike. I couldn't be more excited to lead as Chief Financial Officer during this critical time for the business. We have an incredible all-star leadership team and I feel privileged to be working alongside each of you. We'll continue to execute on our proven playbook and unlock incredible synergy potential of this merger for the years to come. Before we get into the financial details, I wanted to cover off on a few points which lay the groundwork for our reporting. First, we aligned the legacy Sprint and T-Mobile subscribers to our go-forward New T-Mobile policies. The net impact of these changes as outlined in more detail in our Investor Factbook and 10-Q resulted in a net reduction in total branded customers of 14.1 million as of April 1st, as compared to the stand-alone balances previously reported for Sprint and T-Mobile as of March 31st.

The biggest adjustment was the removal of 9.2 million customers associated with the Dish divestiture, including 963,000 which had been classified as postpaid phone customers in the previously reported Sprint figures. The adjustments also included approximately 3 million subscribers associated reseller arrangements which were reclassified from postpaid to wholesale and recall that we no longer report wholesale subscribers, rather focusing on wholesale revenue. It is important to remember that these adjustments have no net impact on profitability. In addition, we are providing disclosures around the various impacts from purchase accounting and policy alignments in our 10-Q, but in the interest of time I won't get into too much detail right now.

Okay. Now, let's get into some of the financial details of the second quarter. Note that during this quarter, our pre-tax financial results were impacted by merger-related costs of $798 million, COVID-19 related costs of $341 million as well as non-cash impairment charges of $418 million related to changes in our postpaid billing system strategy and a strategic shift in product plans for key vision enabled through the merger. These costs, a combined $1.56 billion before taxes are excluded from adjusted EBITDA. Q2 net income of $110 million and diluted earnings per share of $0.09 were negatively impacted by these combined factors by $1.25 billion and $1.1 per share. Adjusted EBITDA amounted to $7 billion, exceeding our guidance range. Total service revenue of $13.2 billion was primarily driven by the merger as well as continued customer growth, partially offset by an estimated 1% to 2% headwind from COVID-19 related event. And note that our reported service revenues excluded [ph]this which was reflected in discontinued operations. Next quarter, the revenue from these customers were reported in our wholesale service [ph]revenues.

Net cash provided by operating activities was $777 million, which includes $370 million for merger related costs and $243 million for COVID-19 related costs. This includes the one-time impact of $2.3 billion in gross payments for the settlement of interest rate swaps on merger financing. Cash purchases of property and equipments, including capitalized interest of $119 million amounted to $2.3 billion. Free cash flow excluding the settlement of interest rate swaps that I just mentioned was $1.4 billion. And recall for the swap, the net cash outflow was only $1.1 billion, as there was an inflow of $1.2 billion in cash flows from investing activities for the return of collateral previously provided.

Postpaid ARPA or average revenue per account amounted to 130.57 and postpaid phone ARPU was 47.99. In terms of customer quality, our results in the second quarter were impacted by the macroeconomic environments of COVID-19. Total bad debt expense and losses from sales of receivables was $263 million or 1.49% of total revenues. This includes approximately $46 million of incremental expense related to the FCC pledge that was excluded from adjusted EBITDA. If we normalize for this amount attributable to the FCC pledge, bad debt would have been 1.23% of revenues, in line with last quarter.

As we monitor the impacts of COVID-19 and the FCC pledge on our business, we are encouraged by some of the early trends. 95% of all accounts that took advantage of the pledge have made some form of payments since going on the (Technical Difficulty). Notwithstanding high customer engagement and solid payment performance thus far, there is a small subset of FCC pledge customers that likely will not recover. As a result, our postpaid results for Q2 reflect an accrual of approximately 110,000 deactivations, including 90,000 postpaid phones as Mike mentioned for customers that were still with us at the of the quarter under the FCC pledge, but whom we expect will likely not pay off their balances.

Shifting gears to our capital markets activity. In just one quarter as a combined company, we raised $27 billion, including $4 billion of senior secured notes issued in June at an average yield of 2.16%, a debt neutral refinancing transaction in which the proceeds will be used to retire high yield debt in Q3. With an [ph]MPV benefit of approximately $400 million and record low average yield for our company. This deal was extremely well received and is a testament to the strength of our business and balance sheet. And also we delivered a $20 billion secondary sale of SoftBank shares to the public and T-Mobile received a $300 million fee for facilitating the transaction in addition to being reimbursed for all expenses. Just remarkable execution by the team and transactions that I'm extremely proud of.

Okay. Let me now turn to our guidance which we wanted to provide as we continue to prioritize transparency during uncertain times and when others across the industry have opted to provide a little or no guidance compared to normal practice. We are not immune to the uncertainty either, but we recognize our unique situation as we provide you with the first set of combined results this quarter including the impacts of purchase price accounting and policy alignment and therefore we felt it was very important that we provide best efforts guidance for the back half of 2020. As always, we will continue to closely monitor consumer behavior as well as the economic environment related to the pandemic and how it may impact our second half results. New T-Mobile aspires to continue to lead the industry in postpaid growth and expect postpaid net customer additions between 1.7 and 1.9 million. Just to double-click here a bit, this guidance assumes higher postpaid phone net adds in the third and fourth quarters from what we saw in Q2. Also, while there was a tremendous opportunity to move quickly and win share of postpaid other devices, as businesses and schools adapted to an environment of remote working and learning, we expect to see a more balanced mix of postpaid phone versus other additions in the back half of the year.

