UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2021
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 1-33409

T-MOBILE US, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-0836269**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12920 SE 38th Street
Bellevue, Washington
(Address of principal executive offices)
98006-1350
(Zip Code)
(425) 378-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.00001 per share	TMUS	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of October 27, 2021
Common Stock, par value $0.00001 per share	1,249,053,529

T-Mobile US, Inc.
Form 10-Q
For the Quarter Ended September 30, 2021

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PART I. Financial Information
Item 1. Financial Statements

T-Mobile US, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions, except share and per share amounts)	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 4,055	$ 10,385
Accounts receivable, net of allowance for credit losses of $129 and $194	4,109	4,254
Equipment installment plan receivables, net of allowance for credit losses and imputed discount of $469 and $478	4,306	3,577
Accounts receivable from affiliates	21	22
Inventory	1,762	2,527
Prepaid expenses	943	624
Other current assets	1,576	2,496
Total current assets	16,772	23,885
Property and equipment, net	39,355	41,175
Operating lease right-of-use assets	27,446	28,021
Financing lease right-of-use assets	3,396	3,028
Goodwill	12,188	11,117
Spectrum licenses	92,589	82,828
Other intangible assets, net	5,047	5,298
Equipment installment plan receivables due after one year, net of allowance for credit losses and imputed discount of $109 and $127	2,280	2,031
Other assets	3,052	2,779
Total assets	$ 202,125	$ 200,162
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 8,735	$ 10,196
Payables to affiliates	92	157
Short-term debt	2,096	4,579
Short-term debt to affiliates	2,240	—
Deferred revenue	914	1,030
Short-term operating lease liabilities	3,077	3,868
Short-term financing lease liabilities	1,154	1,063
Other current liabilities	939	810
Total current liabilities	19,247	21,703
Long-term debt	66,645	61,830
Long-term debt to affiliates	1,494	4,716
Tower obligations	2,862	3,028
Deferred tax liabilities	10,370	9,966
Operating lease liabilities	26,279	26,719
Financing lease liabilities	1,587	1,444
Other long-term liabilities	5,214	5,412
Total long-term liabilities	114,451	113,115
Commitments and contingencies (Note 13)		
Stockholders' equity		
Common Stock, par value $0.00001 per share, 2,000,000,000 shares authorized; 1,250,573,992 and 1,243,345,584 shares issued, 1,249,035,065 and 1,241,805,706 shares outstanding	—	—
Additional paid-in capital	73,152	72,772
Treasury stock, at cost, 1,538,927 and 1,539,878 shares issued	(13)	(11)
Accumulated other comprehensive loss	(1,478)	(1,581)
Accumulated deficit	(3,234)	(5,836)
Total stockholders' equity	68,427	65,344
Total liabilities and stockholders' equity	$ 202,125	$ 200,162

The accompanying notes are an integral part of these condensed consolidated financial statements.

T-Mobile US, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions, except share and per share amounts)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenues				
Postpaid revenues	$ 10,804	$ 10,209	$ 31,599	$ 26,055
Prepaid revenues	2,481	2,383	7,259	7,067
Wholesale revenues	944	930	2,776	1,663
Other service revenues	493	617	1,772	1,430
Total service revenues	14,722	14,139	43,406	36,215
Equipment revenues	4,660	4,953	15,221	11,339
Other revenues	242	180	706	502
Total revenues	19,624	19,272	59,333	48,056
Operating expenses				
Cost of services, exclusive of depreciation and amortization shown separately below	3,538	3,314	10,413	8,051
Cost of equipment sales, exclusive of depreciation and amortization shown separately below	5,145	4,367	15,740	10,563
Selling, general and administrative	5,212	4,876	14,840	14,168
Impairment expense	—	—	—	418
Depreciation and amortization	4,145	4,150	12,511	9,932
Total operating expenses	18,040	16,707	53,504	43,132
Operating income	1,584	2,565	5,829	4,924
Other income (expense)				
Interest expense	(780)	(765)	(2,392)	(1,726)
Interest expense to affiliates	(58)	(44)	(136)	(206)
Interest income	2	3	7	21
Other expense, net	(60)	(99)	(186)	(304)
Total other expense, net	(896)	(905)	(2,707)	(2,215)
Income from continuing operations before income taxes	688	1,660	3,122	2,709
Income tax benefit (expense)	3	(407)	(520)	(715)
Income from continuing operations	691	1,253	2,602	1,994
Income from discontinued operations, net of tax	—	—	—	320
Net income	$ 691	$ 1,253	$ 2,602	$ 2,314
Net income	$ 691	$ 1,253	$ 2,602	$ 2,314
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on cash flow hedges, net of tax effect of $12, $12, $36, and $(261)	35	33	103	(757)
Unrealized (loss) gain on foreign currency translation adjustment, net of tax effect of $0, $1, $0, and $1	(3)	4	—	4
Other comprehensive income (loss)	32	37	103	(753)
Total comprehensive income	$ 723	$ 1,290	$ 2,705	$ 1,561
Earnings per share				
Basic earnings per share:				
Continuing operations	$ 0.55	$ 1.01	$ 2.09	$ 1.79
Discontinued operations	—	—	—	0.29
Basic	$ 0.55	$ 1.01	$ 2.09	$ 2.08
Diluted earnings per share:				
Continuing operations	$ 0.55	$ 1.00	$ 2.07	$ 1.78
Discontinued operations	—	—	—	0.28
Diluted	$ 0.55	$ 1.00	$ 2.07	$ 2.06
Weighted average shares outstanding				
Basic	1,248,189,719	1,238,450,665	1,246,441,464	1,111,511,964
Diluted	1,253,661,245	1,249,798,740	1,254,391,787	1,122,040,528

The accompanying notes are an integral part of these condensed consolidated financial statements.

T-Mobile US, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating activities				
Net income	$ 691	$ 1,253	$ 2,602	$ 2,314
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	4,145	4,150	12,511	9,932
Stock-based compensation expense	131	161	403	558
Deferred income tax (benefit) expense	(27)	335	410	743
Bad debt expense	105	143	259	489
Losses (gains) from sales of receivables	4	(18)	(26)	37
Losses on redemption of debt	55	108	184	271
Impairment expense	—	—	—	418
Changes in operating assets and liabilities				
Accounts receivable	(454)	(1,538)	(2,197)	(2,784)
Equipment installment plan receivables	(530)	(306)	(1,825)	(110)
Inventories	41	(549)	904	(1,613)
Operating lease right-of-use assets	1,334	1,062	3,730	2,526
Other current and long-term assets	(88)	(8)	(188)	(106)
Accounts payable and accrued liabilities	111	(964)	(1,245)	(2,630)
Short and long-term operating lease liabilities	(2,046)	(1,145)	(4,411)	(2,947)
Other current and long-term liabilities	(87)	(51)	(351)	(2,162)
Other, net	92	139	157	230
Net cash provided by operating activities	3,477	2,772	10,917	5,166
Investing activities				
Purchases of property and equipment, including capitalized interest of $(46), $(108), $(187), and $(339)	(2,944)	(3,217)	(9,397)	(7,227)
(Purchases) refunds of spectrum licenses and other intangible assets, including deposits	(407)	17	(9,337)	(827)
Proceeds from sales of tower sites	—	—	31	—
Proceeds related to beneficial interests in securitization transactions	1,071	855	3,099	2,325
Net cash related to derivative contracts under collateral exchange arrangements	—	—	—	632
Acquisition of companies, net of cash and restricted cash acquired	(1,886)	—	(1,916)	(5,000)
Proceeds from the divestiture of prepaid business	—	1,238	—	1,238
Other, net	14	(25)	46	(209)
Net cash used in investing activities	(4,152)	(1,132)	(17,474)	(9,068)
Financing activities				
Proceeds from issuance of long-term debt	1,989	—	11,758	26,694
Payments of consent fees related to long-term debt	—	—	—	(109)
Repayments of financing lease obligations	(266)	(246)	(822)	(764)
Repayments of short-term debt for purchases of inventory, property and equipment and other financial liabilities	(76)	(231)	(167)	(407)
Repayments of long-term debt	(4,600)	(5,678)	(9,969)	(16,207)
Issuance of common stock	—	2,550	—	19,840
Repurchases of common stock	—	(2,546)	—	(19,536)
Proceeds from issuance of short-term debt	—	—	—	18,743
Repayments of short-term debt	—	—	—	(18,929)
Tax withholdings on share-based awards	(14)	(72)	(308)	(351)
Cash payments for debt prepayment or debt extinguishment costs	(45)	(58)	(116)	(82)
Other, net	(48)	137	(139)	139
Net cash (used in) provided by financing activities	(3,060)	(6,144)	237	9,031
Change in cash and cash equivalents, including restricted cash	(3,735)	(4,504)	(6,320)	5,129
Cash and cash equivalents, including restricted cash				
Beginning of period	7,878	11,161	10,463	1,528
End of period	$ 4,143	$ 6,657	$ 4,143	$ 6,657

The accompanying notes are an integral part of these condensed consolidated financial statements.

T-Mobile US, Inc.
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

(in millions, except shares)	Common Stock Outstanding	Treasury Shares at Cost	Par Value and Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of June 30, 2021	1,247,920,536	$ (14)	$ 72,919	$ (1,510)	$ (3,925)	$ 67,470
Net income	—	—	—	—	691	691
Other comprehensive income	—	—	—	32	—	32
Stock-based compensation	—	—	147	—	—	147
Exercise of stock options	14,578	—	1	—	—	1
Stock issued for employee stock purchase plan	917,444	—	100	—	—	100
Issuance of vested restricted stock units	256,605	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(92,992)	—	(14)	—	—	(14)
Transfers with NQDC plan	18,894	1	(1)	—	—	—
Balance as of September 30, 2021	1,249,035,065	$ (13)	$ 73,152	$ (1,478)	$ (3,234)	$ 68,427
Balance as of December 31, 2020	1,241,805,706	$ (11)	$ 72,772	$ (1,581)	$ (5,836)	$ 65,344
Net income	—	—	—	—	2,602	2,602
Other comprehensive income	—	—	—	103	—	103
Stock-based compensation	—	—	451	—	—	451
Exercise of stock options	195,618	—	10	—	—	10
Stock issued for employee stock purchase plan	2,189,697	—	225	—	—	225
Issuance of vested restricted stock units	7,281,702	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(2,438,609)	—	(308)	—	—	(308)
Transfers with NQDC plan	951	(2)	2	—	—	—
Balance as of September 30, 2021	1,249,035,065	$ (13)	$ 73,152	$ (1,478)	$ (3,234)	$ 68,427

The accompanying notes are an integral part of these condensed consolidated financial statements.

T-Mobile US, Inc.
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

(in millions, except shares)	Common Stock Outstanding	Treasury Shares at Cost	Par Value and Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of June 30, 2020	1,237,338,994	$ (12)	$ 72,505	$ (1,658)	$ (7,839)	$ 62,996
Net income	—	—	—	—	1,253	1,253
Other comprehensive income	—	—	—	37	—	37
Stock-based compensation	—	—	177	—	—	177
Exercise of stock options	483,266	—	27	—	—	27
Stock issued for employee stock purchase plan	897,732	—	65	—	—	65
Issuance of vested restricted stock units	2,383,098	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(648,872)	—	(72)	—	—	(72)
Transfers with NQDC plan	4,400	1	(1)	—	—	—
Shares issued in secondary offering (1)	24,750,000	—	2,550	—	—	2,550
Shares repurchased from SoftBank (2)	(24,750,000)	—	(2,546)	—	—	(2,546)
Balance as of September 30, 2020	1,240,458,618	$ (11)	$ 72,705	$ (1,621)	$ (6,586)	$ 64,487
Balance as of December 31, 2019	856,905,400	$ (8)	$ 38,498	$ (868)	$ (8,833)	$ 28,789
Net income	—	—	—	—	2,314	2,314
Other comprehensive loss	—	—	—	(753)	—	(753)
Executive put option	(342,000)	—	1	—	—	1
Stock-based compensation	—	—	601	—	—	601
Exercise of stock options	794,853	—	42	—	—	42
Stock issued for employee stock purchase plan	2,144,036	—	148	—	—	148
Issuance of vested restricted stock units	11,295,402	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(3,703,906)	—	(351)	—	—	(351)
Transfers with NQDC plan	(31,477)	(3)	3	—	—	—
Shares issued in secondary offering (1)	198,314,426	—	19,766	—	—	19,766
Shares repurchased from SoftBank (1)	(198,314,426)	—	(19,536)	—	—	(19,536)
Merger consideration	373,396,310	—	33,533	—	—	33,533
Prior year Retained Earnings	—	—	—	—	(67)	(67)
Balance as of September 30, 2020	1,240,458,618	$ (11)	$ 72,705	$ (1,621)	$ (6,586)	$ 64,487

(1) Shares issued includes 5.0 million shares of our common stock purchased by Marcelo Claure, one of our directors.
(2) On June 22, 2020, we entered into a Master Framework Agreement and related transactions with SoftBank Group Corp. ("SoftBank") to facilitate SoftBank's monetization of a portion of our common stock held by SoftBank. We received a payment of $304 million from SoftBank. This amount, net of tax, was treated as a reduction of the purchase price of the shares acquired from SoftBank and was recorded as Additional paid-in capital.

The accompanying notes are an integral part of these condensed consolidated financial statements.

T-Mobile US, Inc.
Index for Notes to the Condensed Consolidated Financial Statements

T-Mobile US, Inc.
Notes to the Condensed Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of T-Mobile US, Inc. ("T-Mobile," "we," "our," "us" or the "Company") include all adjustments of a normal recurring nature necessary for the fair presentation of the results for the interim periods presented. The results for the interim periods are not necessarily indicative of those for the full year. The condensed consolidated financial statements should be read in conjunction with our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020.

The condensed consolidated financial statements include the balances and results of operations of T-Mobile and our consolidated subsidiaries. We consolidate majority-owned subsidiaries over which we exercise control, as well as variable interest entities ("VIEs") where we are deemed to be the primary beneficiary and VIEs which cannot be deconsolidated, such as those related to our obligations to pay for the management and operation of certain of our wireless communications tower sites. Intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP") requires our management to make estimates and assumptions that affect the financial statements and accompanying notes. Estimates are based on historical experience, where applicable, and other assumptions that management believes are reasonable under the circumstances, including but not limited to, the valuation of assets acquired and liabilities assumed through the merger (the "Merger") with Sprint Corporation ("Sprint") and through our acquisitions of affiliates. These estimates are inherently subject to judgment and actual results could differ from those estimates.

Accounting Pronouncements Not Yet Adopted

Reference Rate Reform

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," and has since modified the standard with ASU 2021-01, "Reference Rate Reform (Topic 848): Scope" (together, the "reference rate reform standard"). The reference rate reform standard provides temporary optional expedients and allows for certain exceptions to applying existing GAAP for contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued as a result of reference rate reform. The reference rate reform standard is available for adoption through December 31, 2022, and the optional expedients for contract modifications must be elected for all arrangements within a given Accounting Standards Codification ("ASC") Topic or Industry Subtopic. We expect to elect the optional expedients for eligible contract modifications accounted for under a given ASC Topic as they occur through December 31, 2022. The application of these expedients is not expected to have a material impact on our consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the U.S. Securities and Exchange Commission did not have, or are not expected to have, a significant impact on our present or future consolidated financial statements.

Note 2 – Business Combinations

Business Combination Agreement and Amendments

On April 29, 2018, we entered into a Business Combination Agreement with Sprint and the other parties named therein (as amended, the "Business Combination Agreement") for the Merger. The Business Combination Agreement was subsequently amended to provide that, following the closing of the Merger and the other transactions contemplated by the Business Combination Agreement (collectively, the "Transactions"), SoftBank would indemnify us against certain specified matters and the loss of value arising out of, or resulting from, cessation of access to spectrum under certain circumstances and subject to certain limitations and qualifications.

On February 20, 2020, T-Mobile, SoftBank and Deutsche Telekom AG ("DT") entered into a letter agreement (the "Letter Agreement"). Pursuant to the Letter Agreement, SoftBank agreed to cause its applicable affiliates to surrender to T-Mobile, for no additional consideration, an aggregate of 48,751,557 shares of T-Mobile common stock (such number of shares, the "SoftBank Specified Shares Amount"), effective immediately following the Effective Time (as defined in the Business Combination Agreement), making SoftBank's exchange ratio 11.31 shares of Sprint common stock for each share of T-Mobile common stock. This resulted in an effective exchange ratio of approximately 11.00 shares of Sprint common stock for each share of T-Mobile common stock immediately following the closing of the Merger, an increase from the originally agreed 9.75 shares. Sprint stockholders, other than SoftBank, received the original fixed exchange ratio of 0.10256 shares of T-Mobile common stock for each share of Sprint common stock, or the equivalent of approximately 9.75 shares of Sprint common stock for each share of T-Mobile common stock.

The Letter Agreement requires T-Mobile to issue to SoftBank 48,751,557 shares of T-Mobile common stock, subject to the terms and conditions set forth in the Letter Agreement, for no additional consideration, if certain conditions are met. The issuance of these shares is contingent on the trailing 45-day volume-weighted average price per share of T-Mobile common stock on the NASDAQ Global Select Market being equal to or greater than $150.00, at any time during the period commencing on April 1, 2022 and ending on December 31, 2025. If the threshold price is not met, then none of the SoftBank Specified Shares Amount will be issued.

Closing of Sprint Merger

On April 1, 2020, we completed the Merger, and as a result, Sprint and its subsidiaries became wholly owned consolidated subsidiaries of T-Mobile. Sprint was the fourth-largest telecommunications company in the U.S., offering a comprehensive range of wireless and wireline communication products and services. As a combined company, we have been able to rapidly launch a broad and deep nationwide 5G network, accelerate innovation, increase competition in the U.S. wireless and broadband industries and achieve significant synergies and cost reductions by eliminating redundancies within the combined network as well as other business processes and operations.

Upon completion of the Merger, each share of Sprint common stock was exchanged for 0.10256 shares of T-Mobile common stock, or 9.75 shares of Sprint common stock for each share of T-Mobile common stock. After adjustments, including the holdback of the SoftBank Specified Shares Amount and fractional shares, we issued 373,396,310 shares of T-Mobile common stock to Sprint stockholders. The fair value of the T-Mobile common stock provided in exchange for Sprint common stock was approximately $31.3 billion.

Additional components of consideration included the repayment of certain of Sprint's debt, replacement of equity awards attributable to pre-combination services, contingent consideration and a cash payment received from SoftBank for certain reimbursed Merger expenses.

Immediately following the closing of the Merger and the surrender of the SoftBank Specified Shares Amount, pursuant to the Letter Agreement described above, DT and SoftBank held, directly or indirectly, approximately 43.6% and 24.7%, respectively, of the outstanding T-Mobile common stock, with the remaining approximately 31.7% of the outstanding T-Mobile common stock held by other stockholders. As of September 30, 2021, DT and SoftBank held, directly or indirectly, approximately 46.8% and 4.9%, respectively, of the outstanding T-Mobile common stock, with the remaining approximately 48.3% of the outstanding T-Mobile common stock held by other stockholders. Pursuant to the Proxy, Lock-up and ROFR Agreement, dated as of April 1, 2020, by and between DT and SoftBank and the Proxy, Lock-up and ROFR Agreement, dated as of June 22, 2020 by and among DT, Marcelo Claure and Claure Mobile LLC, a Delaware limited liability company wholly owned by Mr. Claure, as of September 30, 2021, DT has voting control over approximately 52.0% of the outstanding T-Mobile common stock.

Consideration Transferred

The acquisition-date fair value of consideration transferred in the Merger totaled $40.8 billion, comprised of the following:

(in millions)		**April 1, 2020**
Fair value of T-Mobile common stock issued to Sprint stockholders (1)	$	31,328
Fair value of T-Mobile replacement equity awards attributable to pre-combination service (2)		323
Repayment of Sprint's debt (including accrued interest and prepayment penalties) (3)		7,396
Fair value of contingent consideration (4)		1,882
Payment received from selling stockholder (5)		(102)
Total consideration exchanged	$	40,827

(1) Represents the fair value of T-Mobile common stock issued to Sprint stockholders pursuant to the Business Combination Agreement, less shares surrendered by SoftBank pursuant to the Letter Agreement. The fair value is based on 373,396,310 shares of T-Mobile common stock issued at an

exchange ratio of 0.10256 shares of T-Mobile common stock per share of Sprint common stock, less 48,751,557 T-Mobile shares surrendered by SoftBank which are treated as contingent consideration, and the closing price per share of T-Mobile common stock on NASDAQ on March 31, 2020, of $83.90, as shares were transferred to Sprint stockholders prior to the opening of markets on April 1, 2020.