We expect higher gross adds as industry churn levels increase both from typical higher seasonality and the muted churn effect in Q2 as a result of COVID-19. And we see this is an exciting opportunity as a net share taker. Adjusted EBITDA is expected to be in the range of $12.4 to $12.7 billion for the back half of 2020 and includes leasing revenue of $2.4 to $2.6 billion. We expect higher SG&A expenses in the second half, driven by higher selling expenses due to increased gross adds and the impact of close to 300 million of COVID-19 related costs, which are excluded from adjusted EBITDA in Q2 moving back into normalized selling expenses. Cash purchases of property and equipment, including capitalized interest are expected to between $6.5 billion and $6.9 billion. As we continue to build on America's largest 5G network, we expect CapEx to be relatively flat from Q2 to Q3, before ramping significantly in Q4. For the second half of 2020, merger and integration-related costs not included in adjusted EBITDA are expected to be $800 million to $1 billion before taxes and subject to our ability to go faster on integration. While expenses in Q2 were primarily driven by severance and merger deal fees, we expect merger and integration-related costs in the second half to be primarily operational in focus. Net cash provided by operating activities including payments for merger and integration-related costs is expected to be in the range of $5.3 to $5.7 billion. Free cash flow, including payments for merger and integration-related cost is expected to be in the range of $300 million to $500 million, impacted by the aforementioned merger cost and increased capital spending on the network.

And lastly, in the back half of 2020 our expected effective tax rate will be in the range of 31% to 33% due primarily to certain non-deductible merger related costs incurred in the first half of the year that continue to impact the tax rate throughout 2020. However, we anticipate our future rate to be more in line with historical levels.

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

## Mike Sievert {BIO 2140857 <GO>}

Operator, I'd like to just point out that in honor of Rich Greenfield and everybody at LightShed, we will only be taking questions this quarter from people that begin their question with the phrase, "Great quarter guys........" Just kidding.

Operator (Technical Difficulty).

# Questions And Answers

## Operator

Thank you.

(Operator Instructions)

First, we'll go to Phil Cusick from J.P. Morgan. Your line is open.

## Q - Philip Cusick {BIO 5507514 <GO>}

Hey, guys. Thank you. A lot of things to ask about, but I think the number one as I'm talking to people here is on the second half guidance. The 12.4 to 12.7, can you help us bring that back to what I would have considered like a historical T-Mobile cash EBITDA without EIP benefit. And on the some netting out of the lease benefit?

## A - Mike Sievert {BIO 2140857 <GO>}

Absolutely. Peter, why don't you start? And it's really about backing out the lease revenues. If you want to look at what kind of -- what we call core EBITDA, not so much the yield (Technical Difficulty).

## A - Peter Osvaldik {BIO 18597986 <GO>}

Yeah, yeah, absolutely. And let me begin with obviously, the second half guidance is also reflective of increased gross adds from SG&A, right? And that's both from the seasonal uptick that we expect as an industry in turn, which is typical from Q3 for the second half but also as a result of the COVID-19 cost, $300 million that were excluded in Q2 but again will become part of the normal run rate. And then you have the leasing revenues, as you said, if you wanted to get to a core adjusted EBITDA (Technical Difficulty).

## Q - Philip Cusick {BIO 5507514 <GO>}

Okay. So that $10.1 to or $10 to $10.1 billion or so, that's a -- what you would consider to be sort of a cash EBITDA number the way T-Mobile used to offer it?

## A - Peter Osvaldik {BIO 18597986 <GO>}

Yeah, the way we used to operate right.

## A - Mike Sievert {BIO 2140857 <GO>}

Nothing's really changed in terms of how we think about this stuff, right? So, we have adjusted EBITDA, and then you have leasing and lease revenues get backed out to get to this more operational view. Adjusted EBITDA is what we focus on and guide on those. So it's important that you understand that and obviously bringing in spread, there is a much bigger leasing component. And so the differences between the two our greater now that we merged.

## Q - Philip Cusick {BIO 5507514 <GO>}

Yeah. And that's the second thing I wanted to ask was historically Sprint did a lot of leasing. T-Mobile tried it and didn't seem like you guys liked it very much. Should we -- it looks like from the guidance we should expect you to continue to be leasing phones in a pretty substantial way, at least through this year. How do you think about that offer?

## A - Mike Sievert {BIO 2140857 <GO>}

I mean I'll start and I'll ask Matt Staneff to jump in. It's not that we didn't like. It's that we're -- our view is that it hasn't always been demonstrated to add to enterprise value and because the customer satisfaction isn't there and then you see costs later on as a result. So -- but it's a tool in the toolkit. We've always done some of it. I think depends on how it's done and we're open to it. The guide doesn't necessarily imply a -- any big change obviously. So leasing revenues come from the run rate that is informed about the customers already in the base. But Matt other thoughts about financing in general and how we think about it?

## A - Matt Staneff {BIO 20459281 <GO>}

Yeah, that's great. So, as Mike said, we're going to continue. We've passed [ph]day one. Right now, we've got a new proposition in the market, largely it's T-Mobile (Technical Difficulty) it was before. The one thing we do have is that we have (Technical Difficulty) and we are very aggressively taking care of those customers, watching and managing the churn, helping this churn go down. A lot of them are on lease upgrade offers. And so what you can expect over time obviously is we're not going to take away things from customers. We could potentially increase churn. We're going to continue to serve them and so that's part of what you see in the leasing mix as we've got options available, the T-Mobile options, but we're still going to take care of Sprint customers. So it will be kind of more of a gradual change in the total mix versus what we're doing for new customers (Technical Difficulty).