(2) Equity-based awards held by Sprint employees prior to the acquisition date have been replaced with T-Mobile equity-based awards. The portion of the equity-based awards that relates to services performed by the employee prior to the acquisition date is included within consideration transferred, and includes stock options, restricted stock units and performance-based restricted stock units.

(3) Represents the cash consideration paid concurrent with the close of the Merger to retire certain Sprint debt, as required by change in control provisions of the debt, plus interest and prepayment penalties.

(4) Represents the fair value of the SoftBank Specified Shares Amount contingent consideration that may be issued as set forth in the Letter Agreement.

(5) Represents receipt of a cash payment from SoftBank for certain reimbursed Merger expenses.

The SoftBank Specified Shares Amount was determined to be contingent consideration with an acquisition-date fair value of $1.9 billion. We estimated the fair value using the income approach, a probability-weighted discounted cash flow model, whereby a Monte Carlo simulation method estimated the probability of different outcomes as the likelihood of achieving the 45-day volume-weighted average price threshold is not easily predicted. This fair value measurement is based on significant inputs not observable in the market and, therefore, represents a Level 3 measurement as defined in ASC 820: Fair Value Measurement. The key assumptions in applying the income approach include the estimated future share-price volatility, which was based on historical market trends and the estimated future performance of T-Mobile.

The maximum amount of contingent consideration that could be issued to SoftBank has an estimated value of $7.3 billion, based on SoftBank Specified Shares Amount of 48,751,557 multiplied by the defined volume-weighted average price per share of $150.00. The contingent consideration that could be delivered to SoftBank is classified within equity and is not subject to remeasurement.

Fair Value of Assets Acquired and Liabilities Assumed

We accounted for the Merger as a business combination. The identifiable assets acquired and liabilities assumed of Sprint were recorded at their fair values as of the acquisition date and consolidated with those of T-Mobile. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgment regarding estimates and assumptions. For the fair values of the assets acquired and liabilities assumed, we used the cost, income and market approaches, including market participant assumptions.

The following table summarizes the fair values for each major class of assets acquired and liabilities assumed at the acquisition date. We retained the services of certified valuation specialists to assist with assigning values to certain acquired assets and assumed liabilities.

(in millions)		April 1, 2020
Cash and cash equivalents	$	2,084
Accounts receivable		1,775
Equipment installment plan receivables		1,088
Inventory		658
Prepaid expenses		140
Assets held for sale		1,908
Other current assets		637
Property and equipment		18,435
Operating lease right-of-use assets		6,583
Financing lease right-of-use assets		291
Goodwill		9,423
Spectrum licenses		45,400
Other intangible assets		6,280
Equipment installment plan receivables due after one year, net		247
Other assets (1)		540
Total assets acquired		95,489
Accounts payable and accrued liabilities		5,015
Short-term debt		2,760
Deferred revenue		508
Short-term operating lease liabilities		1,818
Short-term financing lease liabilities		8
Liabilities held for sale		475
Other current liabilities		681
Long-term debt		29,037
Tower obligations		950
Deferred tax liabilities		3,478
Operating lease liabilities		5,615
Financing lease liabilities		12
Other long-term liabilities		4,305
Total liabilities assumed		54,662
Total consideration transferred	$	40,827

(1) Included in Other assets acquired is $80 million in restricted cash.

Amounts initially disclosed for the estimated values of certain acquired assets and liabilities assumed were adjusted through March 31, 2021 (the close of the measurement period) based on information arising after the initial valuation.

Intangible Assets and Liabilities

Goodwill with an assigned value of $9.4 billion represents the excess of the consideration transferred over the fair values of assets acquired and liabilities assumed. The goodwill recognized includes synergies expected to be achieved from the operations of the combined company, the assembled workforce of Sprint and intangible assets that do not qualify for separate recognition. Expected synergies from the Merger include the cost savings from the planned integration of network infrastructure, facilities, personnel and systems. None of the goodwill resulting from the Merger is deductible for tax purposes. All of the goodwill acquired is allocated to the wireless reporting unit.

Other intangible assets include $4.9 billion of customer relationships with a weighted-average useful life of eight years and tradenames of $207 million with a useful life of two years. Leased spectrum arrangements that have favorable (asset) and unfavorable (liability) terms compared to current market rates were assigned fair values of $745 million and $125 million, respectively, with 18-year and 19-year weighted average useful lives, respectively.

The fair value of Spectrum licenses of $45.4 billion was estimated using the income approach, specifically a Greenfield model. This fair value measurement is based on significant inputs not observable in the market and, therefore, represents a Level 3 measurement as defined in ASC 820: Fair Value Measurement. The key assumptions in applying the income approach include the discount rate, estimated market share, estimated capital and operating expenditures, forecasted service revenue and a long-term growth rate for a hypothetical market participant that enters the wireless industry and builds a nationwide wireless network.

Acquired Receivables

The fair value of the assets acquired includes Accounts receivable of $1.8 billion and Equipment installment plan ("EIP") receivables of $1.3 billion. The unpaid principal balance under these contracts as of April 1, 2020, the date of the Merger, was $1.8 billion and $1.6 billion, respectively. The difference between the fair value and the unpaid principal balance primarily represents amounts expected to be uncollectible.

Indemnification Assets and Contingent Liabilities

Pursuant to Amendment No 2. to the Business Combination Agreement, SoftBank agreed to indemnify us against certain specified matters and losses. As of the acquisition date, we recorded a contingent liability and an offsetting indemnification asset for the expected reimbursement by SoftBank for certain Lifeline matters. The liability is presented in Accounts payable and accrued liabilities, and the indemnification asset is presented in Other current assets within our acquired assets and liabilities at the acquisition date. In November 2020, we entered into a consent decree with the Federal Communications Commission ("FCC") to resolve certain Lifeline matters, which resulted in a payment of $200 million by SoftBank. Final resolution of these matters could require making additional reimbursements and paying additional fines and penalties, which we do not expect to have a significant impact on our financial results. We expect that any additional liabilities related to these matters would be indemnified and reimbursed by SoftBank.

Deferred Taxes

As a result of the Merger, we acquired deferred tax assets for which a valuation allowance reserve is deemed to be necessary, as well as additional uncertain tax benefit reserves. As of the date of the Merger, the amount of the valuation allowance reserve and uncertain tax benefit reserves was $851 million and $660 million, respectively.

Transaction Costs

We recognized transaction costs of $15 million and $8 million for the three months ended September 30, 2021 and 2020, respectively, and $28 million and $192 million for the nine months ended September 30, 2021 and 2020, respectively. These costs were associated with legal and professional services and were recognized as Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income.

Pro Forma Information

The following unaudited pro forma financial information gives effect to the Transactions as if they had been completed on January 1, 2019. The unaudited pro forma information was prepared in accordance with the requirements of ASC 805: Business Combinations, which is a different basis than pro forma information prepared under Article 11 of Regulation S-X ("Article 11"). As such, they are not directly comparable with historical results for stand-alone T-Mobile prior to April 1, 2020, historical results for T-Mobile from April 1, 2020 that reflect the Transactions and are inclusive of the results and operations of Sprint, nor our previously provided pro forma financials prepared in accordance with Article 11. The pro forma results for the three and nine months ended September 30, 2020 include the impact of several significant nonrecurring pro forma adjustments to previously reported operating results. The pro forma adjustments are based on historically reported transactions by the respective companies. The pro forma results do not include any anticipated synergies or other expected benefits of the acquisition.

(in millions)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Total revenues	$ 19,269	$ 54,342
Income from continuing operations	1,359	2,461
Income from discontinued operations, net of tax	—	677
Net income	1,359	3,138

Significant nonrecurring pro forma adjustments include:

- Transaction costs of $9 million and $211 million that were incurred during the three and nine months ended September 30, 2020, respectively, are assumed to have occurred on the pro forma close date of January 1, 2019, and are recognized as if incurred in the first quarter of 2019;
- The Prepaid Business divested on July 1, 2020, is assumed to have been classified as discontinued operations as of January 1, 2019, and the related activities are presented in Income from discontinued operations, net of tax;
- Permanent financing issued and debt redemptions occurring in connection with the closing of the Merger are assumed to have occurred on January 1, 2019, and historical interest expense associated with repaid borrowings is removed;
- Tangible and intangible assets are assumed to be recorded at their estimated fair values as of January 1, 2019 and are depreciated or amortized over their estimated useful lives; and
- Accounting policies of Sprint are conformed to those of T-Mobile including depreciation for leased devices, distribution arrangements with Brightstar US, Inc., amortization of costs to acquire a contract and certain tower lease transactions.

The selected unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations would have been had the Transactions actually occurred on January 1, 2019, nor do they purport to project the future consolidated results of operations.

Regulatory Matters

The Transactions were the subject of various legal and regulatory proceedings involving a number of state and federal agencies. In connection with those proceedings and the approval of the Transactions, we have certain commitments and other obligations to various state and federal agencies and certain nongovernmental organizations. See Note 13 - Commitments and Contingencies for further information.

Shenandoah Personal Communications Company Affiliate Relationship

Sprint PCS (specifically Sprint Spectrum L.P.) was party to a variety of publicly filed agreements with Shenandoah Personal Communications Company LLC (“Shentel”), pursuant to which Shentel was the exclusive provider of Sprint PCS’s wireless mobility communications network products in certain parts of Maryland, North Carolina, Virginia, West Virginia, Kentucky, Ohio and Pennsylvania. Pursuant to one such agreement, the Sprint PCS Management Agreement, dated November 5, 1999 (as amended, supplemented and modified from time to time, the “Management Agreement”), Sprint PCS was granted an option to purchase Shentel’s wireless telecommunications assets (the “Wireless Assets”) used to provide services pursuant to the Management Agreement. On August 26, 2020, Sprint, now our indirect subsidiary, on behalf of and as the direct or indirect owner of Sprint PCS, exercised its option by delivering a binding notice of exercise to Shentel.

On May 28, 2021, T-Mobile USA, Inc., a Delaware corporation and our direct wholly owned subsidiary, entered into an asset purchase agreement (the “Purchase Agreement”) with Shentel, for the acquisition of the Wireless Assets for an aggregate purchase price of approximately $1.9 billion in cash, subject to certain adjustments prescribed by the Management Agreement and such additional adjustments agreed by the parties.

Closing of Shentel Wireless Assets Acquisition

On July 1, 2021, upon the completion of certain customary conditions, including the receipt of certain regulatory approvals, we closed on the acquisition of the Wireless Assets pursuant to the Purchase Agreement, and as a result, T-Mobile became the legal owner of the Wireless Assets. Through this transaction, we reacquired the exclusive rights to deliver Sprint’s wireless network services in Shentel’s former affiliate territory and simplified our operations. Concurrently, and as agreed to through the Purchase Agreement, T-Mobile and Shentel entered into certain separate transactions, including the effective settlement of the pre-existing arrangements between T-Mobile and Shentel under the Management Agreement.

In exchange, T-Mobile transferred cash of approximately $2.0 billion, approximately $1.9 billion of which was determined to be consideration transferred for the Wireless Assets and the remainder of which was determined to relate to separate transactions, primarily associated with the effective settlement of pre-existing arrangements between T-Mobile and Shentel. Accordingly, these separate transactions are not included in the calculation of the consideration transferred in exchange for the Wireless Assets, and the settlement of pre-existing arrangements between T-Mobile and Shentel did not result in material gains or losses.

Prior to the acquisition of the Wireless Assets, revenues generated from our affiliate relationship with Shentel were presented as Other service revenues. Upon the close of the transaction, revenues generated from postpaid customers within the reacquired territory are presented as Postpaid revenues within our Condensed Consolidated Statements of Comprehensive Income. The financial results of the Wireless Assets since the closing through September 30, 2021, were not material to our Condensed Consolidated Statements of Comprehensive Income, nor were they material to our prior period consolidated results on a pro forma basis.

Fair Value of Assets Acquired and Liabilities Assumed

We have accounted for the acquisition of the Wireless Assets as a business combination. The identifiable assets acquired and liabilities assumed were recorded at their preliminary fair values as of the acquisition date and consolidated with those of T-Mobile. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgment regarding estimates and assumptions. For the preliminary fair values of the assets acquired and liabilities assumed, we used the cost, income and market approaches, including market participant assumptions.

The following table summarizes the preliminary fair values for each major class of assets acquired and liabilities assumed at the acquisition date. We retained the services of certified valuation specialists to assist with assigning values to certain acquired assets and assumed liabilities. We are in the process of finalizing the valuation of the assets acquired and liabilities assumed, including income tax related amounts. Therefore, the preliminary fair values set forth below are subject to further adjustment as additional information is obtained and the valuations are completed.

(in millions)	July 1, 2021
Inventory	$ 2
Property and equipment	136
Operating lease right-of-use assets	308
Goodwill	1,035
Other intangible assets	770
Other assets	7
Total assets acquired	2,258
Short-term operating lease liabilities	73
Operating lease liabilities	264
Other long-term liabilities	35
Total liabilities assumed	372
Total consideration transferred	$ 1,886

Intangible Assets and Liabilities

Goodwill with a provisionally assigned value of $1.0 billion, substantially all of which is deductible for tax purposes, represents the anticipated cost savings from the operations of the combined company resulting from the planned integration of network infrastructure and facilities, the assembled workforce hired concurrently with the acquisition of Wireless Assets, and the intangible assets that do not qualify for separate recognition. All of the goodwill acquired is allocated to the wireless reporting unit.

Other intangible assets include $770 million of reacquired rights to provide services in Shentel's former affiliate territory which is being amortized on a straight-line basis over a useful life of approximately nine years in line with the remaining term of the Management Agreement upon the acquisition of the Wireless Assets, which represents the period of expected economic benefits associated with the re-acquisition of such rights. This fair value measurement is based on significant inputs not observable in the market, and therefore, represents a Level 3 measurement as defined in ASC 820. The key assumptions in applying the income approach include forecasted subscriber growth rates, revenue over an estimated period of time, the discount rate, estimated capital expenditures, estimated income taxes and the long-term growth rate, as well as forecasted earnings before interest, taxes, depreciation and amortization ("EBITDA") margins.

Note 3 – Receivables and Expected Credit Losses

We maintain an allowance for expected credit losses that assesses the lifetime credit losses that we expect to incur related to our receivable portfolio segments. Each period, management assesses the appropriateness of the level of allowance for credit losses by considering credit risk inherent within each portfolio segment as of period end.

We consider a receivable past due when a customer has not paid us by the contractually specified payment due date. Account balances are written off against the allowance for credit losses if collection efforts are unsuccessful and the receivable balance is deemed uncollectible, based on factors such as customer credit ratings as well as the length of time the amounts are past due.

Our portfolio of receivables is comprised of two portfolio segments: accounts receivable and EIP receivables.

Accounts Receivable Portfolio Segment

Our accounts receivable segment primarily consists of amounts currently due from customers, including service and leased device receivables, device insurance administrators, wholesale partners, third-party retail channels and other carriers.

We estimate expected credit losses associated with our accounts receivable portfolio using an aging schedule methodology that utilizes historical information and current conditions to develop expected credit losses by aging bucket, including for receivables that are not past due.

To determine the appropriate credit loss percentages by aging bucket, we consider a number of factors, including our overall historical credit losses, net of recoveries and timely payment experience as well as current collection trends such as write-off frequency and severity, credit quality of the customer base, and other qualitative factors such as macro-economic conditions, including the expected economic impacts of the COVID-19 pandemic (the “Pandemic”).

We consider the need to adjust our estimate of expected credit losses for reasonable and supportable forecasts of future economic conditions. To do so, we monitor professional forecasts of changes in real U.S. gross domestic product and forecasts of consumer credit behavior for comparable credit exposures. We also periodically evaluate other economic indicators such as unemployment rates to assess their level of correlation with our historical credit loss statistics.

EIP Receivables Portfolio Segment

Based upon customer credit profiles at the time of customer origination, we classify the EIP receivables segment into two customer classes of “Prime” and “Subprime.” Prime customer receivables are those with lower credit risk and Subprime customer receivables are those with higher credit risk. Customers may be required to make a down payment on their equipment purchases. In addition, certain customers within the Subprime category may be required to pay a deposit.

To determine a customer’s credit profile, we use a proprietary credit scoring model that measures the credit quality of a customer using several factors, such as credit bureau information, consumer credit risk scores and service and device plan characteristics.

Installment loans acquired in the Merger are included in EIP receivables. We applied our proprietary credit scoring model to the customers acquired in the Merger with an outstanding EIP receivable balance. Based on tenure, consumer credit risk score and credit profile, these acquired customers were classified into our customer classes of Prime or Subprime.

The following table summarizes the EIP receivables, including imputed discounts and related allowance for credit losses:

(in millions)	September 30, 2021	December 31, 2020
EIP receivables, gross	$ 7,164	$ 6,213
Unamortized imputed discount	(330)	(325)
EIP receivables, net of unamortized imputed discount	6,834	5,888
Allowance for credit losses	(248)	(280)
EIP receivables, net of allowance for credit losses and imputed discount	$ 6,586	$ 5,608
Classified on the balance sheet as:		
Equipment installment plan receivables, net of allowance for credit losses and imputed discount	$ 4,306	$ 3,577
Equipment installment plan receivables due after one year, net of allowance for credit losses and imputed discount	2,280	2,031
EIP receivables, net of allowance for credit losses and imputed discount	$ 6,586	$ 5,608

We manage our EIP receivables portfolio using delinquency and customer credit class as key credit quality indicators. The following table presents the amortized cost of our EIP receivables by delinquency status, customer credit class and year of origination as of September 30, 2021:

	Originated in 2021		Originated in 2020		Originated prior to 2020		Total EIP Receivables, net of unamortized imputed discounts		
(in millions)	Prime	Subprime	Prime	Subprime	Prime	Subprime	Prime	Subprime	Grand total
Current - 30 days past due	$ 2,726	$ 1,917	$ 1,218	$ 712	$ 95	$ 38	$ 4,039	$ 2,667	$ 6,706
31 - 60 days past due	17	30	9	14	1	1	27	45	72
61 - 90 days past due	6	10	4	6	—	1	10	17	27
More than 90 days past due	4	9	3	8	2	3	9	20	29
EIP receivables, net of unamortized imputed discount	$ 2,753	$ 1,966	$ 1,234	$ 740	$ 98	$ 43	$ 4,085	$ 2,749	$ 6,834

We estimate expected credit losses on our EIP receivables by using historical data adjusted for current conditions to calculate default probabilities for our outstanding EIP loans. We consider various risk characteristics when calculating default probabilities, such as how long such loans have been outstanding, customer credit ratings, customer tenure, delinquency status and other correlated variables identified through statistical analyses. We multiply these estimated default probabilities by our estimated loss given default, which considers recoveries.

As we do for our accounts receivable portfolio segment, we consider the need to adjust our estimate of expected losses on EIP receivables for reasonable and supportable forecasts of economic conditions through monitoring external professional forecasts and periodic internal statistical analyses, including the expected economic impacts of the Pandemic.

For EIP receivables acquired in the Merger, the difference between the fair value and unpaid principal balance of the loan at the acquisition date is accreted to interest income over the contractual life of the loan using the effective interest method. EIP receivables had a combined weighted average effective interest rate of 6.1% and 6.7% as of September 30, 2021 and December 31, 2020, respectively.

Activity for the nine months ended September 30, 2021 and 2020, in the allowance for credit losses and unamortized imputed discount balances for the accounts receivable and EIP receivables segments were as follows:

	September 30, 2021			September 30, 2020		
(in millions)	Accounts Receivable Allowance	EIP Receivables Allowance	Total	Accounts Receivable Allowance	EIP Receivables Allowance	Total
Allowance for credit losses and imputed discount, beginning of period	$ 194	$ 605	$ 799	$ 61	$ 399	$ 460
Beginning balance adjustment due to implementation of the new credit loss standard	—	—	—	—	91	91
Bad debt expense	127	132	259	261	228	489
Write-offs, net of recoveries	(192)	(164)	(356)	(114)	(130)	(244)
Change in imputed discount on short-term and long-term EIP receivables	N/A	109	109	N/A	60	60
Impact on the imputed discount from sales of EIP receivables	N/A	(104)	(104)	N/A	(111)	(111)
Allowance for credit losses and imputed discount, end of period	$ 129	$ 578	$ 707	$ 208	$ 537	$ 745

Off-Balance-Sheet Credit Exposures

We do not have material, unmitigated off-balance-sheet credit exposures as of September 30, 2021. In connection with the sales of certain service and EIP accounts receivable pursuant to the sale arrangements, we have deferred purchase price assets included in our Condensed Consolidated Balance Sheets measured at fair value that are based on a discounted cash flow model using Level 3 inputs, including customer default rates and credit worthiness, dilutions and recoveries. See Note 4 – Sales of Certain Receivables for further information.

Note 4 – Sales of Certain Receivables

We have entered into transactions to sell certain service accounts receivable and EIP receivables. The transactions, including our continuing involvement with the sold receivables and the respective impacts to our condensed consolidated financial statements, are described below.

Sales of EIP Receivables

Overview of the Transaction

In 2015, we entered into an arrangement to sell certain EIP receivables on a revolving basis (the "EIP sale arrangement"). The maximum funding commitment of the sale arrangement is $1.3 billion. The scheduled expiration date of the EIP sale arrangement is November 18, 2021.

As of both September 30, 2021 and December 31, 2020, the EIP sale arrangement provided funding of $1.3 billion. Sales of EIP receivables occur daily and are settled on a monthly basis.

In connection with this EIP sale arrangement, we formed a wholly owned subsidiary, which qualifies as a bankruptcy remote entity (the "EIP BRE"). Pursuant to the EIP sale arrangement, our wholly owned subsidiary transfers selected receivables to the EIP BRE. The EIP BRE then sells the receivables to a non-consolidated and unaffiliated third-party entity over which we do not exercise any level of control, nor does the third-party entity qualify as a VIE.

Variable Interest Entity

We determined that the EIP BRE is a VIE as its equity investment at risk lacks the obligation to absorb a certain portion of its expected losses. We have a variable interest in the EIP BRE and have determined that we are the primary beneficiary based on our ability to direct the activities which most significantly impact the EIP BRE's economic performance. Those activities include selecting which receivables are transferred into the EIP BRE and sold in the EIP sale arrangement and funding of the EIP BRE. Additionally, our equity interest in the EIP BRE obligates us to absorb losses and gives us the right to receive benefits from the EIP BRE that could potentially be significant to the EIP BRE. Accordingly, we include the balances and results of operations of the EIP BRE in our condensed consolidated financial statements.

The following table summarizes the carrying amounts and classification of assets, which consist primarily of the deferred purchase price, and liabilities included in our Condensed Consolidated Balance Sheets with respect to the EIP BRE:

(in millions)	September 30, 2021	December 31, 2020
Other current assets	$ 388	$ 388
Other assets	170	120
Other long-term liabilities	3	4

In addition, the EIP BRE is a separate legal entity with its own separate creditors who will be entitled, prior to any liquidation of the EIP BRE, to be satisfied prior to any value in the EIP BRE becoming available to us. Accordingly, the assets of the EIP BRE may not be used to settle our general obligations and creditors of the EIP BRE have limited recourse to our general credit.

Sales of Service Accounts Receivable

Overview of the Transaction

In 2014, we entered into an arrangement to sell certain service accounts receivable on a revolving basis (the "service receivable sale arrangement"). The maximum funding commitment of the service receivable sale arrangement is $950 million, and the facility expires in March 2022. As of September 30, 2021 and December 31, 2020, the service receivable sale arrangement provided funding of $775 million and $772 million, respectively. Sales of receivables occur daily and are settled on a monthly basis. The receivables consist of service charges currently due from customers and are short-term in nature.

In connection with the service receivable sale arrangement, we formed a wholly owned subsidiary, which qualifies as a bankruptcy remote entity, to sell service accounts receivable (the "Service BRE"). In March 2021, we amended the sale arrangement to conform its structure to the EIP sale arrangement (the "March 2021 Amendment"). This involved, among other things, removal of an unaffiliated special purpose entity that we did not consolidate under the original structure and changes in contractual counterparties. While the amendment simplified the structure of the arrangement making it more efficient, it did not impact the maximum funding commitment under, or the level of funding provided by, the facility.

Pursuant to the amended service receivable sale arrangement, our wholly owned subsidiary transfers selected receivables to the Service BRE. The Service BRE then sells the receivables to a non-consolidated and unaffiliated third-party entity over which we do not exercise any level of control and which does not qualify as a VIE.

Variable Interest Entity

Prior to the March 2021 Amendment, the Service BRE did not qualify as a VIE, but due to the significant level of control we exercised over the entity, it was consolidated.

The March 2021 Amendment to the service receivable sale arrangement triggered a VIE reassessment, and we determined that the Service BRE now qualifies as a VIE. We have a variable interest in the Service BRE and have determined that we are the primary beneficiary based on our ability to direct the activities that most significantly impact the Service BRE's economic performance. Those activities include selecting which receivables are transferred into the Service BRE and sold in the service receivable sale arrangement and funding the Service BRE. Additionally, our equity interest in the Service BRE obligates us to absorb losses and gives us the right to receive benefits from the Service BRE that could potentially be significant to the Service BRE. Accordingly, we include the balances and results of operations of the Service BRE in our condensed consolidated financial statements.

The following table summarizes the carrying amounts and classification of assets, which consist primarily of the deferred purchase price, and liabilities included in our Condensed Consolidated Balance Sheets with respect to the Service BRE:

(in millions)	September 30, 2021	December 31, 2020
Other current assets	$ 207	$ 378
Other current liabilities	344	357

In addition, the Service BRE is a separate legal entity with its own separate creditors who will be entitled, prior to any liquidation of the Service BRE, to be satisfied prior to any value in the Service BRE becoming available to us. Accordingly, the assets of the Service BRE may not be used to settle our general obligations, and creditors of the Service BRE have limited recourse to our general credit.

Sales of Receivables

The transfers of service receivables and EIP receivables to the non-consolidated entities are accounted for as sales of financial assets. Once identified for sale, the receivable is recorded at the lower of cost or fair value. Upon sale, we derecognize the net carrying amount of the receivables.

We recognize the cash proceeds received upon sale in Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows. We recognize proceeds net of the deferred purchase price, consisting of a receivable from the purchasers that entitles us to certain collections on the receivables. We recognize the collection of the deferred purchase price in Net cash used in investing activities in our Condensed Consolidated Statements of Cash Flows as Proceeds related to beneficial interests in securitization transactions.

The deferred purchase price represents a financial asset that is primarily tied to the creditworthiness of the customers and which can be settled in such a way that we may not recover substantially all of our recorded investment, due to default by the customers on the underlying receivables. At inception, we elected to measure the deferred purchase price at fair value with changes in fair value included in Selling, general and administrative expense in our Condensed Consolidated Statements of Comprehensive Income. The fair value of the deferred purchase price is determined based on a discounted cash flow model which uses primarily Level 3 inputs, including customer default rates. As of September 30, 2021 and December 31, 2020, our deferred purchase price related to the sales of service receivables and EIP receivables was $764 million and $884 million, respectively.

The following table summarizes the impact of the sale of certain service receivables and EIP receivables in our Condensed Consolidated Balance Sheets:

(in millions)	September 30, 2021	December 31, 2020
Derecognized net service receivables and EIP receivables	$ 2,459	$ 2,528
Other current assets	595	766
of which, deferred purchase price	*594*	*764*
Other long-term assets	170	120
of which, deferred purchase price	*170*	*120*
Other current liabilities	344	357
Other long-term liabilities	3	4
Net cash proceeds since inception	1,753	1,715
Of which:		
Change in net cash proceeds during the year-to-date period	38	(229)
Net cash proceeds funded by reinvested collections	1,715	1,944

We recognized a loss from sales of receivables, including adjustments to the receivables' fair values and changes in fair value of the deferred purchase price, of $4 million and a gain of $18 million, respectively, for the three months ended September 30, 2021 and 2020, respectively, and a gain of $26 million and a loss of $37 million for the nine months ended September 30, 2021 and 2020, respectively, in Selling, general and administrative expense in our Condensed Consolidated Statements of Comprehensive Income.

Continuing Involvement

Pursuant to the sale arrangements described above, we have continuing involvement with the service receivables and EIP receivables we sell as we service the receivables, are required to repurchase certain receivables, including ineligible receivables, aged receivables and receivables where write-off is imminent, and may be responsible for absorbing credit losses through reduced collections on our deferred purchase price assets. We continue to service the customers and their related receivables, including facilitating customer payment collection, in exchange for a monthly servicing fee. As the receivables are sold on a revolving basis, the customer payment collections on sold receivables may be reinvested in new receivable sales. At the direction of the purchasers of the sold receivables, we apply the same policies and procedures while servicing the sold receivables as we apply to our owned receivables, and we continue to maintain normal relationships with our customers. Pursuant to the EIP sale arrangement, under certain circumstances, we are required to deposit cash or replacement EIP receivables primarily for contracts terminated by customers under our JUMP! program.

Note 5 – Goodwill, Spectrum License Transactions and Other Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2021, and the year ended December 31, 2020, are as follows:

(in millions)	Goodwill
Balance as of December 31, 2019, net of accumulated impairment losses of $10,766	$ 1,930
Goodwill from acquisitions in 2020	9,405
Layer3 goodwill impairment	(218)
Balance as of December 31, 2020	11,117
Purchase price adjustment of goodwill from acquisitions in 2020	22
Goodwill from acquisitions in 2021	1,049
Balance as of September 30, 2021	$ 12,188
Accumulated impairment losses at September 30, 2021	$ (10,984)

On April 1, 2020, we completed the Merger, which was accounted for as a business combination resulting in $9.4 billion in goodwill. The acquired goodwill was allocated to the wireless reporting unit and will be tested for impairment at this level. See Note 2 - Business Combinations for further information.

On July 1, 2021, we completed our acquisition of the Wireless Assets from Shentel, which was accounted for as a business combination resulting in $1.0 billion in goodwill. The acquired goodwill was allocated to the wireless reporting unit and will be tested for impairment at this level. See Note 2 - Business Combinations for further information.

Intangible Assets

Identifiable Intangible Assets Acquired in the Sprint Merger

The following table summarizes the fair value of the intangible assets acquired in the Sprint Merger:

	Weighted Average Useful Life (in years)	Fair Value as of April 1, 2020 (in millions)
Spectrum licenses	Indefinite-lived	$ 45,400
Tradenames [(1)]	2 years	207
Customer relationships	8 years	4,900
Favorable spectrum leases	18 years	745
Other intangible assets	7 years	428
Total intangible assets acquired		$ 51,680

(1) Tradenames include the Sprint brand.

Spectrum licenses are issued for a fixed period of time, typically up to 15 years; however, the FCC has granted license renewals routinely and at a nominal cost. The spectrum licenses acquired expire at various dates and we believe we will be able to meet all requirements necessary to secure renewal of our spectrum licenses at a nominal cost. Moreover, we determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of our spectrum licenses. Therefore, we determined the spectrum licenses should be treated as indefinite-lived intangible assets. The fair value of spectrum licenses includes the value associated with aggregating a nationwide portfolio of owned and leased spectrum.

Favorable spectrum leases represent a contract where the market rate is higher than the future contractual lease payments. We lease this spectrum from third parties who hold the spectrum licenses. As these contracts pertain to intangible assets, they are excluded from the lease accounting guidance (ASC 842) and are accounted for as service contracts in which the expense is recognized on a straight-line basis over the lease team. Favorable spectrum leases of $745 million were recorded as an intangible asset as a result of purchase accounting and are amortized on a straight-line basis over the associated remaining lease term. Additionally, we recognized unfavorable spectrum lease liabilities of $125 million, which are also amortized over their respective remaining lease terms and are included in Other liabilities in our Condensed Consolidated Balance Sheets.

The customer relationship intangible assets represent the value associated with the acquired Sprint customers. The customer relationship intangible assets are amortized using the sum-of-the-years' digits method over periods of up to eight years.

Other intangible assets are amortized over the remaining period that the asset is expected to provide benefit to us.

Identifiable Intangible Assets Acquired in the Shentel Acquisition

We reacquired certain rights under the Management Agreement in connection with the acquisition of the Wireless Assets that provided us the ability to fully do business in Shentel's former affiliate territories. We recognized an intangible asset for these reacquired rights at its preliminary fair value of $770 million as of July 1, 2021. The reacquired rights intangible asset is being amortized on a straight-line basis over a useful life of approximately nine years in line with the remaining term of the Management Agreement upon the acquisition of the Wireless Assets.

Spectrum Licenses

The following table summarizes our spectrum license activity for the nine months ended September 30, 2021:

(in millions)	2021
Spectrum licenses, beginning of year	$ 82,828
Spectrum license acquisitions	9,515
Spectrum licenses transferred to held for sale	(15)
Costs to clear spectrum	261
Spectrum licenses, end of period	$ 92,589

In March 2021, the FCC announced that we were the winning bidder of 142 licenses in Auction 107 ("C-band spectrum") for an aggregate purchase price of $9.3 billion, excluding relocation costs. At the inception of Auction 107 in October 2020, we deposited $438 million. Upon conclusion of Auction 107 in March 2021, we paid the FCC the remaining $8.9 billion for the licenses won in the auction. On July 23, 2021, the FCC issued to us the licenses won in Auction 107. The licenses are included in Spectrum licenses in our Condensed Consolidated Balance Sheets as of September 30, 2021. Cash payments to acquire spectrum licenses and payments for costs to clear spectrum are included in (Purchases) refunds of spectrum licenses and other intangible assets, including deposits in our Condensed Consolidated Statements of Cash Flows for the three and nine months ended September 30, 2021. We expect to incur an additional $1.0 billion in relocation costs which will be paid through 2024.

As of September 30, 2021, the activities that are necessary to get the C-band spectrum ready for its intended use have not begun, as such, capitalization of the interest associated with the costs of acquiring the C-band spectrum has not begun.

Other Intangible Assets

The components of Other intangible assets were as follows:

		September 30, 2021			December 31, 2020		
(in millions)	Useful Lives	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer relationships	Up to 8 years	$ 4,903	$ (1,643)	$ 3,260	$ 4,900	$ (865)	$ 4,035
Reacquired rights	Up to 9 years	770	(23)	747	—	—	—
Tradenames and patents	Up to 19 years	610	(511)	99	598	(412)	186
Favorable spectrum leases	Up to 27 years	731	(64)	667	790	(35)	755
Other	Up to 10 years	377	(103)	274	377	(55)	322
Other intangible assets		$ 7,391	$ (2,344)	$ 5,047	$ 6,665	$ (1,367)	$ 5,298

Amortization expense for intangible assets subject to amortization was $316 million and $383 million for the three months ended September 30, 2021 and 2020, respectively, and $977 million and $794 million for the nine months ended September 30, 2021 and 2020, respectively.

The estimated aggregate future amortization expense for intangible assets subject to amortization are summarized below:

(in millions)	Estimated Future Amortization
Twelve Months Ending September 30,	
2022	$ 1,128
2023	956
2024	799
2025	641
2026	480
Thereafter	1,043
Total	$ 5,047

Substantially all of the estimated future amortization expense is associated with intangible assets acquired in the Merger and through our acquisitions of affiliates.

Note 6 – Fair Value Measurements

The carrying values of Cash and cash equivalents, Accounts receivable, Accounts receivable from affiliates, Accounts payable and accrued liabilities and borrowings under vendor financing arrangements with our primary network equipment suppliers approximate fair value due to the short-term maturities of these instruments.

Derivative Financial Instruments

Periodically, we use derivatives to manage exposure to market risk, such as interest rate risk. We designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship (cash flow hedge) to help minimize significant, unplanned fluctuations in cash flows caused by interest rate volatility. We do not use derivatives for trading or speculative purposes.

Interest Rate Lock Derivatives

In October 2018, we entered into interest rate lock derivatives with notional amounts of $9.6 billion. In November 2019, we extended the mandatory termination date on our interest rate lock derivatives to June 3, 2020. For the three months ended March 31, 2020, we made net collateral transfers to certain of our derivative counterparties totaling $580 million, which included variation margin transfers to (or from) such derivative counterparties based on daily market movements. No amounts were transferred to the derivative counterparties subsequent to March 31, 2020. These collateral transfers are included in Net cash related to derivative contracts under collateral exchange arrangements within Net cash used in investing activities in our Condensed Consolidated Statements of Cash Flows.

We recorded interest rate lock derivatives on our Condensed Consolidated Balance Sheets at fair value that was derived primarily from observable market data, including yield curves. Interest rate lock derivatives were classified as Level 2 in the fair value hierarchy. Cash flows associated with qualifying hedge derivative instruments are presented in the same category on the Condensed Consolidated Statements of Cash Flows as the item being hedged.

Aggregate changes in the fair value of the interest rate lock derivatives, net of tax and amortization, of $1.5 billion and $1.6 billion are presented in Accumulated other comprehensive loss on our Condensed Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020, respectively.

Between April 2 and April 6, 2020, in connection with the issuance of an aggregate of $19.0 billion of Senior Secured Notes bearing interest rates ranging from 3.500% to 4.500% and maturing in 2025 through 2050, we terminated our interest rate lock derivatives.

At the time of termination in the second quarter of 2020, the interest rate lock derivatives were a liability of $2.3 billion, of which $1.2 billion was cash-collateralized. The cash flows associated with the settlement of interest rate lock derivatives are presented on a gross basis in our Condensed Consolidated Statements of Cash Flows, with the total cash payments to settle the swaps of $2.3 billion presented in changes in Other current and long-term liabilities within Net cash provided by operating activities and the return of cash collateral of $1.2 billion presented as an inflow in Net cash related to derivative contracts under collateral exchange arrangements within Net cash used in investing activities for the nine months ended September 30, 2020.

Upon the issuance of debt to which the hedged interest rate risk related, we began amortizing the Accumulated other comprehensive loss related to the derivatives into Interest expense in a manner consistent with how the hedged interest payments affect earnings. For the three and nine months ended September 30, 2021, $47 million and $140 million, respectively, was amortized from Accumulated other comprehensive loss into Interest expense in the Condensed Consolidated Statements of Comprehensive Income. For the three and nine months ended September 30, 2020, $44 million and $83 million, respectively, was amortized from Accumulated other comprehensive loss into Interest expense. We expect to amortize $200 million of the Accumulated other comprehensive loss associated with the derivatives into Interest expense over the next 12 months.

Deferred Purchase Price Assets

In connection with the sales of certain service and EIP accounts receivable pursuant to the sale arrangements, we have deferred purchase price assets measured at fair value that are based on a discounted cash flow model using unobservable Level 3 inputs, including customer default rates. See Note 4 – Sales of Certain Receivables for further information.

The carrying amounts of our deferred purchase price assets, which are measured at fair value on a recurring basis and are included in our Condensed Consolidated Balance Sheets, were $764 million and $884 million at September 30, 2021 and December 31, 2020, respectively. Fair value was equal to carrying amount at September 30, 2021 and December 31, 2020.

Debt

The fair value of our Senior Unsecured Notes and Senior Secured Notes to third parties was determined based on quoted market prices in active markets, and therefore were classified as Level 1 within the fair value hierarchy. The fair value of our Senior Notes to affiliates was determined based on a discounted cash flow approach using market interest rates of instruments with similar terms and maturities and an estimate for our standalone credit risk. Accordingly, our Senior Notes to affiliates were classified as Level 2 within the fair value hierarchy.

Although we have determined the estimated fair values using available market information and commonly accepted valuation methodologies, considerable judgment was required in interpreting market data to develop fair value estimates for the Senior

Notes to affiliates. The fair value estimates were based on information available as of September 30, 2021 and December 31, 2020. As such, our estimates are not necessarily indicative of the amount we could realize in a current market exchange.