## A - Mike Sievert {BIO 2140857 <GO>}

Can't say for sure what we'll (Multiple Speakers) but right now as you know we've passed [ph]day one, and therefore our main goal to market [ph]trust is centered around the IT, but we have all these 10s of millions of Sprint customers and a lot of them may like leasing and want another lease device and we're happy to provide that. So you'll see that as well. Thanks Phil.

## Q - Philip Cusick {BIO 5507514 <GO>}

Thanks guys.

## Operator

And we'll go to our next question John Hodulik from UBS. Your line is open.

## Q - John Hodulik {BIO 1540944 <GO>}

Okay. Great quarter guys. That goes for Walt. Actually I got two questions. First of all, the 80 bits of churn I thought was definitely a sort of a -- bit of a surprise especially as Sprint a year ago had, I think 1.8% churn. So what are you doing to bring that down so quickly especially given all the integration efforts with the store closings and that kind of think. That's number one.

And then number two, given the availability of the 600 MHz spectrum and the pent-up demand for new phones, are you guys looking at the launch of the iPhone in the fourth quarter as an opportunity to take share. And is that baked into the guidance in the back half, because I'd point out that you did 7 billion in EBITDA for the quarter. But just expecting sort of 12-12.5 for the rest of the year. So obviously, it looks like you're expecting the -- that not necessarily to be the run rate especially as we look out in fourth quarter. That'd be great. Thanks.



## A - Mike Sievert {BIO 2140857 <GO>}

Sounds good. Matt, you want to start on churn?

## A - Matt Staneff {BIO 20459281 <GO>}

Yeah, I'll start on churn. 80 bits, that's a great number, it's a great number to have in the first quarter. Now that we're together and the comparison is accurate. T-Mobile was among the leaders in the category, and as you said Sprint was in the high ones. I think the last reported Q4 was 2.06 and it went down 80 basis points. One thing to consider is this was done in Q2 when COVID was acute and we said the switching flows were down, we were taking care of customers, and then a collection hold, we've accounted for all of that. But Q2 is a bit of an anomaly. And you've seen that across the industry in terms of what churn is done. We have been very hard at work. We've been talking about what we've done, getting the Sprint customer base access to the network. We've got 10 million customers kind of on a daily basis using the network. We deployed VoLTE with a much better experience. And we've been hard at work giving value to the Sprint customer base. And taking the Un-carrier principles and deploying them pretty broadly across the base. So we're not predicting where churn will go. Back as Peter said seasonally, it's going to be up a little bit in the third quarter and we -- and we've put that into our guidance. And I can't predict where churn will go, but what I can say is the things we did to get it to where it was at 0.80 last quarter. We're going to keep doing and more of as we move forward.

## A - Mike Sievert {BIO 2140857 <GO>}

Not to mention, in addition, the legacy T-Mobile side of things, which will be increasingly difficult for us to unpack for you, because we're [ph]half way one now and we're one business going forward. But the legacy T-Mobile side had a blockbuster low churn number and so blended in that also helps. So this is really gratifying. We have tailwinds on churn over the medium and long haul because we know what drives it, we've seen this journey on the T-Mobile side from some of the highest churn in the industry to some of the best churn in the industry and its network and where -- I just got done talking at length about how no one is going to be able to catch us on network. So we're really excited and to Matt's point, seasonally this year there are going to be two dynamics - one COVID, we think the impacts of it will start to abate, which brings on normalcy back in because it was [ph]a big surprise in this quarter. As well as what's normal for T-Mobile which is a seasonal uptick in the second half. All in the -- against the backdrop of real exciting tailwinds. So that's the first piece. And the second piece you asked about was kind of how to think about the second half. And I will say we have burdened our plan with the activations that we think are necessary to deliver the growth we guided and that means we know that gross activations will be up in the second half. Why, I just told you that seasonally and due to COVID, churn will be up and we'll outrun that churn. And the other guys churn will be up. And that's an opportunity for us when the other guys churn goes up a little bit, that's when we compete. You asked about phones, I don't know, I can't comment about phones. I really hope there is a well-rounded 5G phone portfolio as we exit the year. (Technical Difficulty) just to leave it there and if there is, that would be a great competitive moment for us. So hopefully that helps, John?

## Q - John Hodulik {BIO 1540944 <GO>}

Yeah. Thanks, Mike.

## Operator

And next we'll go to Mike Rollins with Goldman Sachs -- I'm sorry, Brett Feldman with Goldman Sachs. I apologize. Your line is open.

## Q - Brett Feldman {BIO 3825792 <GO>}

Yeah. Thank you for squeezing me in there. Hopefully, Mike comes next. It's easy to call as a good quarter. So, congratulations on that. I want to talk about the integration. You expressed your confidence in the synergy targets that you had outlined in the release. All the commentary sounds like you're just moving faster than I think we would have expected when you first announced this deal two years ago. And so one question would be, do we think we can start seeing the synergies come into your numbers more quickly. That would seem like you would be accretive to the NPV. And also the integration spending that you outlined for the second half this year, actually looks pretty modest considering that you had previously talked about spending $15 billion through the integration. So, that's been even a ramp much more significantly as we move past this year what would drive that. Or are you actually at the point where maybe you are realizing there are greater efficiencies associated with the integration, as you get closer to execution. Thank you.

## A - Mike Sievert {BIO 2140857 <GO>}

Yeah, let me start and then ask Neville comment. First of all, I love the fact that some of the tower companies are out there sort of spreading some disinformation about our pace. I just got done telling you we're in all the biggest cities in the country with 2.5 GHz 5G already and that we will be in thousands of cities and towns across this country as we exit this year with that layer cake. So we're -- that's what where we'll be. We are running really fast. The reason it feels tough over there at the tower companies is because both standalone T-Mobile and Sprint were planning on lots of new sites, Sprint for coverage and T-Mobile for capacity. New T-Mobile has synergies, that's called site avoidance. And I know that's tough if you're a tower company because billions and billions of dollars of site avoidance (inaudible) is the kinds of comments you're now hearing from them.