The carrying amounts and fair values of our short-term and long-term debt included in our Condensed Consolidated Balance Sheets were as follows:

(in millions)	Level within the Fair Value Hierarchy	September 30, 2021		December 31, 2020	
		Carrying Amount (1)	Fair Value (1)	Carrying Amount (1)	Fair Value (1)
Liabilities:					
Senior Unsecured Notes to third parties	1	$ 31,408	$ 33,465	$ 29,966	$ 32,450
Senior Notes to affiliates	2	3,734	3,884	4,716	4,991
Senior Secured Notes to third parties	1	37,264	39,802	36,204	40,519

(1) Excludes $69 million and $240 million as of September 30, 2021 and December 31, 2020, respectively, in vendor financing arrangements and other debt as the carrying values approximate fair value primarily due to the short-term maturities of these instruments.

Note 7 – Debt

The following table sets forth the debt balances and activity as of, and for the nine months ended, September 30, 2021**:**

(in millions)	December 31, 2020	Proceeds from Issuances and Borrowings (1)	Note Redemptions (1)	Repayments	Reclassifications (1)	Other (2)	September 30, 2021
Short-term debt	$ 4,579	$ —	$ (2,250)	$ (1,063)	$ 920	$ (90)	$ 2,096
Long-term debt	61,830	11,758	(5,737)	(23)	(920)	(263)	66,645
Total debt to third parties	66,409	11,758	(7,987)	(1,086)	—	(353)	68,741
Short-term debt to affiliates	—	—	—	—	2,231	9	2,240
Long-term debt to affiliates	4,716	—	(996)	—	(2,231)	5	1,494
Total debt	$ 71,125	$ 11,758	$ (8,983)	$ (1,086)	$ —	$ (339)	$ 72,475

(1) Issuances and borrowings, note redemptions, and reclassifications are recorded net of related issuance costs, discounts and premiums.

(2) Other includes the amortization of premiums, discounts, debt issuance costs and consent fees.

Our effective interest rate, excluding the impact of derivatives and capitalized interest, was approximately 4.0% and 4.5% for the three months ended September 30, 2021 and 2020, respectively, and 4.1% and 4.7% for the nine months ended September 30, 2021 and 2020, respectively, on weighted average debt outstanding of $74.5 billion and $69.6 billion for the three months ended September 30, 2021 and 2020, respectively, and $74.4 billion and $54.5 billion for the nine months ended September 30, 2021 and 2020, respectively. The weighted average debt outstanding was calculated by applying an average of the monthly ending balances of total short-term and long-term debt and short-term and long-term debt to affiliates, net of unamortized premiums, discounts, debt issuance costs and consent fees.

Issuances and Borrowings

During the nine months ended September 30, 2021, we issued the following Senior Notes and Senior Secured Notes:

(in millions)	Principal Issuances	Premiums/Discounts and Issuance Costs	Net Proceeds from Issuance of Long-Term Debt	Issue Date
2.250% Senior Notes due 2026	$ 1,000	$ (7)	$ 993	January 14, 2021
2.625% Senior Notes due 2029	1,000	(7)	993	January 14, 2021
2.875% Senior Notes due 2031	1,000	(6)	994	January 14, 2021
2.625% Senior Notes due 2026	1,200	(7)	1,193	March 23, 2021
3.375% Senior Notes due 2029	1,250	(7)	1,243	March 23, 2021
3.500% Senior Notes due 2031	1,350	(8)	1,342	March 23, 2021
2.250% Senior Notes due 2026	800	(2)	798	May 13, 2021
3.375% Senior Notes due 2029	1,100	6	1,106	May 13, 2021
3.500% Senior Notes due 2031	1,100	6	1,106	May 13, 2021
Total of Senior Notes issued	$ 9,800	$ (32)	$ 9,768	
3.400% Senior Secured Notes due 2052	$ 1,300	$ (11)	$ 1,289	August 13, 2021
3.600% Senior Secured Notes due 2060	700	1	701	August 13, 2021
Total of Senior Secured Notes issued	$ 2,000	$ (10)	$ 1,990	

Credit Facilities

On October 30, 2020, we entered into a $5.0 billion senior secured term loan commitment with certain financial institutions. On January 14, 2021, we issued an aggregate of $3.0 billion of Senior Notes. A portion of the senior secured term loan commitment was reduced by an amount equal to the aggregate gross proceeds of the Senior Notes, which reduced the commitment to $2.0 billion. On March 23, 2021, we issued an aggregate of $3.8 billion of Senior Notes. The senior secured term loan commitment was terminated upon the issuance of the $3.8 billion of Senior Notes.

Note Redemptions and Repayments

During the nine months ended September 30, 2021, we made the following note redemptions and repayments:

(in millions)	Principal Amount	Write-off of Issuance Cost and Consent Fees (1)	Redemption Premium (2)	Redemption Date	Redemption Price
6.500% Senior Notes due 2026	$ 2,000	$ 36	$ 65	March 27, 2021	103.250 %
6.000% Senior Notes due 2023	1,300	10	—	May 23, 2021	100.000 %
6.000% Senior Notes due 2024	1,000	9	—	May 23, 2021	100.000 %
5.125% Senior Notes due 2025	500	3	6	May 23, 2021	101.281 %
4.500% Senior Notes due 2026	1,000	5	23	August 23, 2021	102.250 %
7.250% Senior Notes due 2021	2,250	—	—	September 15, 2021	N/A
Total Senior Notes to third parties redeemed	$ 8,050	$ 63	$ 94		
4.500% Senior Notes to affiliates due 2026	$ 1,000	$ 4	$ 22	August 23, 2021	102.250 %
Total Senior Notes to affiliates redeemed	$ 1,000	$ 4	$ 22		
3.360% Secured Series 2016-1 A-1 Notes due 2021	$ 656	$ —	$ —	August 20, 2021	N/A
4.738% Secured Series 2018-1 A-1 Notes due 2025	263	—	—	Various	N/A
Other debt	167	—	—	Various	N/A
Total Repayments	$ 1,086	$ —	$ —		

(1) Write-off of issuance costs and consent fees are included in Other expense, net in our Condensed Consolidated Statements of Comprehensive Income. Write-off of issuance costs and consent fees are included in Loss on redemption of debt within Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.
(2) The redemption premium is the excess paid over the principal amount. Redemption premiums are included within Other expense, net in our Condensed Consolidated Statements of Comprehensive Income and within Net cash used in financing activities in our Condensed Consolidated Statements of Cash Flows.

Restricted Cash

Certain provisions of our debt agreements require us to maintain specified cash collateral balances. Amounts associated with these balances are considered to be restricted cash.

Note 8 – Tower Obligations

Existing CCI Tower Lease Arrangements

In 2012, we conveyed to Crown Castle International Corp. (“CCI”) the exclusive right to manage and operate approximately 6,200 tower sites (“CCI Lease Sites”) via a master prepaid lease with site lease terms ranging from 23 to 37 years. CCI has fixed-price purchase options for the CCI Lease Sites totaling approximately $2.0 billion, exercisable at the end of the lease term. We lease back a portion of the space at certain tower sites for an initial term of 10 years, followed by optional renewals at customary terms.

Assets and liabilities associated with the operation of the tower sites were transferred to special purpose entities (“SPEs”). Assets included ground lease agreements or deeds for the land on which the towers are situated, the towers themselves and existing subleasing agreements with other mobile network operator tenants that lease space at the tower sites. Liabilities included the obligation to pay ground lease rentals, property taxes and other executory costs.

We determined the SPEs containing the CCI Lease Sites (“Lease Site SPEs”) are VIEs as they lack sufficient equity to finance their activities. We have a variable interest in the Lease Site SPEs but are not the primary beneficiary as we lack the power to direct the activities that most significantly impact the Lease Site SPEs’ economic performance. These activities include managing tenants and underlying ground leases, performing repair and maintenance on the towers, the obligation to absorb expected losses and the right to receive the expected future residual returns from the purchase option to acquire the CCI Lease Sites. As we determined that we are not the primary beneficiary and do not have a controlling financial interest in the Lease Site SPEs, the Lease Site SPEs are not included in our condensed consolidated financial statements.

However, we also considered if this arrangement resulted in the sale of the CCI Lease Sites for which we would de-recognize the tower assets. By assessing whether control had transferred, we concluded that transfer of control criteria, as discussed in the revenue standard, were not met. Accordingly, we recorded this arrangement as a financing whereby we recorded debt, a financial obligation, and the CCI Lease Sites tower assets remained on our balance sheet. We recorded long-term financial obligations in the amount of the net proceeds received and recognize interest on the tower obligations at a rate of approximately 8% using the effective interest method. The tower obligations are increased by interest expense and amortized through contractual leaseback payments made by us to CCI and through net cash flows generated and retained by CCI from operation of the tower sites.

Acquired CCI Tower Lease Arrangements

Prior to the Merger, Sprint entered into a lease-out and leaseback arrangement with Global Signal Inc., a third party that was subsequently acquired by CCI, that conveyed to CCI the exclusive right to manage and operate approximately 6,400 tower sites (“Master Lease Sites”) via a master prepaid lease. These agreements were assumed upon the close of the Merger, at which point the remaining term of the lease-out was approximately 17 years with no renewal options. CCI has a fixed price purchase option for all (but not less than all) of the leased or subleased sites for approximately $2.3 billion, exercisable one year prior to the expiration of the agreement and ending 120 days prior to the expiration of the agreement. We lease back a portion of the space at certain tower sites for an initial term of 10 years, followed by optional renewals at customary terms.

We considered if this arrangement resulted in the sale of the Master Lease Sites for which we would de-recognize the tower assets. By assessing whether control had transferred, we concluded that transfer of control criteria, as discussed in the revenue standard, were not met. Accordingly, we recorded this arrangement as a financing whereby we recorded debt, a financial obligation, and the Master Lease Sites tower assets remained on our balance sheet.

As of the closing date of the Merger, we recognized Property and equipment with a fair value of $2.8 billion and tower obligations related to amounts owed to CCI under the leaseback of $1.1 billion. Additionally, we recognized $1.7 billion in Other long-term liabilities associated with contract terms that are unfavorable to current market rates, which includes unfavorable terms associated with the fixed-price purchase option in 2037.

We recognize interest expense on the tower obligations at a rate of approximately 6% using the effective interest method. The tower obligations are increased by interest expense and amortized through contractual leaseback payments made by us to CCI.

The tower assets are reported in Property and equipment, net in our Condensed Consolidated Balance Sheets and are depreciated to their estimated residual values over the expected useful life of the towers, which is 20 years.

The following table summarizes the balances associated with both of the tower arrangements in the Condensed Consolidated Balance Sheets:

(in millions)	September 30, 2021	December 31, 2020
Property and equipment, net	$ 2,591	$ 2,838
Tower obligations	2,862	3,028
Other long-term liabilities	1,712	1,712

Future minimum payments related to the tower obligations are approximately $404 million for the year ending September 30, 2022, $638 million in total for the years ending September 30, 2023 and 2024, $605 million in total for the years ending September 30, 2025 and 2026, and $397 million in total for the years thereafter.

We are contingently liable for future ground lease payments through the remaining term of the CCI Lease Sites and the Master Lease Sites. These contingent obligations are not included in Operating lease liabilities as any amount due is contractually owed by CCI based on the subleasing arrangement. Under the arrangement, we remain primarily liable for ground lease payments on approximately 900 sites and have included lease liabilities of $282 million in our Operating lease liabilities as of September 30, 2021.

Note 9 – Revenue from Contracts with Customers

Disaggregation of Revenue

We provide wireless communications services to three primary categories of customers:

- Postpaid customers generally include customers who are qualified to pay after receiving wireless communications services utilizing phones, home internet, wearables, DIGITS (a service that allows our customers to use multiple mobile numbers on any compatible smartphone or device with internet connection), or other connected devices which includes tablets and SyncUP products;
- Prepaid customers generally include customers who pay for wireless communications services in advance; and
- Wholesale customers include Machine-to-Machine and Mobile Virtual Network Operator customers that operate on our network but are managed by wholesale partners.

Postpaid service revenues, including postpaid phone revenues and postpaid other revenues, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2021	2020	2021	2020
Postpaid service revenues				
Postpaid phone revenues	$ 9,952	$ 9,532	$ 29,102	$ 24,450
Postpaid other revenues	852	677	2,497	1,605
Total postpaid service revenues	$ 10,804	$ 10,209	$ 31,599	$ 26,055

We operate as a single operating segment. The balances presented within each revenue line item in our Condensed Consolidated Statements of Comprehensive Income represent categories of revenue from contracts with customers disaggregated by type of product and service. Service revenues also include revenues earned for providing premium services to customers, such as device insurance services and customer-based, third-party services. Revenue generated from the lease of mobile communication devices is included within Equipment revenues in our Condensed Consolidated Statements of Comprehensive Income.

We provide wireline communication services to domestic and international customers. Wireline service revenues were $179 million and $563 million for the three and nine months ended September 30, 2021, respectively, and were $213 million and $424 million for the three and nine months ended September 30, 2020, respectively. Wireline service revenues are presented in Other service revenues in our Condensed Consolidated Statements of Comprehensive Income.

Equipment revenues from the lease of mobile communication devices were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2021	2020	2021	2020
Equipment revenues from the lease of mobile communication devices	$ 770	$ 1,350	$ 2,725	$ 2,936

Contract Balances

The contract asset and contract liability balances from contracts with customers as of December 31, 2020 and September 30, 2021, were as follows:

(in millions)	Contract Assets	Contract Liabilities
Balance as of December 31, 2020	$ 278	$ 824
Balance as of September 30, 2021	262	792
Change	$ (16)	$ (32)

Contract assets primarily represent revenue recognized for equipment sales with promotional bill credits offered to customers that are paid over time and are contingent on the customer maintaining a service contract.

The change in the contract asset balance includes customer activity related to new promotions, offset by billings on existing contracts and impairment which is recognized as bad debt expense. The current portion of our Contract assets of approximately $201 million and $204 million as of September 30, 2021 and December 31, 2020, respectively, was included in Other current assets in our Condensed Consolidated Balance Sheets.

Contract liabilities are recorded when fees are collected, or we have an unconditional right to consideration (a receivable) in advance of delivery of goods or services. Changes in contract liabilities are primarily related to the activity of prepaid customers. Contract liabilities are primarily included in Deferred revenue in our Condensed Consolidated Balance Sheets.

Revenues for the three and nine months ended September 30, 2021 and 2020 include the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2021	2020	2021	2020
Amounts included in the beginning of year contract liability balance	$ 29	$ 5	$ 753	$ 543

Remaining Performance Obligations

As of September 30, 2021, the aggregate amount of transaction price allocated to remaining service performance obligations for postpaid contracts with subsidized devices and promotional bill credits that result in an extended service contract is $1.0 billion. We expect to recognize revenue as the service is provided on these postpaid contracts over an extended contract term of 24 months at the time of origination.

As of September 30, 2021, the aggregate amount of transaction price allocated to remaining service and lease performance obligations associated with operating leases was $286 million and $173 million, respectively. We expect to recognize this revenue as service is provided over the lease contract term of 18 months.

Information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less has been excluded from the above, which primarily consists of monthly service contracts.

Certain of our wholesale, roaming and service contracts include variable consideration based on usage. This variable consideration has been excluded from the disclosure of remaining performance obligations. As of September 30, 2021, the aggregate amount of the contractual minimum consideration for wholesale, roaming and service contracts is $386 million, $1.4 billion and $1.0 billion for 2021, 2022, and 2023 and beyond, respectively. These contracts have a remaining duration ranging from less than one year to nine years.

Contract Costs

The total balance of deferred incremental costs to obtain contracts was $1.3 billion and $1.1 billion as of September 30, 2021 and December 31, 2020, respectively, and is included in Other assets in our Condensed Consolidated Balance Sheets. Deferred contract costs incurred to obtain postpaid service contracts are amortized over a period of 24 months. The amortization period is monitored to reflect any significant change in assumptions. Amortization of deferred contract costs is included in Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income and was $277 million and $221 million for the three months ended September 30, 2021 and 2020, respectively, and $789 million and $631 million for the nine months ended September 30, 2021 and 2020, respectively.

The deferred contract cost asset is assessed for impairment on a periodic basis. There were no impairment losses recognized on deferred contract cost assets for the three and nine months ended September 30, 2021 and 2020.

Note 10 – Income Taxes

Within our Condensed Consolidated Statements of Comprehensive Income, we recorded an Income tax benefit on continuing operations of $3 million and Income tax expense of $407 million for the three months ended September 30, 2021 and 2020, respectively, and Income tax expense of $520 million and $715 million for the nine months ended September 30, 2021 and 2020, respectively.

The change for the three months ended September 30, 2021 was primarily from tax benefits associated with legal entity reorganization related to historical Sprint entities, including a reduction in the valuation allowance against deferred tax assets in certain state jurisdictions and lower income before income taxes. The change for the nine months ended September 30, 2021 was primarily from tax benefits associated with legal entity reorganization related to historical Sprint entities, including a reduction in the valuation allowance against deferred tax assets in certain state jurisdictions, and a reduction in expenses that were not deductible for income tax purposes, partially offset by higher income before income taxes.

The effective tax rate from continuing operations was (0.3)% and 24.5% for the three months ended September 30, 2021 and 2020, respectively, and 16.7% and 26.4% for the nine months ended September 30, 2021 and 2020, respectively.

We continue to monitor positive and negative evidence related to the utilization of our deferred tax assets subject to a valuation allowance. It is possible the valuation allowance we deem to be necessary will be reduced within the next 12 months.

Note 11 – Earnings Per Share

The computation of basic and diluted earnings per share was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except shares and per share amounts)	**2021**	**2020**	**2021**	**2020**
Income from continuing operations	$ 691	$ 1,253	$ 2,602	$ 1,994
Income from discontinued operations, net of tax	—	—	—	320
Net income	$ 691	$ 1,253	$ 2,602	$ 2,314
Weighted average shares outstanding - basic	1,248,189,719	1,238,450,665	1,246,441,464	1,111,511,964
Effect of dilutive securities:				
Outstanding stock options and unvested stock awards	5,471,526	11,348,075	7,950,323	10,528,564
Weighted average shares outstanding - diluted	1,253,661,245	1,249,798,740	1,254,391,787	1,122,040,528
Basic earnings per share:				
Continuing operations	$ 0.55	$ 1.01	$ 2.09	$ 1.79
Discontinued operations	—	—	—	0.29
Earnings per share - basic	$ 0.55	$ 1.01	$ 2.09	$ 2.08
Diluted earnings per share:				
Continuing operations	$ 0.55	$ 1.00	$ 2.07	$ 1.78
Discontinued operations	—	—	—	0.28
Earnings per share - diluted	$ 0.55	$ 1.00	$ 2.07	$ 2.06
Potentially dilutive securities:				
Outstanding stock options and unvested stock awards	127,732	54,485	87,968	30,469
SoftBank contingent consideration (1)	48,751,557	48,751,557	48,751,557	32,738,272

(1) Represents the weighted average SoftBank Specified Shares that are contingently issuable from the acquisition date of April 1, 2020.

As of September 30, 2021, we had authorized 100 million shares of preferred stock, with a par value of $0.00001 per share. There was no preferred stock outstanding as of September 30, 2021 and 2020. Potentially dilutive securities were not included in the computation of diluted earnings per share if to do so would have been anti-dilutive or if there was a loss from continuing operations for the period.

The SoftBank Specified Shares Amount of 48,751,557 shares of T-Mobile common stock was determined to be contingent consideration for the Merger and is not dilutive until the defined volume-weighted average price per share is reached.

Note 12 – Leases

Lessee

We are a lessee for non-cancelable operating and financing leases for cell sites, switch sites, retail stores, network equipment and office facilities with contractual terms that generally extend through 2035. Additionally, we lease dark fiber through non-cancelable operating leases with contractual terms that generally extend through 2041. The majority of cell site leases have a non-cancelable term of five to 15 years with several renewal options that can extend the lease term from five to 35 years. In addition, we have financing leases for network equipment that generally have a non-cancelable lease term of two to five years. The financing leases do not have renewal options and contain a bargain purchase option at the end of the lease.

On September 15, 2021, we modified the terms of one of our master lease agreements, which resulted in a $1.0 billion advance rent payment. Our operating lease liabilities were reduced as a result of this prepayment.

Maturities of lease liabilities as of September 30, 2021, were as follows:

(in millions)	Operating Leases	Finance Leases
Twelve Months Ending September 30,		
2022	$ 3,655	$ 1,196
2023	4,282	846
2024	3,892	555
2025	3,401	150
2026	2,949	48
Thereafter	17,817	37
Total lease payments	35,996	2,832
Less: imputed interest	6,640	91
Total	$ 29,356	$ 2,741

Interest payments for financing leases were $15 million and $19 million for the three months ended September 30, 2021 and 2020, respectively, and $51 million and $59 million for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, we have additional operating leases for cell sites and commercial properties that have not yet commenced with future lease payments of approximately $227 million.

As of September 30, 2021, we were contingently liable for future ground lease payments related to certain tower obligations. These contingent obligations are not included in the above table as the amounts owed are contractually owed by Crown Castle International Corp. based on the subleasing arrangement. See Note 8 - Tower Obligations and Note 9 - Tower Obligations in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020, for further information.

Note 13 – Commitments and Contingencies

Purchase Commitments

We have commitments for non-dedicated transportation lines with varying expiration terms that generally extend through 2030. In addition, we have commitments to purchase wireless devices, network services, equipment, software, marketing sponsorship agreements and other items in the ordinary course of business, with various terms through 2045.

Our purchase commitments are approximately $4.5 billion for the twelve-month period ending September 30, 2022, $5.6 billion in total for the twelve-month periods ending September 30, 2023 and 2024, $2.2 billion in total for the twelve-month periods ending September 30, 2025 and 2026, and $1.7 billion in total thereafter. These amounts are not reflective of our entire anticipated purchases under the related agreements but are determined based on the non-cancelable quantities or termination amounts to which we are contractually obligated.

Spectrum Leases

In connection with the Merger, we assumed certain spectrum lease contracts from Sprint that include service obligations to the lessors. Certain of the spectrum leases provide for minimum lease payments, additional charges, renewal options and escalation clauses. Leased spectrum agreements have varying expiration terms that generally extend through 2050. We expect that all renewal periods in our spectrum leases will be exercised by us.

Our spectrum lease and service credit commitments, including renewal periods, are approximately $360 million for the twelve-month period ending September 30, 2022, $617 million in total for the twelve-month periods ending September 30, 2023 and 2024, $591 million in total for the twelve-month periods ending September 30, 2025 and 2026 and $4.8 billion in total thereafter.

We accrue a monthly obligation for the services and equipment based on the total estimated available service credits divided by the term of the lease. The obligation is reduced by services provided and as actual invoices are presented and paid to the lessors. The maximum remaining service commitment on September 30, 2021 was $87 million and is expected to be incurred over the term of the related lease agreements, which generally range from 15 to 30 years.

Merger Commitments

In connection with the regulatory proceedings and approvals of the Transactions, we have commitments and other obligations to various state and federal agencies and certain nongovernmental organizations, including pursuant to the Consent Decree agreed to by us, DT, Sprint, SoftBank and DISH Network Corporation (“DISH”) and entered by the U.S. District Court for the District of Columbia, and the FCC’s memorandum opinion and order approving our applications for approval of the Merger. These commitments and obligations include, among other things, extensive 5G network build-out commitments, obligations to deliver high-speed wireless services to the vast majority of Americans, including Americans residing in rural areas, and the marketing of an in-home broadband product where spectrum capacity is available. Other commitments relate to national security, pricing, service, employment and support of diversity initiatives. Many of the commitments specify time frames for compliance. Failure to fulfill our obligations and commitments in a timely manner could result in substantial fines, penalties, or other legal and administrative actions.

We expect that our monetary commitments associated with these matters are approximately $9 million for the twelve-month period ending September 30, 2022, $13 million in total for the twelve-month periods ending September 30, 2023 and 2024 and $1 million in total for the twelve-month periods ending September 30, 2025 and 2026. These amounts do not represent our entire anticipated costs to achieve specified network coverage and performance requirements, employment targets or commitments to provide access to affordable rate plans, but represent only those amounts for which we are required to make a specified payment in connection with our commitments or settlements.

Contingencies and Litigation

Litigation and Regulatory Matters

We are involved in various lawsuits and disputes, claims, government agency investigations and enforcement actions, and other proceedings (“Litigation and Regulatory Matters”) that arise in the ordinary course of business, which include claims of patent infringement (most of which are asserted by non-practicing entities primarily seeking monetary damages), class actions, and proceedings to enforce FCC rules and regulations. Those Litigation and Regulatory Matters are at various stages, and some of them may proceed to trial, arbitration, hearing, or other adjudication that could result in fines, penalties, or awards of monetary or injunctive relief in the coming 12 months if they are not otherwise resolved. We have established an accrual with respect to certain of these matters, where appropriate. The accruals are reflected in the condensed consolidated financial statements but they are not considered to be, individually or in the aggregate, material. An accrual is established when we believe it is both probable that a loss has been incurred and an amount can be reasonably estimated. For other matters, where we have not determined that a loss is probable or because the amount of loss cannot be reasonably estimated, we have not recorded an accrual due to various factors typical in contested proceedings, including, but not limited to, uncertainty concerning legal theories and their resolution by courts or regulators, uncertain damage theories and demands, and a less than fully developed factual record. For Litigation and Regulatory Matters that may result in a contingent gain, we recognize such gains in the condensed consolidated financial statements when the gain is realized or realizable. Except as otherwise specified below, we do not expect that the ultimate resolution of these Litigation and Regulatory Matters, individually or in the aggregate, will have a material adverse effect on our financial position, but we note that an unfavorable outcome of some or all of the specific matters identified below could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future.

On February 28, 2020, we received a Notice of Apparent Liability for Forfeiture and Admonishment from the FCC, which proposed a penalty against us for allegedly violating section 222 of the Communications Act and the FCC's regulations governing the privacy of customer information. In the first quarter of 2020, we recorded an accrual for an estimated payment amount. We maintained the accrual as of September 30, 2021, which was included in Accounts payable and accrued liabilities in our Condensed Consolidated Balance Sheets.

On April 1, 2020, in connection with the closing of the Merger, we assumed the contingencies and litigation matters of Sprint. Those matters include a wide variety of disputes, claims, government agency investigations and enforcement actions, and other proceedings. These matters include, among other things, certain ongoing FCC and state government agency investigations into Sprint's Lifeline program. In September 2019, Sprint notified the FCC that it had claimed monthly subsidies for serving subscribers even though these subscribers may not have met usage requirements under Sprint's usage policy for the Lifeline program, due to an inadvertent coding issue in the system used to identify qualifying subscriber usage that occurred in July 2017 while the system was being updated. Sprint has made a number of payments to reimburse the federal government and certain states for excess subsidy payments.

We note that pursuant to Amendment No. 2 to the Business Combination Agreement, SoftBank agreed to indemnify us against certain specified matters and losses, including those relating to Lifeline matters. Resolution of these matters could require making additional reimbursements and paying additional fines and penalties, which we do not expect to have a significant impact on our financial results. We expect that any additional liabilities related to these indemnified matters would be indemnified and reimbursed by SoftBank. See Note 2 - Business Combinations for further information.

On June 1, 2021, a putative shareholder class action and derivative action was filed in the Delaware Court of Chancery, *Dinkevich v. Deutsche Telekom AG, et al.*, Case No. C.A. No. 2021-0479, against DT, SoftBank and certain of our current and former officers and directors, asserting breach of fiduciary duty claims relating to the repricing amendment to the Business Combination Agreement, and to SoftBank's monetization of its T-Mobile shares. We are also named as a nominal defendant in the case. We are unable to predict the potential outcome of these claims. We intend to vigorously defend this lawsuit.

On October 2020, we notified MVNOs using the legacy Sprint CDMA network that we planned to sunset that network on December 31, 2021. In response to that notice, DISH, which has Boost Mobile customers who use the legacy Sprint CDMA network, has made several efforts to prevent us from sunsetting the CDMA network until mid-2023, including by urging the U.S. Department of Justice to move for a finding of contempt under the April 1, 2020 Final Judgment entered by the U.S. District Court for the District of Columbia, and by pursuing a Petition for Modification and related proceedings pursuant to the California Public Utilities Commission's April 2020 decision concerning the T-Mobile-Sprint merger. We disagree with the merits of DISH's positions and have opposed them. On October 22, 2021, we announced that we would delay the sunset of the legacy Sprint CDMA network for three months, until March 31, 2022, to, among other things, help ensure that DISH and other MVNOs fulfill their contractual responsibilities and transition customers off the legacy Sprint CDMA network before the sunset. We cannot predict the outcome of the proceedings described above, but we intend to vigorously oppose any efforts to further delay the sunset of the legacy Sprint CDMA network.

On August 12, 2021, we became aware of a potential cybersecurity issue involving unauthorized access to T-Mobile's systems (the "August 2021 cyberattack"). We immediately began an investigation and engaged cybersecurity experts to assist with the assessment of the incident and to help determine what data was impacted. Our investigation uncovered that the perpetrator had illegally gained access to certain areas of our systems on or before March 18, 2021, but only gained access to and took data of current, former, and prospective customers beginning on or about August 3, 2021. With the assistance of our outside cybersecurity experts, we located and closed the unauthorized access to our systems and identified current, former and prospective customers whose information was impacted and notified them, consistent with state and federal requirements. We also undertook a number of other measures to demonstrate our continued support and commitment to data privacy and protection. We also coordinated with law enforcement. Our forensic investigation is now complete and we believe we now have a full view of the data compromised.

As a result of the cyberattack, we have become subject to numerous lawsuits, including multiple class action lawsuits, that have been filed in numerous jurisdictions seeking unspecified monetary damages, costs and attorneys' fees arising out of the cyberattack. A request to consolidate the federal class action lawsuits is pending before the Judicial Panel on Multidistrict Litigation and we anticipate a ruling on that request later this year or in early 2022. There can be no assurance that the request will be granted, and we are unable to predict at this time the potential timing and outcome of any of these claims (whether consolidated or not) and whether we may be subject to further private litigation. We intend to vigorously defend all of these lawsuits.

In addition, the Company has received inquiries from various government agencies, law enforcement and other governmental authorities related to the cyberattack. We are responding to these inquiries and cooperating fully with regulators. However, we cannot predict the timing or outcome of any of these inquiries, and whether we may be subject to further regulatory inquiries.

In light of the inherent uncertainties involved in such matters and based on the information currently available to us, as of the date of this Quarterly Report, we have not recorded any accruals for losses related to the above proceedings and inquiries, as any such amounts (or ranges of amounts) are not probable or estimable at this time. We believe it is reasonably possible that we could incur losses associated with these proceedings and inquiries, and the Company will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable. Ongoing legal and other costs related to these proceedings and inquiries, as well as any potential future proceedings and inquiries, may be substantial, and losses associated with any adverse judgments, settlements, penalties or other resolutions of such proceedings and inquiries could be material to our business, reputation, financial condition, cash flows and operating results.

Note 14 – Restructuring Costs

Upon close of the Merger, we began implementing restructuring initiatives to realize cost efficiencies and reduce redundancies. The major activities associated with the restructuring initiatives to date include contract termination costs associated with the rationalization of retail stores, distribution channels, duplicative network and backhaul services and other agreements, severance costs associated with the integration of redundant processes and functions and the decommissioning of certain small cell sites and distributed antenna systems to achieve synergies in network costs.

The following table summarizes the expenses incurred in connection with our restructuring initiatives:

(in millions)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021	Incurred to Date
Contract termination costs	$ 5	$ 14	$ 192
Severance costs	(3)	16	401
Network decommissioning	36	90	587
Total restructuring plan expenses	$ 38	$ 120	$ 1,180

The expenses associated with the restructuring initiatives are included in Costs of services and Selling, general and administrative in our Condensed Consolidated Statements of Comprehensive Income.

Our restructuring initiatives also include the acceleration or termination of certain of our operating and financing leases for cell sites, switch sites, retail stores, network equipment and office facilities. Incremental expenses associated with accelerating amortization of the right-of-use assets on lease contracts were $265 million and $649 million for the three and nine months ended September 30, 2021, respectively, and are included within Costs of services and Selling, general and administrative in our Condensed Consolidated Statements of Comprehensive Income. Restructuring expenses related to the acceleration or termination of leases were $80 million for both the three and nine months ended September 30, 2020.

The changes in the liabilities associated with our restructuring initiatives, including expenses incurred and cash payments, are as follows:

(in millions)	December 31, 2020	Expenses Incurred	Cash Payments	Adjustments for Non-Cash Items [1]	September 30, 2021
Contract termination costs	$ 81	$ 14	$ (73)	$ (1)	$ 21
Severance costs	52	16	(63)	(3)	2
Network decommissioning	30	90	(88)	(16)	16
Total	$ 163	$ 120	$ (224)	$ (20)	$ 39

(1) Non-cash items consists of non-cash stock-based compensation included within Severance costs and the write-off of assets within Network decommissioning.

The liabilities accrued in connection with our restructuring initiatives are presented in Accounts payable and accrued liabilities in our Condensed Consolidated Balance Sheets.

Our restructuring activities are expected to occur over the next three years with substantially all costs incurred by the end of fiscal year 2023. We are evaluating additional restructuring initiatives, which are dependent on consultations and negotiation with certain counterparties and the expected impact on our business operations, which could affect the amount or timing of the restructuring costs and related payments.

Note 15 – Additional Financial Information

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are summarized as follows:

(in millions)	September 30, 2021	December 31, 2020
Accounts payable	$ 4,101	$ 5,564
Payroll and related benefits	1,205	1,163
Property and other taxes, including payroll	1,606	1,540
Interest	824	771
Commissions	278	399
Toll and interconnect	229	217
Advertising	64	135
Other	428	407
Accounts payable and accrued liabilities	$ 8,735	$ 10,196

Book overdrafts included in accounts payable and accrued liabilities were $245 million and $628 million as of September 30, 2021 and December 31, 2020, respectively.

Supplemental Consolidated Statements of Cash Flows Information

The following table summarizes T-Mobile’s supplemental cash flow information:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2021	2020	2021	2020
Interest payments, net of amounts capitalized	$ 884	$ 940	$ 2,742	$ 1,889
Operating lease payments	2,251	1,349	5,165	3,493
Income tax payments	38	63	123	118
Non-cash investing and financing activities				
Non-cash beneficial interest obtained in exchange for securitized receivables	891	1,535	3,361	4,634
Non-cash consideration for the acquisition of Sprint	—	—	—	33,533
Change in accounts payable and accrued liabilities for purchases of property and equipment	113	(216)	(427)	(555)
Leased devices transferred from inventory to property and equipment	214	599	1,032	2,352
Returned leased devices transferred from property and equipment to inventory	(309)	(433)	(1,170)	(1,030)
Short-term debt assumed for financing of property and equipment	—	—	—	38
Operating lease right-of-use assets obtained in exchange for lease obligations	985	11,833	2,939	13,046
Financing lease right-of-use assets obtained in exchange for lease obligations	623	219	1,109	912

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including information concerning our future results of operations, are forward-looking statements. These forward-looking statements are generally identified by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "could" or similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. The following important factors, along with the Risk Factors included in Part II, Item 1A of this Form 10-Q, could affect future results and cause those results to differ materially from those expressed in the forward-looking statements:

- natural disasters, public health crises, including the COVID-19 pandemic (the "Pandemic"), terrorist attacks or similar incidents;
- adverse economic, political or market conditions in the U.S. and international markets, including those caused by the Pandemic;
- competition, industry consolidation and changes in the market condition for wireless services;
- data loss or other security breaches, such as the criminal cyberattack we became aware of in August 2021;
- the scarcity and cost of additional wireless spectrum, and regulations relating to spectrum use;
- our inability to retain or motivate key personnel, hire qualified personnel or maintain our corporate culture;
- our inability to take advantage of technological developments on a timely basis;
- system failures and business disruptions, allowing for unauthorized use of or interference with our network and other systems;
- the impacts of the actions we have taken and conditions we have agreed to in connection with the regulatory proceedings and approvals of the Transactions (as defined below), including the acquisition by DISH Network Corporation ("DISH") of the prepaid wireless business operated under the Boost Mobile and Sprint prepaid brands (excluding the Assurance brand Lifeline customers and the prepaid wireless customers of Shenandoah Personal Communications Company LLC ("Shentel") and Swiftel Communications, Inc.), including customer accounts, inventory, contracts, intellectual property and certain other specified assets (the "Prepaid Business"), and the assumption of certain related liabilities (the "Prepaid Transaction"), the complaint and proposed final judgment (the "Consent Decree") agreed to by us, Deutsche Telekom AG ("DT"), Sprint Corporation ("Sprint"), SoftBank Group Corp. ("SoftBank") and DISH with the U.S. District Court for the District of Columbia, which was approved by the Court on April 1, 2020, the proposed commitments filed with the Secretary of the Federal Communications Commission ("FCC"), which we announced on May 20, 2019, certain national security commitments and undertakings, and any other commitments or undertakings entered into, including but not limited to, those we have made to certain states and nongovernmental organizations (collectively, the "Government Commitments"), and the challenges in satisfying the Government Commitments in the required time frames and the significant cumulative cost incurred in tracking, monitoring and complying with them;
- our inability to manage the ongoing commercial and transition services arrangements that we entered into with DISH in connection with the Prepaid Transaction, which we completed on July 1, 2020, and known or unknown liabilities arising in connection therewith;
- the effects of any future acquisition, investment, or merger involving us;
- any disruption or failure of our third parties (including key suppliers) to provide products or services for the operation of our business;
- the occurrence of high fraud rates or volumes related to device financing, customer payment cards, third-party dealers, employees, subscriptions, identities or account takeover fraud;
- our substantial level of indebtedness and our inability to service our debt obligations in accordance with their terms or to comply with the restrictive covenants contained therein;
- adverse changes in the ratings of our debt securities or adverse conditions in the credit markets;
- the risk of future material weaknesses we may identify while we work to integrate and align policies, principles and practices of the two companies following the Merger (as defined below), or any other failure by us to maintain effective internal controls, and the resulting significant costs and reputational damage;
- any changes in regulations or in the regulatory framework under which we operate;
- laws and regulations relating to the handling of privacy and data protection;

- unfavorable outcomes of existing or future legal proceedings, including these proceedings and inquiries relating to the criminal cyberattack we became aware of in August 2021;
- our offering of regulated financial services products and exposure to a wide variety of state and federal regulations;
- new or amended tax laws or regulations or administrative interpretations and judicial decisions affecting the scope or application of tax laws or regulations;
- the possibility that we may be unable to renew our spectrum leases on attractive terms or the possible revocation of our existing licenses in the event that we violate applicable laws;
- interests of our significant stockholders that may differ from the interests of other stockholders;
- future sales of our common stock by DT and SoftBank and our inability to attract additional equity financing outside the United States due to foreign ownership limitations by the FCC;
- the volatility of our stock price and our lack of plan to pay cash dividends in the foreseeable future;
- failure to realize the expected benefits and synergies of the merger (the "Merger") with Sprint, pursuant to the Business Combination Agreement with Sprint and the other parties named therein (as amended, the "Business Combination Agreement") and the other transactions contemplated by the Business Combination Agreement (collectively, the "Transactions") in the expected time frames or in the amounts anticipated;
- any delay and costs of, or difficulties in, integrating our business and Sprint's business and operations, and unexpected additional operating costs, customer loss and business disruptions, including challenges in maintaining relationships with employees, customers, suppliers or vendors;
- unanticipated difficulties, disruption, or significant delays in our long-term strategy to migrate Sprint's legacy customers onto T-Mobile's existing billing platforms; and
- changes to existing or the issuance of new accounting standards by the Financial Accounting Standards Board or other regulatory agencies.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. In this Form 10-Q, unless the context indicates otherwise, references to "T-Mobile," "our Company," "the Company," "we," "our," and "us" refer to T-Mobile US, Inc. as a stand-alone company prior to April 1, 2020, the date we completed the Merger with Sprint, and on and after April 1, 2020, refer to the combined company as a result of the Merger.

Investors and others should note that we announce material information to our investors using our investor relations website (https://investor.t-mobile.com), newsroom website (https://t-mobile.com/news), press releases, SEC filings and public conference calls and webcasts. We intend to also use certain social media accounts as means of disclosing information about us and our services and for complying with our disclosure obligations under Regulation FD (the @TMobileIR Twitter account (https://twitter.com/TMobileIR) and the @MikeSievert Twitter account (https://twitter.com/MikeSievert), which Mr. Sievert also uses as a means for personal communications and observations). The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these social media channels in addition to following our press releases, SEC filings and public conference calls and webcasts. The social media channels that we intend to use as a means of disclosing the information described above may be updated from time to time as listed on our Investor Relations website.