That doesn't affect our rate in case. We're growing like crazy. And you're right, there is not only speed potential which is NPV accretive, but look, the faster we get out in front of the pack on demonstrable customer approvable network leadership, the more the operating results start to give us the potential to start talking to you about the magnitude of synergies as well. And the enterprise value created from outgrowing our competitors. So Neville why don't you tell us a little bit about the rate and pace because I know that's on every body's mind.

## A - Neville Ray {BIO 15225709 <GO>}

Yeah. Thanks, Mike. We're moving at an incredible pace. I could not be more pleased with the progress that we've made in what's a few short weeks since we combined with the Sprint team. And it's on two fronts, we've been rapidly accelerating the breadth of this network. Mike told to the 250 million people now covered with T-Mobile's low band 5G [ph] with 327 million of people covered with LTE too, right. And we are closing in on that opportunity for (inaudible) 5G footprint. So that gives us the breadth, the depth comes from the 2.5 GHz spectrum, the mid-band slice that's so important. And all I can say is we are baking that cake super, super fast. So to give you some idea and dimension that's for you.

As we exited the second quarter, every week we were starting upgrade activity on about 600 sites per week. In the last month, that number's gone to 700 sites per week. So you can all do that math, that's thousands of sites in a month and in the quarter. And we are running very, very hard of adding that mid-band layer of the network through this great opportunity. Mike outlined the experience and the speeds. And for the earlier question about 5G phones in fourth quarter, we have a great line up today, lots of great phones, great news from Samsung just the other day announced and we want to make sure that there is really only one 5G network that you would look to put a 5G phone on and it's from T-Mobile. The coverage is (Technical Difficulty) your best from AT&T, nascent from Verizon. And when you can combine great coverage with great performance and speed with mid-band inside the fourth quarter, that's going to be a complete game changer. So great quarter, great numbers, but we are only just getting started with this network roll out and the pace is phenomenal. Mike outlined, obviously we're not building in all the places that standalone T-Mobile and Sprint would have planned to. That's good for this business, right. We are starting to generate those cost avoidance, site avoidance synergies at place, real pace in second half of this year and we'll talk to those numbers more as we close out 2020.

But tremendous progress underway and I couldn't be happier. Tower guys not so happy. We could be doing some more with the tower guys, but there's a competitive process in play right now and we have choices that we can make. So I would fully anticipate that we'll start more tower build as we move into the second half but to be seen. That doesn't slow us down. We have lots of options to build and we're building [ph]furiously.

## A - Mike Sievert {BIO 2140857 <GO>}

And Peter, just very briefly on Brett's last part. He was asking about the operational spend and it was maybe sounded like it might have been a little less than he was expecting given the Q2 spend. You want to unpack that a little bit because I think it's important for people to understand.

## A - Peter Osvaldik {BIO 18597986 <GO>}

Yeah, absolutely Brett. And as we said, what you saw in Q2 while there was an elevated amount of merger-related costs, there was a lot of transaction and then the restructuring and severance, right, from acceleration on some of those synergy opportunities. When we flip into the second half, it is primarily, what I would call operational synergy capture now so that's -- when you think about the pace, that's an element to consider in. And of course it's subject to us identifying ways to prudently go faster, which we're going to continue to do just like you saw in Q2.

## A - Mike Sievert {BIO 2140857 <GO>}

So in other words, operationally it's rapidly growing in the second half. The operational component of our cost to achieve in Q2 is actually quite small. Most of it was deal-related transaction costs. And so -- and it's all operational from here on forward. So big, big uptick in actual cost to achieve flowing through the system in the second half.

## Q - Brett Feldman {BIO 3825792 <GO>}

(Multiple Speakers) Sorry, is the $15 billion still the budget in the outlook for integration?

## A - Mike Sievert {BIO 2140857 <GO>}

Yeah. Nothing really has broadly changed in our aspirations and at some point -- by the way you raised a good question. At some point, I know what -- we owe you an update on all that. We keep saying and I -- hopefully we backed it up with actual evidence and reasons why we're saying it today. I've given you something to chew on. But we keep saying, hey, we're more confident now. With this two-year old plan, we think it may be a little conservative. I know we owe you some more color on that. But, listen, we have one -- exactly one data point for this company so far and that's today's report. So we're going to get a little bit more of a line established for you and then will give you a different updated way to think about the future. So I know we owe you that.

## Q - Brett Feldman {BIO 3825792 <GO>}

Yeah, it's fair enough. Thank you.

## A - Mike Sievert {BIO 2140857 <GO>}

Okay thanks. Operator. Meanwhile while the operator (Multiple Speakers)

## Operator

Oops....sorry. Go ahead.

## A - Mike Sievert {BIO 2140857 <GO>}

Sorry operator. Who's next?

## Operator

Next we have Michael Rollins from Citi. Your line is open.

## A - Mike Sievert {BIO 2140857 <GO>}

Hey (Multiple Speakers)

## Q - Michael Rollins {BIO 1959059 <GO>}

HI, good afternoon and thank you. Well thanks for squeezing me in. I appreciate it. Couple of quick questions. First when the deal was originally announced, the management teams talked about in the pro formas, there were some expectations of revenue headwinds of Sprint plans migrating to T-Mobile plans and as you've now finished this process of bringing the Sprint metrics and measures over to T-Mobile's, how do you look at any potential headwinds from the pricing to T-Mobile plans over the next few years. And then secondly, was just curious if we can get an update on the distribution and distribution presence as you've integrated, you're still managing through the pandemic and maybe some observations of customer behavior is changing, (inaudible) store reopening, staying more digital or of it is reverting back to the historical get into the store and have a handholding that the reps in the store deliver to the customers. Thanks.