Overview

The objectives of our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") are to provide users of our condensed consolidated financial statements with the following:

- A narrative explanation from the perspective of management of our financial condition, results of operations, cash flows, liquidity and certain other factors that may affect future results;
- Context to the financial statements; and
- Information that allows assessment of the likelihood that past performance is indicative of future performance.

Our MD&A is performed on a consolidated basis and is inclusive of the results and operations of Sprint prospectively from the close of the Merger on April 1, 2020. The Merger enhanced our spectrum portfolio, increased our customer base, altered our product mix and created opportunities for synergies in our operations. We anticipate an initial increase in our combined operating costs, which we expect to decrease as we realize synergies. We expect the trends and results of operations of the combined company to be materially different than those of the standalone entities.

Our MD&A is provided as a supplement to, and should be read together with, our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2021, included in Part I, Item 1 of this Form 10-Q and audited consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020. Except as expressly stated, the financial condition and results of operations discussed throughout our MD&A are those of T-Mobile US, Inc. and its consolidated subsidiaries.

Sprint Merger

Transaction Overview

On April 1, 2020, we completed the Merger with Sprint, a communications company offering a comprehensive range of wireless and wireline communications products and services. As a result, Sprint and its subsidiaries became wholly owned consolidated subsidiaries of T-Mobile.

The Merger has altered the size and scope of our operations, impacting our assets, liabilities, obligations, capital requirements and performance measures. We expect the trends and results of operations of the combined company to be materially different than those of the standalone entities. As a combined company, we have been able to enhance the breadth and depth of our nationwide 5G network, accelerate innovation, increase competition in the U.S. wireless and broadband industries and achieve significant synergies and cost reductions by eliminating redundancies within the combined network as well as other business processes and operations.

For more information regarding the Merger, see Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements.

Shentel Wireless Assets Acquisition

On July 1, 2021, we completed the acquisition of Shentel's wireless telecommunications assets (the "Wireless Assets") used to provide Sprint PCS's wireless mobility communications network products in certain parts of Maryland, North Carolina, Virginia, West Virginia, Kentucky, Ohio and Pennsylvania. As a result, T-Mobile become the legal owner of the Wireless Assets.

This transaction represented an opportunity to reacquire the exclusive rights to deliver Sprint's wireless network services in Shentel's former affiliate territory and simplify our operations. The acquisition of the Wireless Assets has altered the composition of certain assets and liabilities on our balance sheet, including Goodwill and Other intangible assets.

For more information regarding our acquisition of the Wireless Assets, see Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements.

Merger-Related Costs

Merger-related costs associated with the Merger and acquisitions of affiliates generally include:

- Integration costs to achieve efficiencies in network, retail, information technology and back office operations, migrate customers to the T-Mobile network and the impact of legal matters assumed as part of the Merger;
- Restructuring costs, including severance, store rationalization and network decommissioning; and
- Transaction costs, including legal and professional services related to the completion of the transactions.

Transaction and restructuring costs are disclosed in Note 2 – Business Combinations and Note 14 - Restructuring Costs, respectively, of the Notes to the Condensed Consolidated Financial Statements. Merger-related costs have been excluded from our calculations of Adjusted EBITDA and Core Adjusted EBITDA, which are non-GAAP financial measures, as we do not consider these costs to be reflective of our ongoing operating performance. See "Adjusted EBITDA and Core Adjusted EBITDA" in the "Performance Measures" section of this MD&A. Cash payments for Merger-related costs, including payments related to our restructuring plan, are included in Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.

Merger-related costs during the three and nine months ended September 30, 2021 and 2020, are presented below:

(in millions)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change $	Change %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change $	Change %
Merger-related costs								
Cost of services, exclusive of depreciation and amortization	$ 279	$ 79	$ 200	253 %	$ 688	$ 119	$ 569	478 %
Cost of equipment sales	236	—	236	NM	340	—	340	NM
Selling, general and administrative	440	209	231	111 %	836	1,110	(274)	(25)%
Total Merger-related costs	$ 955	$ 288	$ 667	232 %	$ 1,864	$ 1,229	$ 635	52 %
Cash payments for Merger-related costs	$ 617	$ 379	$ 238	63 %	$ 1,084	$ 910	$ 174	19 %

NM - Not Meaningful

Merger-related costs will be impacted by restructuring and integration activities expected to occur over the next three years, increasing throughout 2021 and 2022, as we implement initiatives to realize cost efficiencies from the Merger. Transaction costs, including legal and professional service fees related to the completion of the Merger and acquisitions of affiliates, are expected to continue to decrease in periods subsequent to the close of the Merger and acquisitions of affiliates.

Restructuring

Upon the close of the Merger, we began implementing restructuring initiatives to realize cost efficiencies from the Merger. The major activities associated with the restructuring initiatives to date include:

- Contract termination costs associated with rationalization of retail stores, distribution channels, duplicative network and backhaul services and other agreements;
- Severance costs associated with the reduction of redundant processes and functions; and
- The decommissioning of certain small cell sites and distributed antenna systems to achieve synergies in network costs.

Anticipated Impacts

Our integration and restructuring activities are expected to occur over the next three years with substantially all costs incurred by the end of fiscal year 2023. We are evaluating additional restructuring initiatives which are dependent on consultations and negotiation with certain counterparties and the expected impact on our business operations, which could affect the amount or timing of the restructuring costs and related payments. We expect our principal sources of funding to be sufficient to meet our liquidity requirements and anticipated payments associated with the restructuring initiatives.

As a result of our ongoing restructuring activities, we expect to realize cost efficiencies by eliminating redundancies within our combined network as well as other business processes and operations. We expect these activities to result in a reduction of expenses within Cost of services and Selling, general and administrative in our Condensed Consolidated Statements of Comprehensive Income.

For more information regarding our restructuring activities, see Note 14 – Restructuring Costs of the Notes to the Condensed Consolidated Financial Statements.

Cyberattack

As we previously reported in our Current Reports on Forms 8-K furnished with the Securities and Exchange Commission on August 16, 17, 20 and 27, 2021, we were subject to a criminal cyberattack involving unauthorized access to T-Mobile's systems. We became aware of a potential issue on August 12, 2021. We immediately began a forensic investigation and engaged cybersecurity experts to assist with the assessment of the incident and to help determine what data was impacted. As we previously reported, we promptly located and closed the unauthorized access to our systems. Our investigation uncovered that the perpetrator illegally gained access to certain areas of our systems on or about March 18, 2021, but only gained access to and took data of current, former and prospective customers beginning on or about August 3, 2021.

Based on the initial investigation findings, we moved to quickly identify current, former and prospective customers whose information was impacted and notify them, consistent with state and federal requirements. Simultaneously, we undertook a number of other measures to demonstrate our continued support and commitment to data privacy and protection and continued to work with our cybersecurity experts to finish our forensic investigation, with the goal to ensure we had a complete understanding of the scope and impact of the unauthorized access. We also coordinated our efforts with law enforcement.

Our forensic investigation took time, but it is now complete, although our overall investigation into the incident is ongoing. At this time, we believe we have a full view of the data compromised. We have no evidence that individual financial account numbers, such as full credit or debit card numbers, were accessed or taken in relation to the cyberattack.

Throughout our forensic investigation of this cyberattack, our top priority has been to support those individuals impacted by the cyberattack. We sent notifications to our customers and customer accounts whose names, dates of birth, Social Security numbers ("SSNs")/Tax Identifiers ("Tax IDs") and driver's license/identification numbers ("ID Numbers") were taken, consistent with state and federal requirements, including to approximately 7.8 million current customer accounts and approximately 40.0 million former and prospective customers. We also notified an additional 1.9 million former and prospective customers who had their names, dates of birth and ID Numbers (but not valid SSNs/Tax IDs) taken.

Out of an abundance of caution during the earliest days of our investigation and to help alleviate consumer concerns and confusion, we rapidly sent notifications to approximately 5.3 million customer accounts who had their names, dates of birth and addresses taken. These accounts did not have SSNs/Tax IDs or ID Numbers taken. Later in our investigation, we identified approximately 790,000 additional former and prospective customers who had similar information — names, dates of birth and, in many cases, addresses, but not SSNs/Tax IDs or ID Numbers — taken and sent them notifications consistent with state and federal requirements. Our investigation also identified approximately 26.0 million additional individuals with the same types of information taken, but for whom individual notifications were not required under state and federal law in light of the types of information taken. By that point, since our original notifications, we had already launched a broad-reaching communications outreach program through which we kept our customers and the public informed and made information available and accessible on our website to provide support for any individuals who may have been impacted, including information on how they could take steps to protect themselves.

We also took actions to proactively reset the personal identification numbers ("PINs") for approximately 870,000 current customer accounts whose names and PINs may have been taken. We previously reported that further data files including phone numbers, International Mobile Equipment Identity ("IMEI") numbers and International Mobile Subscriber Identity ("IMSI") numbers were taken; a significant portion of this data was related to inactive devices. For a number of additional current Metro customers, these files included names but no other personally identifiable information.

As described above, taking steps to further ensure we are supporting individuals impacted by the cyberattack has been a top priority. As previously reported, this support has included:

- Offering two years of free identity protection services with McAfee's ID Theft Protection Service to any person who believes they may be affected;
- Recommending that all eligible customers sign up for free scam-blocking protection through Scam Shield;
- Supporting individuals impacted by the cyberattack with additional best practices and practical security steps such as resetting PINs and passwords; and
- Publishing a customer support webpage that includes information and access to these tools at https://www.t-mobile.com/brand/data-breach-2021[1].

As described above, we take data protection and the protection of our customers very seriously, and we have worked diligently to further enhance security across our platforms throughout this process. As part of those efforts, and as we have previously reported, we have entered into long-term partnerships with the industry-leading cybersecurity experts at Mandiant, and with consulting firm KPMG LLP, as part of our efforts to ensure that the Company has cybersecurity practices that are among the best in our industry. We have also created a Cyber Transformation Office reporting directly to our Chief Executive Officer that will be responsible for managing our efforts.

We have incurred certain cyberattack-related expenses which were not material and expect to continue to incur additional expenses in future periods, including costs to investigate and remediate the attack, send notifications to customers and provide additional customer support and enhance customer protection, only some of which may be covered and reimbursable by insurance. We also intend to commit substantial additional resources towards cybersecurity initiatives over the next several years.

[1] The reference to this website is intended to be an inactive textual reference and information on or accessible from such website is not included or incorporated in this report.

It is not possible to precisely measure the amount of lost revenue directly attributable to the cyberattack. We are unable to predict the full impact of the cyberattack on customer behavior in the future, including whether a change in our customers' behavior could negatively impact our results of operations on an ongoing basis. Accordingly, we are not able to predict with any certainty any possible future impact to our revenues or expenses attributable to the cyberattack, which could have a material adverse effect on our future results.

As a result of the attack, we are subject to numerous arbitration demands and lawsuits, including class action lawsuits, and regulatory inquiries as described in Note 13 – Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements and Part II, Item 1. Legal Proceedings, and we could be subject to additional lawsuits and inquiries. We are cooperating fully with regulators in connection with the inquiries, though we cannot predict the timing or outcome of any of these inquiries. In light of the inherent uncertainties involved in such matters and based on the information currently available to us, as of the date of this Quarterly Report, we have not recorded any accruals for losses related to the above proceedings and inquiries as any such amounts (or ranges of amounts) are not probable or estimable at this time. We believe it is reasonably possible that we could incur losses associated with these proceedings and inquiries, and the Company will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable. Losses associated with any adverse judgments, settlements, penalties or other resolutions of such proceedings and inquiries, including ongoing costs related thereto, could be material to our business, reputation, financial condition, cash flows and operating results in future periods.

COVID-19 Pandemic

The Pandemic has resulted in a widespread health crisis that has adversely affected businesses, economies, and financial markets worldwide, and has caused significant volatility in the U.S. and international debt and equity markets. The impact of the Pandemic has been wide-ranging, including, but not limited to, the temporary closures of many businesses and schools, "shelter in place" orders, travel restrictions, social distancing guidelines and other governmental, business and individual actions taken in response to the Pandemic. These restrictions have impacted, and will continue to impact, our business, including the demand for our products and services and the ways in which our customers purchase and use them. In addition, the Pandemic has resulted in economic uncertainty and a significant increase in unemployment in the United States, which could affect our customers' purchasing decisions and ability to make timely payments. Beginning in the first quarter of 2020, the Pandemic has peaked, subsided and seen a resurgence, leading to phased re-openings, as well as continuing or renewed containment measures. The availability of vaccines, as well as our continued social distancing measures and incremental cleaning efforts, have facilitated the continued operation of our retail stores, after certain closures during 2020. We will continue to monitor the Pandemic and its impacts and may adjust our actions as needed to continue to provide our products and services to our communities and employees.

As a critical communications infrastructure provider as designated by the government, our focus has been on providing crucial connectivity to our customers and impacted communities while ensuring the safety and well-being of our employees.

Results of Operations

Set forth below is a summary of our consolidated financial results:

(in millions)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change $	Change %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change $	Change %
Revenues								
Postpaid revenues	$ 10,804	$ 10,209	$ 595	6 %	$ 31,599	$ 26,055	$ 5,544	21 %
Prepaid revenues	2,481	2,383	98	4 %	7,259	7,067	192	3 %
Wholesale revenues	944	930	14	2 %	2,776	1,663	1,113	67 %
Other service revenues	493	617	(124)	(20)%	1,772	1,430	342	24 %
Total service revenues	14,722	14,139	583	4 %	43,406	36,215	7,191	20 %
Equipment revenues	4,660	4,953	(293)	(6)%	15,221	11,339	3,882	34 %
Other revenues	242	180	62	34 %	706	502	204	41 %
Total revenues	19,624	19,272	352	2 %	59,333	48,056	11,277	23 %
Operating expenses								
Cost of services, exclusive of depreciation and amortization shown separately below	3,538	3,314	224	7 %	10,413	8,051	2,362	29 %
Cost of equipment sales, exclusive of depreciation and amortization shown separately below	5,145	4,367	778	18 %	15,740	10,563	5,177	49 %
Selling, general and administrative	5,212	4,876	336	7 %	14,840	14,168	672	5 %
Impairment expense	—	—	—	NM	—	418	(418)	(100)%
Depreciation and amortization	4,145	4,150	(5)	—%	12,511	9,932	2,579	26 %
Total operating expenses	18,040	16,707	1,333	8 %	53,504	43,132	10,372	24 %
Operating income	1,584	2,565	(981)	(38)%	5,829	4,924	905	18 %
Other income (expense)								
Interest expense	(780)	(765)	(15)	2 %	(2,392)	(1,726)	(666)	39 %
Interest expense to affiliates	(58)	(44)	(14)	32 %	(136)	(206)	70	(34)%
Interest income	2	3	(1)	(33)%	7	21	(14)	(67)%
Other expense, net	(60)	(99)	39	(39)%	(186)	(304)	118	(39)%
Total other expense, net	(896)	(905)	9	(1)%	(2,707)	(2,215)	(492)	22 %
Income from continuing operations before income taxes	688	1,660	(972)	(59)%	3,122	2,709	413	15 %
Income tax benefit (expense)	3	(407)	410	(101)%	(520)	(715)	195	(27)%
Income from continuing operations	691	1,253	(562)	(45)%	2,602	1,994	608	30 %
Income from discontinued operations, net of tax	—	—	—	NM	—	320	(320)	(100)%
Net income	$ 691	$ 1,253	$ (562)	(45)%	$ 2,602	$ 2,314	$ 288	12 %
Statement of Cash Flows Data								
Net cash provided by operating activities	$ 3,477	$ 2,772	$ 705	25 %	$ 10,917	$ 5,166	$ 5,751	111 %
Net cash used in investing activities	(4,152)	(1,132)	(3,020)	267 %	(17,474)	(9,068)	(8,406)	93 %
Net cash (used in) provided by financing activities	(3,060)	(6,144)	3,084	(50)%	237	9,031	(8,794)	(97)%
Non-GAAP Financial Measures								
Adjusted EBITDA	6,811	7,129	(318)	(4)%	20,622	17,811	2,811	16 %
Core Adjusted EBITDA	6,041	5,779	262	5 %	17,897	14,875	3,022	20 %
Free Cash Flow, excluding gross payments for the settlement of interest rate swaps	1,559	352	1,207	343 %	4,534	2,525	2,009	80 %

NM - Not Meaningful

The following discussion and analysis is for the three and nine months ended September 30, 2021, compared to the same period in 2020 unless otherwise stated.

Total revenues increased $352 million, or 2%, for the three months ended and increased $11.3 billion, or 23%, for the nine months ended September 30, 2021. The components of these changes are discussed below.

Postpaid revenues increased $595 million, or 6%, for the three months ended and increased $5.5 billion, or 21%, for the nine months ended September 30, 2021.

The increase for the three and nine months ended September 30, 2021, was primarily from:

- Higher average postpaid accounts; and
- Higher postpaid ARPA. See "Postpaid ARPA" in the "Performance Measures" section of this MD&A.

Prepaid revenues increased $98 million, or 4%, for the three months ended and increased $192 million, or 3%, for the nine months ended September 30, 2021, primarily from:

- Higher average prepaid customers; and
- Higher prepaid ARPU. See "Prepaid ARPU" in the "Performance Measures" section of this MD&A.

Wholesale revenues increased $14 million, or 2%, for the three months ended and increased $1.1 billion, or 67%, for the nine months ended September 30, 2021.

The increase for the nine months ended September 30, 2021, was primarily from:

- Our Master Network Service Agreement with DISH, which went into effect on July 1, 2020; and
- The success of our other MVNO relationships.

Other service revenues decreased $124 million, or 20%, for the three months ended and increased $342 million, or 24%, for the nine months ended September 30, 2021.

The decrease for the three months ended September 30, 2021, was primarily from:

- Lower advertising and wireline revenues; partially offset by
- Higher Lifeline revenues.

The increase for the nine months ended September 30, 2021, was primarily from:

- Higher Lifeline revenues, primarily associated with operations acquired in the Merger; and
- Inclusion of wireline operations acquired in the Merger.

Equipment revenues decreased $293 million, or 6%, for the three months ended and increased $3.9 billion, or 34%, for the nine months ended September 30, 2021.

The decrease for the three months ended September 30, 2021, was primarily from:

- A decrease of $580 million in lease revenues due to a lower number of customer devices under lease due to the planned shift in device financing from leasing to EIP; and
- A decrease of $117 million in liquidation revenues primarily due to a lower volume of returned devices; partially offset by
- An increase of $397 million in device sales revenue, excluding purchased leased devices, primarily from:

- Higher average revenue per device sold driven by a higher mix of phone versus other devices, partially offset by an increase in promotional activities; and
- An increase in the number of devices sold driven by switching activity returning to more normalized levels compared to the muted conditions from the Pandemic in the prior year and the planned shift in device financing from leasing to EIP.

The increase for the nine months ended September 30, 2021, was primarily from:

- An increase of $3.3 billion in device sales revenue, excluding purchased leased devices, primarily from:
  - An increase in the number of devices sold due to a larger customer base as a result of the Merger, switching activity returning to more normalized levels compared to the muted conditions from the Pandemic in the prior year and the planned shift in device financing from leasing to EIP; and
  - Higher average revenue per device sold driven by a higher mix of phone versus other devices, partially offset by an increase in promotional activities;
- An increase of $325 million in sales of accessories, due to increased retail store traffic due to closures arising from the Pandemic in the prior period and a larger customer base as a result of the Merger;
- An increase of $208 million in liquidation revenues, primarily due to an increase in the high-end device mix and a higher volume of returned devices; and
- An increase of $198 million in purchased leased devices, primarily due to a larger base of leased devices as a result of the Merger; partially offset by
- A decrease of $212 million in lease revenues due to a lower number of customer devices under lease due to the planned shift in device financing from leasing to EIP.

Other revenues increased $62 million, or 34%, for the three months ended and increased $204 million, or 41%, for the nine months ended September 30, 2021, primarily from higher interest income on our EIP receivables.

Operating expenses increased $1.3 billion, or 8%, for the three months ended and increased $10.4 billion, or 24%, for the nine months ended September 30, 2021. The components of this change are discussed below.