## A - Mike Sievert {BIO 2140857 <GO>}

Yeah, you bet. And by the way, I got so enamored with the second part, tell me the first part again. What was the main to us?

## A - Neville Ray {BIO 15225709 <GO>}

(Technical Difficulty) revenue.

## A - Mike Sievert {BIO 2140857 <GO>}

Yeah, so listen on pricing and revenues and ARPU and all that. One of the things you got I think from our report was that we see a relatively stable outlook in the near term. Our competitors, I guess didn't guide or give you much to go on. We felt with the new company it was important for us to just do a best efforts view and we don't see catalysts in the near term for big changes one way or the other in ARPU. Separately you heard Peter start to talk about ARPU and that we were looking at this on at a household level because we think there is -- in the 5G era, there is all kinds of opportunities to develop deeper relationships with households. That would be accretive to ARPA without necessarily affecting ARPU. And thirdly, I'll say our plan all along has been to bring a intense level of competition to this market like we've always done as the Un-carrier but now in a sustainable way backed by the long-term network plans that we have. And that's obviously going to be to the benefit of consumers and we funded that fully in our model. How that relates to ARPU specifically and how that will unfold over the years, again I know we have a two-year old [ph]set of parts and will have to one -- at some point need to update that. But a few things to say, we're bringing competition into the market, that's who we are. We've got the capacity to do it. It would be crazy not to leverage that capacity advantage to compete hard and grow top line revenues through competition. So that's number one. Number two, in the very near term we see no real catalyst one way or the other for ARPU changes. So we see a generally stable for the second half as we commented on. And then, Matt you want to jump into the second half.

## A - Matt Staneff {BIO 20459281 <GO>}

Yeah. I'll tackle that, Mike. I think the question was a little bit around what the distributions upfront look like and then what we've seen with COVID. So the first thing I'll say is what we've shown this quarter is a great ability to execute. Our plan had always been to get to day one with the 90 days or so from close and we effectively did. It's like a little bit out we -- in all the adversity we had to re-learn a lot of things, many companies (inaudible) and we still pulled this off. And today, the vast majority of all distribution points already are co-branded or branded as T-Mobile and we're off and running going forward. Like many retailers, there was an acute issue, right. When all retail shutdown and we had to keep our employees safe, keep consumers safe and put the right protocols in place.

Our team has [ph]well worked very, very quickly to be safe and take care of customers, and we saw some changes and buying traffic switching from retail into digital. Now historically T-Mobile hasn't relied heavily on digital, Sprint relied a little bit more and the number increased a lot, but it was a very small percent and increased by a lot and it's still a relatively small percent. I'd say those numbers have been generally stable as well. As we've recovered, we've gone and been able to open the vast majority of the stores in a safe way to serve customers and the communities and as the market is open back up, the trends have, what I'd say generally stabilized. We do intend over time, like many folks, to serve customers where they want to get served. If that's digital, that's full digital. What we've seen a lot of the times is customers start digital and then (inaudible) on retail and we're fully set up to support that. We're going to continue to support that as (Technical Difficulty).

## A - Mike Sievert {BIO 2140857 <GO>}

Another way of saying that. And one of the reasons why we don't break down digital is that, and I know it sounds a little cagey, Mike, but all of our customers come in through digital and all of our customers nearly come in through retail. So in other words, they're hybrid approaches. Almost everyone deeply research as a rate plan, many start a card, some finish a card. Even the ones that come through pure digital, the majority of those get some kind of human touch shortly thereafter. So it's a hybrid model and that hybrid model, to your point is changing. It's not changing in a way that's going to bring material changes to our financials anytime soon because right now anyway customers expect a human interaction at some point in the process and I hope that changes over time. But as long as they do, that's where our people shine. And our people are just -- we won JD Power again. We just won the highest scores ever in the history of JD Power for customer care. So human interactions are real source of strength of ours and even digital customers benefit from it.

The last part of your question was about retail rationalization, about the store counts, about our reach. I can tell you that and I'll go to Jon if he is on the audio line, just for a quick comment because he really engineered, our Head of Consumer Markets engineered this day one with so much coordination with our communications group, our marketing group, our product and technology groups, our engineering groups, but John has led the go-to-market approach and we've simultaneously reached more people as T-Mobile now with a deeper population reach of retail than ever before, while going faster on store rationalization that people expected. You want to share a couple of those stats, Jon.

## A - Jon Freier {BIO 19618133 <GO>}

Hey everybody. Yeah. It's been an incredible last 90 to 120 days. And like Mike said just a few moments ago, we've got a unitefied -- a unified operation behind the T-Mobile brand and what that really moved guys is that no matter if you're going into a legacy T-Mobile store or a legacy Sprint store, the answer is yes, we can help you. And what we did here is we took the legacy T-Mobile systems and installed them into our legacy Sprint stores and then we took the legacy Sprint systems and installed them into our legacy T-Mobile stores. We rebranded everything. So if you're driving around, you'll probably see these banners that say Sprint now part of T-Mobile. So we've got the Sprint exterior signs down, the new banners up and they'll be permanent T-Mobile signage that will be following over the next [ph]7 weeks and months. And -- but what we wanted to do is be able to put customers in a position and say yeah, we can help you no matter if you're coming into the store that you've always come into or maybe you're coming into a store that's more convenient to you now. And we're in a position where -- yeah we're not sending you from this store that store, but we can help you and all of that.

So we've done an extraordinary amount of training, lots of system work from our product and technology teams, and our team has been in a great spot to do that. And like Mike said just a few moments ago, not only simultaneously reducing some overlap stores. As you guys know, we talked about this that we've had stores that just are really right on top of one another. Of course, we're going to rationalize that, optimize that as you need to. But at the same time, we have expanded presence. We actually have 10 million more covered POPs across the country that were expanded to. So that's 275 million people that we're distributing to. Prior to close, that was about 265 million. And so there were places in the upper Midwest and the Great Lakes, for example, where our distribution reach wasn't as great, but the Sprint distribution reach was really there.

And so we've been able to get those synergies and get all that behind us, get more locations to serve more customers, our teams in position to be able to help new customers onto the T-Mobile platform and then also take care of our Sprint branded customers until they migrate to the T-Mobile platform over the next sort of year. So I'm super proud of what our teams accomplished. It's been in the (inaudible) amount of work (Technical Difficulty) Mike had messaged few moments ago, in this environment it's really rocking, really heroic of what our teams have done. So I appreciate the time, Mike.

## A - Mike Sievert {BIO 2140857 <GO>}

(Technical Difficulty) beginning of this like we reach about 275 million people with our distribution now while going faster than expected on retail rationalization. So it's a win on both fronts. Really terrific. Congratulations, John.

Operator, let's go back to the phones.

## Operator

And next we'll go to Simon Flannery from Morgan Stanley. Your line is open.

## Q - Simon Flannery {BIO 1505834 <GO>}

Great, thank you very much. Good evening. Mike, I think last call you talked about some early wins in enterprise. I wonder if you could just pulled back more broadly and just think about where you see the biggest sort of seems of opportunity, you had a lot of color around these areas where you thought you could make progress as a standalone T-Mobile. Now you're combined with Sprint. Where do you think the best opportunities to take share are over the next couple of years with the new network?

## A - Mike Sievert {BIO 2140857 <GO>}

Yeah. Terrific. I love the fact that we are a wireless pure play with the highest capacity in the history of the wireless industry [ph]in our planet. And because that's ultimately to our advantage. Enterprises, they have a complex milieu of solution providers from the biggest companies in the world and what they want from our industry is a high capacity connection at a great value and the surround around that with an easy to manage setup. And we need to be the best at doing business with in this category. And so we're very focused on being the winning pure play. Mike Katz and his team have done a phenomenal job. Mike got out of the gates very quickly in this merger and had his day one weeks ago with our key mobile for business team integrating our go-to-market against enterprises, public opportunities, et cetera.

I mentioned in my remarks that T-Mobile for business led the way. We had to update you mid quarter on our guidance and then we just updated you again that we'd be at the high end of the range of our guidance. Both of those were largely, but not entirely due to some outstanding opportunities to serve businesses, public sector. and schools, for example, in this rapidly changing landscape. Customers have reached out to us and said, "Hey we need help." "We need a great deal." "We need a high capacity service for kids." We talked a lot in our Project 10Million about the homework gap if you recall. But that's translated, now it's a school work gap. It's all day, it's not just homework and T-Mobile has the capacity to serve and that's just phenomenal.

So Mike if you're on the line, would you want to say anything else about the opportunity ahead?



## A - Unidentified Speaker

Yeah. No -- Thanks, Mike. Yeah, I think you're exactly right. I know I mentioned last earnings that we're in this really interesting time in the middle of COVID and then as we come out of COVID, as companies are doing their long-term planning and maybe even thinking about possible recession in that. We're seeing buying happening in this category at a faster rate than we typically would have seen. Rather than companies waiting, three, four, five years to buy this category, it's happening faster it's -- as the timelines have compressed and that's created huge opportunity for us. Where in many enterprises were not the incumbent. And our teams have just done an incredible job finding that demand from customers and matching it. But at the end of the day, like Mike said, it really is about the network and the network that we have in the ground today and the things that we're doing that Neville and Mike talked about a second ago, really are going to be the difference maker for us because businesses and government agencies first look at the network and look at our technical compliance relative to their standards and then they pick us based on all the other things that we do. And right now, we're able to meet all those demands from customers and we're now differentiating in network, not just a "me too" proposition like our competitors. So I think (Multiple Speakers)

## Q - Simon Flannery {BIO 1505834 <GO>}

(Multiple Speakers) COVID will cause customers to maybe look to switch carriers more aggressively to get a better price performance?

## A - Unidentified Speaker

Yeah, I think we -- and we're seeing some signs of that. Company -- many companies out there looking at their long-term cost model and they're going through their own cost transformation programs and then prepare to may be weather the post-COVID storm. And we're seeing lots of examples of companies (Multiple Speakers)

## A - Mike Sievert {BIO 2140857 <GO>}

(Multiple Speakers) kind of hiding the dynamic going on in American companies which is everybody is looking for dollars and looking under every rock to find them. And here we are at just that moment with the best value and the highest capacity service. So that's really exciting. Last -- the last word I'll say on this, which is also a little bit COVID related is the CL, corporate liable part of our market has kind of been flat line for a long time and I actually think that post-COVID there is an opportunity that the changing work styles will cause us to see growth again in that sector. Just at the time we're arriving with hyper competitiveness and able to lead the pack.