Cost of services, exclusive of depreciation and amortization, increased $224 million, or 7%, for the three months ended and increased $2.4 billion, or 29%, for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was primarily from:

- An increase of $200 million in Merger-related costs, including incremental costs associated with network decommissioning and integration; and
- Higher lease expenses related to a new tower master lease agreement executed in 2020.

The increase for the nine months ended September 30, 2021, was primarily from:

- An increase in expenses associated with leases and backhaul agreements acquired in the Merger and the continued build-out of our nationwide 5G network, including a new tower master lease agreement in 2020;
- An increase of $569 million in Merger-related costs including incremental costs associated with network decommissioning and integration; and
- Higher employee-related and benefit-related costs primarily due to increased headcount as a result of the Merger.

Cost of equipment sales, exclusive of depreciation and amortization, increased $778 million, or 18%, for the three months ended and increased $5.2 billion, or 49%, for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was primarily from:

- An increase of $973 million in device cost of equipment sales, excluding purchased leased devices, primarily from:
  - Higher average costs per device sold due to a higher mix of phone versus other devices; and
  - An increase in the number of devices sold driven by switching activity returning to more normalized levels relative to the muted conditions from the Pandemic in the prior year and the planned shift in device financing from leasing to EIP; partially offset by
- A decrease of $127 million in costs related to liquidation due to a lower volume of returned devices.
- Merger-related costs, primarily related to moving Sprint customers to devices that are compatible with the T-Mobile network, were $236 million compared to no Merger-related costs for the three months ended September 30, 2020.

The increase for the nine months ended September 30, 2021, was primarily from:

- An increase of $4.7 billion in device cost of equipment sales, excluding purchased leased devices, primarily from:
  - An increase in the number of devices sold due to a larger customer base as a result of the Merger, switching activity returning to more normalized levels relative to the muted conditions from the Pandemic in the prior year and the planned shift in device financing from leasing to EIP; and
  - Higher average costs per device sold due to a higher mix of phone versus other devices;
- An increase of $183 million in costs related to the liquidation of a higher volume of returned devices;
- An increase of $156 million in cost of accessories, due to increased retail store traffic due to closures arising from the Pandemic in the prior period and a larger customer base as result of the Merger; and
- An increase of $100 million in leased device cost of equipment sales, primarily due to a larger base of leased devices as a result of the Merger.
- Merger-related costs, primarily related to moving Sprint customers to devices that are compatible with the T-Mobile network, were $340 million compared to no Merger-related costs for the nine months ended September 30, 2020.

Selling, general and administrative expenses increased $336 million, or 7%, for the three months ended and increased $672 million, or 5%, for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was primarily from:

- Merger-related costs of $440 million primarily related to integration, restructuring and legal-related expenses, compared to $209 million of Merger-related costs for the three months ended September 30, 2020; and
- Higher advertising expenses.

The increase for the nine months ended September 30, 2021, was primarily from:

- Higher advertising, external labor and professional services and lease expenses primarily from the Merger; and
- Higher employee-related costs due to an increase in the number of employees primarily from the Merger; partially offset by
- Lower bad debt expense.
- Selling, general and administrative expenses for the nine months ended September 30, 2020 included $458 million of supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs. There were insignificant COVID-19 costs for the nine months ended September 30, 2021.
- Merger-related costs of $836 million primarily related to integration, restructuring and legal-related expenses, compared to $1.1 billion of Merger-related costs for the nine months ended September 30, 2020.

Depreciation and amortization decreased slightly for the three months ended and increased $2.6 billion, or 26%, for the nine months ended September 30, 2021.

The decrease for the three months ended September 30, 2021, was primarily from:

- Lower depreciation expense on leased devices resulting from a lower number of total customer devices under lease; and
- Lower amortization of customer relationship intangibles; offset by
- Higher depreciation expense, excluding leased devices, from the continued build-out of our nationwide 5G network.

The increase for the nine months ended September 30, 2021, was primarily from:

- Higher depreciation expense, excluding leased devices, from the continued build-out of our nationwide 5G network;
- Higher depreciation expense on leased devices resulting from a larger base of leased devices as a result of the Merger; and
- Higher amortization from intangible assets.

Operating income, the components of which are discussed above, decreased $981 million, or 38%, for the three months ended and increased $905 million, or 18%, for the nine months ended September 30, 2021.

Interest expense increased $15 million, or 2%, for the three months ended and increased $666 million, or 39%, for the nine months ended September 30, 2021.

The increase for the nine months ended September 30, 2021, was primarily from:

- Higher average debt outstanding due to debt assumed in the Merger and the issuance of debt; and
- Lower capitalized interest; partially offset by
- A lower average effective interest rate due to refinancing of existing debt at lower rates.

Interest expense to affiliates increased $14 million, or 32%, for the three months ended and decreased $70 million, or 34%, for the nine months ended September 30, 2021.

The decrease for the nine months ended September 30, 2021, was primarily from:

- Lower average debt outstanding due to the redemption of debt; partially offset by
- Lower capitalized interest.

Other expense, net decreased $39 million, or 39%, for the three months ended and decreased $118 million, or 39%, for the nine months ended September 30, 2021, primarily from lower losses on the extinguishment of debt.

Income from continuing operations before income taxes, the components of which are discussed above, was $688 million and $1.7 billion for the three months ended September 30, 2021 and 2020, respectively, and was $3.1 billion and $2.7 billion for the nine months ended September 30, 2021 and 2020, respectively.

Income tax expense decreased $410 million for the three months ended and decreased $195 million, or 27%, for the nine months ended September 30, 2021.

The decrease for the three months ended September 30, 2021, was primarily from:

- Tax benefits associated with legal entity reorganization related to historical Sprint entities, including a reduction in the valuation allowance against deferred tax assets in certain state jurisdictions; and
- Lower Income from continuing operations before income taxes.

Our effective tax rate was (0.3)% and 24.5% for the three months ended September 30, 2021 and 2020, respectively.

The decrease for the nine months ended September 30, 2021, was primarily from:

- Tax benefits associated with legal entity reorganization related to historical Sprint entities, including a reduction in the valuation allowance against deferred tax assets in certain state jurisdictions; and
- A reduction in expenses that were not deductible for tax purposes; partially offset by
- Higher Income from continuing operations before income taxes.

Our effective tax rate was 16.7% and 26.4% for the nine months ended September 30, 2021 and 2020, respectively.

Income from continuing operations was $691 million and $1.3 billion for the three months ended September 30, 2021 and 2020, respectively, and was $2.6 billion and $2.0 billion for the nine months ended September 30, 2021 and 2020, respectively. The changes in Income from continuing operations were primarily due to the items discussed above.

Income from discontinued operations, net of tax, was $320 million for the nine months ended September 30, 2020, and consisted of the results of the Prepaid Business that was divested on July 1, 2020. There were no discontinued operations for the three months ended September 30, 2020 and for the three and nine months ended September 30, 2021.

Net income, the components of which are discussed above, decreased $562 million, or 45%, for the three months ended and increased $288 million, or 12%, for the nine months ended September 30, 2021.

Net income for the three months ended September 30, 2021, included the following:

- Merger-related costs, net of tax, of $707 million for the three months ended September 30, 2021, compared to $208 million for the three months ended September 30, 2020.

Net income for the nine months ended September 30, 2021, included the following:

- Merger-related costs, net of tax, of $1.4 billion for the nine months ended September 30, 2021, compared to $960 million for the nine months ended September 30, 2020;
- Impairment expense of $366 million, net of tax, for the nine months ended September 30, 2020, compared to no impairment expense for the nine months ended September 30, 2021; and
- The negative impact of supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs, net of tax, of $339 million for the nine months ended September 30, 2020, compared to an insignificant impact for the nine months ended September 30, 2021.

Guarantor Financial Information

On April 1, 2020, in connection with the closing of the Merger, we assumed certain registered debt to third parties issued by Sprint, Sprint Communications, Inc. and Sprint Capital Corporation (collectively, the "Sprint Issuers"). Amounts previously disclosed for the estimated values of certain acquired assets and liabilities assumed have been adjusted based on additional information arising subsequent to the initial valuation. These revisions to the estimated values did not have a significant impact on our summarized financial information for the consolidated obligor group.

Pursuant to the applicable indentures and supplemental indentures, the Senior Notes to affiliates and third parties issued by T-Mobile USA, Inc. and the Sprint Issuers (collectively, the "Issuers") are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by T-Mobile ("Parent") and certain of Parent's 100% owned subsidiaries ("Guarantor Subsidiaries").

Pursuant to the applicable indentures and supplemental indentures, the Senior Secured Notes to third parties issued by T-Mobile USA, Inc. are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by Parent and the Guarantor Subsidiaries, except for the Unsecured Guarantees of Sprint Corporation, Sprint Communications, Inc., and Sprint Capital Corporation, which are provided on a senior unsecured basis.

The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. The indentures, supplemental indentures and credit agreements governing the long-term debt contain covenants that, among other things, limit the ability of the Issuers or borrowers and the Guarantor Subsidiaries to incur more debt, pay dividends and make distributions, make certain investments, repurchase stock, create liens or other encumbrances, enter into transactions with affiliates, enter into transactions that restrict dividends or distributions from subsidiaries, and merge, consolidate or sell, or otherwise dispose of, substantially all of their assets. Certain provisions of each of the credit agreements, indentures and supplemental indentures relating to the long-term debt restrict the ability of the Issuers or borrowers to loan funds or make payments to Parent. However, the Issuers or borrowers and Guarantor Subsidiaries are allowed to make certain permitted payments to Parent under the terms of the indentures, supplemental indentures and credit agreements.

Basis of Presentation

The following tables include summarized financial information of the obligor groups of debt issued by T-Mobile USA, Inc., Sprint, Sprint Communications, Inc., and Sprint Capital Corporation. The summarized financial information of each obligor group is presented on a combined basis with balances and transactions within the obligor group eliminated. Investments in and the equity in earnings of non-guarantor subsidiaries, which would otherwise be consolidated in accordance with U.S. GAAP, are excluded from the below summarized financial information pursuant to SEC Regulation S-X Rule 13-01.

The summarized balance sheet information for the consolidated obligor group of debt issued by T-Mobile USA, Inc. is presented in the table below:

(in millions)	September 30, 2021	December 31, 2020
Current assets	$ 15,673	$ 22,638
Noncurrent assets	174,561	165,294
Current liabilities	18,035	19,982
Noncurrent liabilities	115,104	112,930
Due to non-guarantors	7,842	7,433
Due to related parties	3,826	4,873
Due from related parties	21	22

The summarized results of operations information for the consolidated obligor group of debt issued by T-Mobile USA, Inc. is presented in the table below:

(in millions)	Nine Months Ended September 30, 2021	Year Ended December 31, 2020
Total revenues	$ 58,289	$ 67,112
Operating income	3,635	4,335
Net income	727	1,148
Revenue from non-guarantors	1,229	1,496
Operating expenses to non-guarantors	1,992	2,127
Other expense to non-guarantors	(109)	(114)

The summarized balance sheet information for the consolidated obligor group of debt issued by Sprint and Sprint Communications, Inc. is presented in the table below:

(in millions)	September 30, 2021	December 31, 2020
Current assets	$ 9,013	$ 2,646
Noncurrent assets	9,334	26,278
Current liabilities	11,556	4,209
Noncurrent liabilities	69,262	65,161
Due from non-guarantors	1,293	25,993
Due to related parties	3,826	4,786

The summarized results of operations information for the consolidated obligor group of debt issued by Sprint and Sprint Communications, Inc., since the acquisition of Sprint on April 1, 2020, is presented in the table below:

(in millions)	Nine Months Ended September 30, 2021	Nine Months Ended December 31, 2020
Total revenues	$ 1	$ 10
Operating loss	(248)	(15)
Net loss	(1,127)	(2,229)
Revenue from non-guarantors	2	6
Other income, net, from non-guarantors	1,386	1,084

The summarized balance sheet information for the consolidated obligor group of debt issued by Sprint Capital Corporation is presented in the table below:

(in millions)	September 30, 2021	December 31, 2020
Current assets	$ 9,013	$ 2,646
Noncurrent assets	18,383	35,330
Current liabilities	11,627	4,281
Noncurrent liabilities	74,289	70,253
Due from non-guarantors	10,342	35,046
Due to related parties	3,826	4,786

The summarized results of operations information for the consolidated obligor group of debt issued by Sprint Capital Corporation, since the acquisition of Sprint on April 1, 2020, is presented in the table below:

(in millions)	Nine Months Ended September 30, 2021	Nine Months Ended December 31, 2020
Total revenues	$ 1	$ 10
Operating loss	(248)	(15)
Net loss	(1,070)	(2,165)
Revenue from non-guarantors	2	6
Other income, net, from non-guarantors	1,662	1,085

Affiliates Whose Securities Collateralize Securities Registered or Being Registered

For a description of the collateral arrangements relating to securities of affiliates that collateralize the Senior Secured Notes, please refer to the section entitled "Affiliates Whose Securities Collateralize the Notes and the Guarantees" in the Company's Registration Statement on Form S-4/A filed with the SEC on April 21, 2021, which section is incorporated herein by reference.

The assets, liabilities and results of operations of the combined affiliates whose securities are pledged as Collateral are not materially different than the corresponding amounts presented in the condensed consolidated financial statements of the Company.

Performance Measures

In managing our business and assessing financial performance, we supplement the information provided by our financial statements with other operating or statistical data and non-GAAP financial measures. These operating and financial measures are utilized by our management to evaluate our operating performance and, in certain cases, our ability to meet liquidity requirements. Although companies in the wireless industry may not define each of these measures in precisely the same way, we believe that these measures facilitate comparisons with other companies in the wireless industry on key operating and financial measures.

The performance measures presented below include the impact of the Merger on a prospective basis from the close date of April 1, 2020, and the impact of the acquisition of the Wireless Assets from Shentel on a prospective basis from the close date of July 1, 2021. Historical results prior to the respective close dates have not been retroactively adjusted.

Customers

A customer is generally defined as a SIM number with a unique T-Mobile identifier which is associated with an account that generates revenue. Customers are qualified either for postpaid service utilizing phones, home internet, wearables, DIGITS or other connected devices, which include tablets and SyncUp products, where they generally pay after receiving service, or prepaid service, where they generally pay in advance of receiving service.

The following table sets forth the number of ending customers:

	As of September 30,		Change	
(in thousands)	**2021**	**2020**	**#**	**%**
Customers, end of period				
Postpaid phone customers [1][2]	69,418	65,794	3,624	6 %
Postpaid other customers [1][2]	16,495	13,938	2,557	18 %
Total postpaid customers	85,913	79,732	6,181	8 %
Prepaid customers [1]	21,007	20,630	377	2 %
Total customers	106,920	100,362	6,558	7 %
Acquired customers, net of base adjustments [2]	818	29,228	(28,410)	(97)%

(1) Includes customers acquired in connection with the Merger and certain customer base adjustments. See Customer Base Adjustments and Net Customer Additions tables below.
(2) In the first quarter of 2021, we acquired 11,000 postpaid phone customers and 1,000 postpaid other customers through our acquisition of an affiliate. In the third quarter of 2021, we acquired 716,000 postpaid phone customers and 90,000 postpaid other customers through our acquisition of the Wireless Assets from Shentel.

Total customers increased 6,558,000, or 7%, primarily from:

- Higher postpaid phone customers, primarily due to the continued success of new customer segments and rate plans and continued growth in existing and new markets, along with targeted promotional activity and increased retail store traffic due to closures arising from the Pandemic in the prior period;
- Higher postpaid other customers, primarily due to growth in other connected devices, primarily related to public and educational sector customers and wearable products, and growth in home internet; and
- Higher prepaid customers, primarily due to the continued success of our prepaid business due to promotional activity and rate plan offers.

Customer Base Adjustments

Certain adjustments were made to align the customer reporting policies of T-Mobile and Sprint.

The adjustments made to the reported T-Mobile and Sprint ending customer base as of March 31, 2020, are presented below:

(in thousands)	Postpaid phone customers	Postpaid other customers	Total postpaid customers	Prepaid customers	Total customers
Reconciliation to beginning customers					
T-Mobile customers as reported, end of period March 31, 2020	40,797	7,014	47,811	20,732	68,543
Sprint customers as reported, end of period March 31, 2020	25,916	8,428	34,344	8,256	42,600
Total combined customers, end of period March 31, 2020	66,713	15,442	82,155	28,988	111,143
Adjustments					
Reseller reclassification to wholesale customers (1)	(199)	(2,872)	(3,071)	—	(3,071)
EIP reclassification from postpaid to prepaid (2)	(963)	—	(963)	963	—
Divested prepaid customers (3)	—	—	—	(9,207)	(9,207)
Rate plan threshold (4)	(182)	(918)	(1,100)	—	(1,100)
Customers with non-phone devices (5)	(226)	226	—	—	—
Collection policy alignment (6)	(150)	(46)	(196)	—	(196)
Miscellaneous adjustments (7)	(141)	(43)	(184)	(302)	(486)
Total Adjustments	(1,861)	(3,653)	(5,514)	(8,546)	(14,060)
Adjusted beginning customers as of April 1, 2020	64,852	11,789	76,641	20,442	97,083

(1) In connection with the closing of the Merger, we refined our definition of wholesale customers, resulting in the reclassification of certain postpaid and prepaid reseller customers to wholesale customers. Starting with the three months ended March 31, 2020, we discontinued reporting wholesale customers to focus on postpaid and prepaid customers and wholesale revenues, which we consider more relevant than the number of wholesale customers given the expansion of M2M and IoT products.
(2) Prepaid customers with a device installment billing plan historically included as Sprint postpaid customers have been reclassified to prepaid customers to align with T-Mobile policy.
(3) Customers associated with the Sprint wireless prepaid and Boost Mobile brands that were divested on July 1, 2020, have been excluded from our reported customers.
(4) Customers who have rate plans with monthly recurring charges which are considered insignificant have been excluded from our reported customers.
(5) Customers with postpaid phone rate plans without a phone (e.g., non-phone devices) have been reclassified from postpaid phone to postpaid other customers to align with T-Mobile policy.
(6) Certain Sprint customers subject to collection activity for an extended period of time have been excluded from our reported customers to align with T-Mobile policy.
(7) Miscellaneous insignificant adjustments to align with T-Mobile policy.

Net Customer Additions

The following table sets forth the number of net customer additions:

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(in thousands)	2021	2020	#	%	2021	2020	#	%
Net customer additions								
Postpaid phone customers	673	689	(16)	(2)%	2,073	1,394	679	49 %
Postpaid other customers	586	1,290	(704)	(55)%	1,672	2,474	(802)	(32)%
Total postpaid customers	1,259	1,979	(720)	(36)%	3,745	3,868	(123)	(3)%
Prepaid customers	66	56	10	18 %	293	61	232	NM
Total customers	1,325	2,035	(710)	(35)%	4,038	3,929	109	3 %
Acquired customers, net of base adjustments	806	—	806	NM	818	29,228	(28,410)	(97)%

NM - Not Meaningful

Total net customer additions decreased 710,000, or 35%, for the three months ended and increased 109,000, or 3%, for the nine months ended September 30, 2021.

The decrease for the three months ended September 30, 2021, was primarily from:

- Lower postpaid other net customer additions, primarily due to elevated gross additions in the prior period related to the public and educational sector resulting from the Pandemic, as well as higher churn in the current period related to post-Pandemic demand levels; and
- Lower postpaid phone net customer additions, primarily due to higher churn, mostly offset by higher gross additions driven by switching activity returning to more normalized levels relative to muted conditions from the Pandemic in the prior year and continued growth from T-Mobile for Business; partially offset by
- Higher prepaid net customer additions, primarily driven by higher gross additions, partially offset by higher churn and migrations to postpaid plans.

The increase for the nine months ended September 30, 2021, was primarily from:

- Higher postpaid phone net customer additions, primarily due to increased retail store traffic due to closures arising from the Pandemic in the prior period, partially offset by higher churn; and
- Higher prepaid net customer additions, primarily due to lower churn; partially offset by
- Lower postpaid other net customer additions, primarily due to elevated gross additions in the prior period related to the public and educational sector resulting from the Pandemic and higher disconnects from an increased customer base.

Churn

Churn represents the number of customers whose service was disconnected as a percentage of the average number of customers during the specified period further divided by the number of months in the period. The number of customers whose service was disconnected is presented net of customers that subsequently have their service restored within a certain period of time. We believe that churn provides management, investors and analysts with useful information to evaluate customer retention and loyalty.