So the reason for that's simple. Some form of homework and home officing is going to continue and some amount of that will carry on and companies will feel more of a need than in the past to take responsibility for some of the home connectivity and personal connectivity of their employees. That means enterprise corporate liable lines may be positively responsive to this environment. That's always been a castle of AT&Ts and Verizons, but it's ours to take and we're scaling the walls.



## Q - Simon Flannery {BIO 1505834 <GO>}

All right, thank you.

## A - Mike Sievert {BIO 2140857 <GO>}

Thanks, Simon.

## Operator

And next we'll go to Craig Moffett from MoffettNathanson. Your line is open.

## Q - Craig Moffett {BIO 5987555 <GO>}

Hi thanks. You reported in the release that you've converted about 10% of customers over to the T-Mobile -- Sprint customers over to the T-Mobile network at it naturally sort of brings back memories of the way you managed the Metro-PCS merger some years ago. Wondering if you could just contrast those two, maybe particularly with Neville and talk about what's different this time in trying to integrate, particularly the 2.5 GHz spectrum versus what you did in the Metro-PCS merger, which was effectively running off a network and then moving over the spectrum and just how that should inform the way we think about the cadence of the synergy realization here.



## A - Mike Sievert {BIO 2140857 <GO>}

[ph]I will also jump in.

## A - Neville Ray {BIO 15225709 <GO>}

Happy to take it. Hey, Craig. So the situations are comparable, but they are different and favorably so. I think the biggest delta is that as we look to Metro-PCS that was primarily a CDMA customer base. And so we had different technologies and we knew we had to retire and move all of those customers out of the CDMA form effectively. Here we are with combining our traffic and our customer bases across Sprint and T-Mobile. In the update today, Mike mentioned in the opening remarks 85% of the Sprint customer base have a compatible phone with the T-Mobile network. So that 10% traffic number, which is remarkable in a very short period of time it's there because we can start to open the network up, not just on LTE. Our Sprint customers have access to that great nationwide 5G now too. But because they have compatible LTE handsets and we've activated and we're moving through VoLTE very quickly, which is the primary voice bearer for us. It's not (Technical Difficulty) different technology as it was with Metro, we can move those customers at a much faster pace. And so I'm always hopeful and confident now that we can move through the migration of traffic and ultimately spectrum and then move to decommissioning at a faster pace. That's the game plan. And as I said earlier on, we're furiously building out the network capability to house that spectrum, the 2.5 GHz but we have a huge volume of, as you know Craig. And as we do that we can support more and more traffic and start to ultimately migrate these customers across (Technical Difficulty). Very similar playbook in many ways in terms of how we approach it, but we're in a much better place to move faster because of the handset compatibility.

## Q - Craig Moffett {BIO 5987555 <GO>}

(Multiple Speakers) follow-up to the previous question about Enterprise segment. What do you plan to do with [ph]wired line network from Sprint?

## A - Mike Sievert {BIO 2140857 <GO>}

(Technical Difficulty) competition and post integration, are there any strategic acquisition areas you're interested in to accelerate growth. Obviously, and I know you knew this and asking. It's not something I can address directly but I can tell you this, and I said it a little bit earlier, I like being a pure play. I like being -- we're focused and we're disciplined and that's going to be one of the ways that we win. Wireless is where things are going. You've heard us say, John (inaudible) said for years, you've heard us say over and over - all content and communications of all kind are leaving their linear forms and going to the internet, and the internet's going mobile. Mobile is eating the internet. And so as a mobile pure play, that's a great place to be. Now on the other side of it I'll just say, while we're focused and disciplined, we have a fantastic balance sheet and an incredible source of strength and so we won't be obtuse to strategic opportunities if they make sense in our business model. But I think you're investing in this company, because you see that we have an opportunity to win in this huge market and we intend to focus and to do just that.

And operator, why don't we do a (Technical Difficulty).

## Operator

Thank you. And it looks like our next one is from Jonathan Chaplin from New Street. Your line is open.

## Q - Jonathan Chaplin {BIO 4279061 <GO>}

Thanks guys. Great quarter. One for Mike and one for Neville. For Mike or maybe it's Peter. Where there any synergies captured in 2Q or is it too early and then how much of this -- how -- what are you assuming for synergy capture in the second half guidance. And this one is definitely for Mike, the $43 billion, you said a few times that you expect it to be higher. Is that just from acceleration or will the synergy number or the EBITDA number and the (inaudible) be larger than you initially thought would be. And then for Neville, when you get to full tilt on the 5G deployment, what -- how many -- what does that 700 sites per week go two? Thanks.

## A - Mike Sievert {BIO 2140857 <GO>}

You heard -- I'll have Peter comment on the first one. You heard in my remarks that we moved faster than expected on so many elements of integration in the second quarter and you saw us flow the costs through for some of those things. And yes, that does allow us to start to see some run rate synergy impacts from those moves. I also said that, that sets us up well to invest in the next round. So you have to kind of keep it in balance because the bigger pieces to the earlier discussion are still in front of us. The actual operational integration spending was pretty light in Q2. You'll see benefit of it flow in but that benefit is really allowing us to move to the next base in the round of bases and swing again. And so in '20 and '21, these are big investment years and it's important we start to get some of that run rate to flow in because that actually helps to fund us as we go along. So I think I kind of captured that in my remarks, but Peter why don't tack -- add to that and tackle the other pieces.

## A - Peter Osvaldik {BIO 18597986 <GO>}

Yeah, absolutely Mike. So there is no doubt, right, of the long pendency of the deal as well as COVID-19, right. As a differential versus what (inaudible) almost two years ago. But we do remain highly confident in our ability to exceed and to your point Mike, yeah the moves that we made in Q2 where you saw us accelerate and diligently do things and we put the 8-K out there, both from an organizational design acceleration and the store rationalization acceleration, you see what the pace of the 2.5 roll out is, which is again the first of the three and ultimately leads to the decommissioning, which is the biggest part of the synergies. You saw avoided site builds already. That's already something that we're capturing. So yes, in the second half of the year, we're already going to be capturing some synergies and that's going to only build them through the investment periods. And again, as Mike said, I think we're quarter into this journey. It's a multi-year journey where at quarter end we're already seeing optimistic signs and we're moving quickly where it's prudent to do so. And we do owe you an update on that, so as soon as we can, we will.

## A - Mike Sievert {BIO 2140857 <GO>}

And hopefully you'll hear us saying what we -- and we're laying down some facts to back it up now that our aspiration is to go faster and bigger. And look I think ultimately, you're going to measure our team based on three simple things - did we outgrow the competition through this first planning cycle as a new company, did we unlock the synergies bigger and faster than we promised and translate that to enterprise value, and did we set up the company for long-term success and this management team is laser-focused on all three of (Technical Difficulty).

## A - Neville Ray {BIO 15225709 <GO>}

Jonathan on the back-end of your question there on the run rate, obviously we're going to do better than the 700 per week. But I'm delighted with that ramp during the pandemic, so the great news is we've got great resources out there working very safely and with health and safety paramount. Our supply chain is actually really robust. We had a few scares in the early days of the pandemic. But the things are moving really well and I want to get into a nice robust steady state and go build this network out as we've said over a max two years. I really want to break the back of the 2.5 deployment over the next 18 months and that's the plan. And we have a run rate and a production rate, this network factory now is rolling out, upgrades and incremental site activity on a very, very strong cadence now. So we're in a good spot.

## Q - Jonathan Chaplin {BIO 4279061 <GO>}

Thanks guys.

## A - Mike Sievert {BIO 2140857 <GO>}

Hey guys. I'm going to step out right now, but we are going to take (inaudible) question and then Peter will wrap us up. So on -- for my part, thank you for this great discussion. This was a phenomenal quarter.

And operator. The last question please.

## Operator

Our last one comes from Peter Supino from Bernstein. Your line is open.

## Q - Peter Supino {BIO 21231716 <GO>}

Hi, thank you. I was wondering if you had any insights on Sprint subscriber churn and I know that COVID-19 makes it hard to separate the drivers of changes in churn. But do you see anything about the way Sprint subscribers are interacting with the network that gives you a quantitative sense of how their experience might be changing? Thanks.

## A - Matt Staneff {BIO 20459281 <GO>}

Yeah. Hey Peter. It's Matt. I'll start and then if Neville wants to jump in on any other factors there. So we haven't seen anything that's surprised us, and we feel great about the results we have in Q2 in terms of subscriber churn for Sprint. We've seen lots of positive signs. We've been able to rapidly enable roaming and the ability for the Sprint customers (Technical Difficulty) to the T-Mobile network. And we see noticeable declines in churn rates from those customers who have gotten on the network, which is partly why we're growing very fast. That's getting the build-out done. We're very happy about the handset compatibility and why we're aggressively moving fast at bringing those enhanced coverage experiences to the Sprint customers.

We've also seen great participation from the Sprint customer base into some of the offers and programs that T-Mobile traditionally had, like T-Mobile Tuesdays, our -- we've had that for a number of years. It's a massive -- it's a great platform for customers to just get thanked every day for being a customer. It's an example of something we've rolled out to the Sprint customer base and we've seeing a great adoption of that from the customers. That's a very positive sign. We have an engaged customer base. They are excited about being a part of the T-Mobile Company and what we have in front of us. And so we're feeling very positive about where things are headed. All that said, we don't know how it's going to look when we come out of the suppression in Q2 from COVID. We're watching that and as Mike said earlier, we're planning for a highly competitive back half of the year with [ph]switching pool getting back to normal (inaudible) new devices coming in. So we can really take share in the marketplace.

## A - Neville Ray {BIO 15225709 <GO>}

I'll just add quickly to that (Technical Difficulty) this access to the T-Mobile network for the Sprint customer base is absolutely key. We know the coverage churn was a major concern in the Sprint base. You've heard our numbers today, 10 million customers every day are now accessing the T-Mobile network and that's everywhere, right. It's not -- this isn't kind of a roaming thing, where it's just geographic expansion into rural environments. This is happening in building in Manhattan and Seattle, it's happening in urban cores, it's happening in suburban environments, as well as rural and only about 35% and 40% of that traffic is actually in rural environments.

So Sprint customers are already seeing a dramatic improvement in their coverage. We did that the day of close. We opened up the network for Sprint customers with compatible handsets, which is the vast majority as we've covered. And so big improvement in that coverage experience, it's been a key. We're already starting to move towards [ph]hooking customers completely to a T-Mobile network experience. We've been very targeted with that to make sure that customers on Sprint side had very difficult and challenging coverage situations. We've moved some of those already completely over to T-Mobile network and there'll be more of that obviously as we ramp up our build spectrum migration and all of the activities we talked about today. So very pleased with the progress there and very positive signs in terms of the uptake from Sprint customers using the T-Mobile network.

## Q - Peter Supino {BIO 21231716 <GO>}

That's helpful, thanks very much.

## A - Matt Staneff {BIO 20459281 <GO>}

Thank you, Peter for the great question and thank you everybody for tuning in and we're really looking forward to continuing on this journey and speaking with you again next quarter (Technical Difficulty).



Operator.

## Operator

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

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