The following table sets forth the churn:

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2021	2020		2021	2020	
Postpaid phone churn	0.96 %	0.90 %	6 bps	0.93 %	0.85 %	8 bps
Prepaid churn	2.90 %	2.86 %	4 bps	2.76 %	3.07 %	-31 bps

Postpaid phone churn increased 6 basis points for the three months ended and increased 8 basis points for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was primarily from:

- More normalized switching activity relative to the muted Pandemic-driven conditions a year ago; and
- Elevated Sprint churn during the accelerated integration process.

The increase for the nine months ended September 30, 2021, was primarily from:

- Higher churn from customers acquired in the Merger; and
- More normalized switching activity relative to the muted Pandemic-driven conditions a year ago.

Prepaid churn increased 4 basis points for the three months ended and decreased 31 basis points for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was primarily from more normalized switching activity relative to the muted Pandemic-driven conditions a year ago.

The decrease for the nine months ended September 30, 2021, was primarily from:

- Promotional activity; and
- Improved quality of recently acquired customers.

Total Postpaid Accounts

A postpaid account is generally defined as a billing account number that generates revenue. Postpaid accounts are generally comprised of customers that are qualified for postpaid service utilizing phones, home internet, wearables, DIGITS or other connected devices which include tablets and SyncUp products, where they generally pay after receiving service.

(in thousands)	As of September 30, 2021	As of September 30, 2020	Change #	Change %
Accounts, end of period				
Total postpaid customer accounts [(1)(2)]	26,901	25,623	1,278	5 %

(1) Includes accounts acquired in connection with the Merger and certain account base adjustments. See Account Base Adjustments table below.
(2) In the third quarter of 2021, we acquired 270,000 postpaid accounts through our acquisition of the Wireless Assets of Shentel.

Total postpaid customer accounts increased 1,278,000, or 5%, primarily due to the continued success of new customer segments and rate plans, continued growth in existing and new markets, including our home internet product, along with promotional activity and increased retail store traffic due to closures arising from the Pandemic in the prior period.

Account Base Adjustments

Certain adjustments were made to align the account reporting policies of T-Mobile and Sprint.

The adjustments made to the reported T-Mobile and Sprint ending account base as of March 31, 2020 are presented below:

(in thousands)	Postpaid Accounts
Reconciliation to beginning accounts	
T-Mobile accounts as reported, end of period March 31, 2020	15,244
Sprint accounts, end of period March 31, 2020	11,246
Total combined accounts, end of period March 31, 2020	26,490
Adjustments	
Reseller reclassification to wholesale accounts [(1)]	(1)
EIP reclassification from postpaid to prepaid [(2)]	(963)
Rate plan threshold [(3)]	(18)
Collection policy alignment [(4)]	(76)
Miscellaneous adjustments [(5)]	(47)
Total Adjustments	(1,105)
Adjusted beginning accounts as of April 1, 2020	25,385

(1) In connection with the closing of the Merger, we refined our definition of wholesale accounts resulting in the reclassification of certain postpaid and prepaid reseller accounts to wholesale accounts.
(2) Prepaid accounts with a customer with a device installment billing plan historically included as Sprint postpaid accounts have been reclassified to prepaid accounts to align with T-Mobile policy.
(3) Accounts with customers who have rate plans with monthly recurring charges which are considered insignificant have been excluded from our reported accounts.
(4) Certain Sprint accounts subject to collection activity for an extended period of time have been excluded from our reported accounts to align with T-Mobile policy.
(5) Miscellaneous insignificant adjustments to align with T-Mobile policy.

Average Revenue Per User

ARPU represents the average monthly service revenue earned from customers. We believe ARPU provides management, investors and analysts with useful information to assess and evaluate our service revenue per customer and assist in forecasting our future service revenues generated from our customer base. Postpaid phone ARPU excludes postpaid other customers and related revenues, which include home internet, wearables, DIGITS and other connected devices such as tablets and SyncUp products.

The following table illustrates the calculation of our operating measure ARPU and reconciles this measure to the related service revenues:

(in millions, except average number of customers and ARPU)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change $	Change %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change $	Change %
Calculation of Postpaid Phone ARPU								
Postpaid service revenues	$ 10,804	$ 10,209	$ 595	6 %	$ 31,599	$ 26,055	$ 5,544	21 %
Less: Postpaid other revenues	(852)	(677)	(175)	26 %	(2,497)	(1,605)	(892)	56 %
Postpaid phone service revenues	9,952	9,532	420	4 %	29,102	24,450	4,652	19 %
Divided by: Average number of postpaid phone customers (in thousands) and number of months in period	69,033	65,437	3,596	5 %	67,848	56,971	10,877	19 %
Postpaid phone ARPU	$ 48.06	$ 48.55	$ (0.49)	(1)%	$ 47.66	$ 47.69	$ (0.03)	NM
Calculation of Prepaid ARPU								
Prepaid service revenues	$ 2,481	$ 2,383	$ 98	4 %	$ 7,259	$ 7,067	$ 192	3 %
Divided by: Average number of prepaid customers (in thousands) and number of months in period	20,936	20,632	304	1 %	20,886	20,591	295	1 %
Prepaid ARPU	$ 39.49	$ 38.49	$ 1.00	3 %	$ 38.61	$ 38.13	$ 0.48	1 %

NM - Not Meaningful

Postpaid Phone ARPU

Postpaid phone ARPU decreased $0.49, or 1%, for the three months ended and was essentially flat for the nine months ended September 30, 2021.

The decrease for the three months ended September 30, 2021, was primarily from:

- Promotional activity; and
- The impact of the transition of Sprint customers to tax-inclusive rate plans; partially offset by
- Higher premium services, including Magenta Max.

Postpaid phone ARPU was essentially flat for the nine months ended September 30, 2021, and was primarily impacted by:

- Promotional activity; and
- The impact of the transition of Sprint customers to tax-inclusive rate plans; offset by
- Higher premium services, including Magenta Max; and
- The net impact of customers acquired in the Merger, which have higher ARPU (net of changes arising from the reduction in base due to policy adjustments and reclassification of certain ARPU components from the acquired customers being moved to other revenue lines).

Prepaid ARPU

Prepaid ARPU increased $1.00, or 3%, for the three months ended and increased $0.48, or 1%, for the nine months ended September 30, 2021, primarily due to:

- Higher premium services; and
- Higher revenues due to improved rate plan mix; partially offset by
- A reduction in certain non-recurring charges.

Average Revenue Per Account

Average Revenue per Account ("ARPA") represents the average monthly postpaid service revenue earned per account. We believe postpaid ARPA provides management, investors and analysts with useful information to assess and evaluate our postpaid service revenue realization and assist in forecasting our future postpaid service revenues on a per account basis. We consider postpaid ARPA to be indicative of our revenue growth potential given the increase in the average number of postpaid phone customers per account and increases in postpaid other customers, including home internet, wearables, DIGITS or other connected devices, which include tablets and SyncUp products.

The following table illustrates the calculation of our operating measure ARPA and reconciles this measure to the related service revenues:

(in millions, except average number of accounts, ARPA)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2021	2020	$	%	2021	2020	$	%
Calculation of Postpaid ARPA								
Postpaid service revenues	$ 10,804	$ 10,209	$ 595	6 %	$ 31,599	$ 26,055	$ 5,544	21 %
Divided by: Average number of postpaid accounts (in thousands) and number of months in period	26,766	25,582	1,184	5 %	26,264	22,054	4,210	19 %
Postpaid ARPA	$ 134.54	$ 133.03	$ 1.51	1 %	$ 133.68	$ 131.27	$ 2.41	2 %

Postpaid ARPA

Postpaid ARPA increased $1.51, or 1%, for the three months ended and increased $2.41, or 2%, for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was primarily from:

- Higher premium services, including Magenta Max; and
- An increase in customers per account; partially offset by
- Promotional activity; and
- The impact of the transition of Sprint customers to tax-inclusive rate plans.

The increase for the nine months ended September 30, 2021, was primarily from:

- An increase in customers per account; and
- Higher premium service, including Magenta Max; partially offset by
- Promotional activity; and
- The impact of the transition of Sprint customers to tax-inclusive rate plans.

Adjusted EBITDA and Core Adjusted EBITDA

Beginning in the first quarter of 2021, we began disclosing Core Adjusted EBITDA as a financial measure to improve comparability as we de-emphasize device leasing programs as part of our value proposition.

Adjusted EBITDA represents earnings before Interest expense, net of Interest income, Income tax expense, Depreciation and amortization, stock-based compensation and certain income and expenses not reflective of our ongoing operating performance. Core Adjusted EBITDA represents Adjusted EBITDA less device lease revenues. Adjusted EBITDA margin represents Adjusted EBITDA divided by Service revenues. Core Adjusted EBITDA margin represents Core Adjusted EBITDA divided by Service revenues.

Adjusted EBITDA, Adjusted EBITDA margin, Core Adjusted EBITDA and Core Adjusted EBITDA margin are non-GAAP financial measures utilized by our management to monitor the financial performance of our operations. We use Adjusted EBITDA internally as a measure to evaluate and compensate our personnel and management for their performance. We use Adjusted EBITDA and Core Adjusted EBITDA as benchmarks to evaluate our operating performance in comparison to our competitors. Management believes analysts and investors use Adjusted EBITDA and Core Adjusted EBITDA as supplemental measures to evaluate overall operating performance and facilitate comparisons with other wireless communications services companies because they are indicative of our ongoing operating performance and trends by excluding the impact of interest expense from financing, non-cash depreciation and amortization from capital investments, stock-based compensation, Merger-related costs including network decommissioning costs and incremental costs directly attributable to the Pandemic, as they are not indicative of our ongoing operating performance, as well as certain other nonrecurring income and expenses. Management believes analysts and investors use Core Adjusted EBITDA because it normalizes for the transition in the Company's device financing strategy, by excluding the impact of device lease revenues from Adjusted EBITDA, to align with the exclusion of the related depreciation expense on leased devices from Adjusted EBITDA. Adjusted EBITDA, Adjusted EBITDA margin, Core Adjusted EBITDA and Core Adjusted EBITDA margin have limitations as analytical tools and should not be considered in isolation or as substitutes for income from operations, net income or any other measure of financial performance reported in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

The following table illustrates the calculation of Adjusted EBITDA and Core Adjusted EBITDA and reconciles Adjusted EBITDA and Core Adjusted EBITDA to Net income, which we consider to be the most directly comparable GAAP financial measure:

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(in millions)	**2021**	**2020**	**$**	**%**	**2021**	**2020**	**$**	**%**
Net income	$ 691	$ 1,253	$ (562)	(45)%	$ 2,602	$ 2,314	$ 288	12 %
Adjustments:								
Income from discontinued operations, net of tax	—	—	—	NM	—	(320)	320	(100)%
Income from continuing operations	691	1,253	(562)	(45)%	2,602	1,994	608	30 %
Interest expense	780	765	15	2 %	2,392	1,726	666	39 %
Interest expense to affiliates	58	44	14	32 %	136	206	(70)	(34)%
Interest income	(2)	(3)	1	(33)%	(7)	(21)	14	(67)%
Other expense, net	60	99	(39)	(39)%	186	304	(118)	(39)%
Income tax (benefit) expense	(3)	407	(410)	(101)%	520	715	(195)	(27)%
Operating income	1,584	2,565	(981)	(38)%	5,829	4,924	905	18 %
Depreciation and amortization	4,145	4,150	(5)	—%	12,511	9,932	2,579	26 %
Operating income from discontinued operations [1]	—	—	—	NM	—	432	(432)	(100)%
Stock-based compensation [2]	127	125	2	2 %	386	387	(1)	—%
Merger-related costs	955	288	667	232 %	1,864	1,229	635	52 %
COVID-19-related costs	—	—	—	NM	—	458	(458)	(100)%
Impairment expense	—	—	—	NM	—	418	(418)	(100)%
Other, net [3]	—	1	(1)	(100)%	32	31	1	3 %
Adjusted EBITDA	6,811	7,129	(318)	(4)%	20,622	17,811	2,811	16 %
Lease revenues	(770)	(1,350)	580	(43)%	(2,725)	(2,936)	211	(7)%
Core Adjusted EBITDA	$ 6,041	$ 5,779	$ 262	5 %	$ 17,897	$ 14,875	$ 3,022	20 %
Net income margin (Net income divided by Service revenues)	5 %	9 %		-400 bps	6 %	6 %		— bps
Adjusted EBITDA margin (Adjusted EBITDA divided by Service revenues)	46 %	50 %		-400 bps	48 %	49 %		-100 bps
Core Adjusted EBITDA margin (Core Adjusted EBITDA divided by Service revenues)	41 %	41 %		— bps	41 %	41 %		— bps

NM - Not Meaningful

(1) Following the Prepaid Transaction starting on July 1, 2020, we provide MVNO services to DISH. We have included the operating income from April 1, 2020 through June 30, 2020, in our determination of Adjusted EBITDA to reflect contributions of the Prepaid Business that were replaced by the MVNO Agreement beginning on July 1, 2020 in order to enable management, analysts and investors to better assess ongoing operating performance and trends.

(2) Stock-based compensation includes payroll tax impacts and may not agree with stock-based compensation expense in the condensed consolidated financial statements. Additionally, certain stock-based compensation expenses associated with the Transactions have been included in Merger-related costs.

(3) Other, net may not agree with the Condensed Consolidated Statements of Comprehensive Income primarily due to certain non-routine operating activities, such as other special items that would not be expected to reoccur or are not reflective of T-Mobile's ongoing operating performance, and are, therefore, excluded from Adjusted EBITDA and Core Adjusted EBITDA.

Core Adjusted EBITDA increased $262 million, or 5%, for the three months ended and increased $3.0 billion, or 20%, for the nine months ended September 30, 2021. The components comprising Core Adjusted EBITDA are discussed further above.

The increase for the three months ended September 30, 2021 was primarily due to:

- Higher Total service revenues; and
- Higher Equipment revenues, excluding Lease revenues; partially offset by
- Higher Cost of equipment sales, excluding Merger-related costs.

The increase for the nine months ended September 30, 2021, was primarily due to:

- Higher Total service revenues; and
- Higher Equipment revenues, excluding Lease revenues; partially offset by
- Higher Cost of equipment sales, excluding Merger-related costs;
- Higher Cost of services, excluding Merger-related costs; and
- Higher Selling, general and administrative expenses, excluding Merger-related costs and supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs.

Adjusted EBITDA decreased $318 million, or 4%, for the three months ended and increased $2.8 billion, or 16%, for the nine months ended September 30, 2021. The changes were primarily due to the fluctuations in Core Adjusted EBITDA, discussed above, including changes in Lease revenues. Lease revenues decreased $580 million for the three months ended and $211 million for the nine months ended September 30, 2021.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents and cash generated from operations, proceeds from issuance of long-term debt and common stock, financing leases, the sale of certain receivables, financing arrangements of vendor payables which effectively extend payment terms and the Revolving Credit Facility (as defined below). Further, the incurrence of additional indebtedness may inhibit our ability to incur new debt under the terms governing our existing and future indebtedness, which may make it more difficult for us to incur new debt in the future to finance our business strategy.

Cash Flows

The following is a condensed schedule of our cash flows for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(in millions)	**2021**	**2020**	**$**	**%**	**2021**	**2020**	**$**	**%**
Net cash provided by operating activities	$ 3,477	$ 2,772	$ 705	25 %	$ 10,917	$ 5,166	$ 5,751	111 %
Net cash used in investing activities	(4,152)	(1,132)	(3,020)	267 %	(17,474)	(9,068)	(8,406)	93 %
Net cash (used in) provided by financing activities	(3,060)	(6,144)	3,084	(50)%	237	9,031	(8,794)	(97)%

Operating Activities

Net cash provided by operating activities increased $705 million, or 25%, for the three months ended and increased $5.8 billion, or 111%, for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was primarily from:

- A $1.8 billion decrease in net cash outflows from changes in working capital, primarily due to lower use of cash from Accounts receivable, Accounts payable and accrued liabilities and Inventories, partially offset by higher use of cash from operating lease liabilities, including a $1.0 billion advance rent payment related to the modification of one of our master lease agreements; partially offset by
- A $1.1 billion decrease in Net income, adjusted for non-cash income and expense.
- Net cash provided by operating activities includes $617 million and $379 million in payments for Merger-related costs for the three months ended September 30, 2021 and 2020, respectively.

The increase for the nine months ended September 30, 2021, was primarily from:

- A $4.2 billion decrease in net cash outflows from changes in working capital, primarily due to the one-time impact of $2.3 billion in gross payments for the settlement of interest rate swaps related to Merger financing for the nine months ended September 30, 2020, included in the use of cash from Other current and long-term liabilities, as well as lower use of cash from Inventories, Accounts payable and accrued liabilities and operating lease right-of-use assets, partially offset by higher use of cash from Equipment installment plan receivables and operating lease liabilities, including a $1.0 billion advance rent payment related to the modification of one of our master lease agreements; and
- A $1.5 billion increase in Net income, adjusted for non-cash income and expense.
- Net cash provided by operating activities includes $1.1 billion and $910 million in payments for Merger-related costs for the nine months ended September 30, 2021 and 2020, respectively.

Investing Activities

Net cash used in investing activities increased $3.0 billion, or 267%, for the three months ended and increased $8.4 billion, or 93%, for the nine months ended September 30, 2021.

The use of cash for the three months ended September 30, 2021, was primarily from:

- $2.9 billion in Purchases of property and equipment, including capitalized interest, from network integration related to the Merger and the continued build-out of our nationwide 5G network;
- $1.9 billion in Acquisitions of companies, primarily due to our acquisition of the Wireless Assets (as defined in Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements); and
- $407 million in Purchases of spectrum licenses and other intangible assets, including deposits; partially offset by
- $1.1 billion in Proceeds related to beneficial interests in securitization transactions.

The use of cash for the nine months ended September 30, 2021, was primarily from:

- $9.4 billion in Purchases of property and equipment, including capitalized interest, from network integration related to the Merger and the continued build-out of our nationwide 5G network;
- $9.3 billion in Purchases of spectrum licenses and other intangible assets, including deposits, primarily due to $8.9 billion paid for spectrum licenses won at the conclusion of Auction 107 in March 2021; and
- $1.9 billion in Acquisitions of companies, primarily due to our acquisition of the Wireless Assets (as defined in Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements); partially offset by
- $3.1 billion in Proceeds related to beneficial interests in securitization transactions.

Financing Activities

Net cash used in financing activities decreased $3.1 billion for the three months ended and Net cash provided by financing activities decreased $8.8 billion for the nine months ended September 30, 2021.

The use of cash for the three months ended September 30, 2021, was primarily from:

- $4.6 billion in Repayments of long-term debt; and
- $266 million in Repayments of financing lease obligations; partially offset by
- $2.0 billion in Proceeds from issuance of long-term debt, net of issuance costs.

The source of cash for the nine months ended September 30, 2021, was primarily from:

- $11.8 billion in Proceeds from issuance of long-term debt, net of issuance costs; partially offset by
- $10.0 billion in Repayments of long-term debt;
- $822 million in Repayments of financing lease obligations; and
- $308 million in Tax withholdings on share-based awards.

Cash and Cash Equivalents

As of September 30, 2021, our Cash and cash equivalents were $4.1 billion compared to $10.4 billion at December 31, 2020.

Free Cash Flow

Free Cash Flow represents Net cash provided by operating activities less cash payments for Purchases of property and equipment, including Proceeds from sales of tower sites and Proceeds related to beneficial interests in securitization transactions, less Cash payments for debt prepayment or debt extinguishment. Free Cash Flow and Free Cash Flow, excluding gross payments for the settlement of interest rate swaps, are non-GAAP financial measures utilized by our management, investors and analysts of our financial information to evaluate cash available to pay debt and provide further investment in the business.

In the second quarter of 2021, we sold tower sites for proceeds of $31 million, which are included in Proceeds from sales of tower sites within Net cash used in investing activities in our Condensed Consolidated Statements of Cash Flows. As these proceeds were from the sale of fixed assets and are used by management to assess cash available for capital expenditures during the year, we determined the proceeds are relevant for the calculation of Free Cash Flow and included them in the table below. Other proceeds from the sale of fixed assets for the periods presented are not significant. We have presented the impact of the sales in the table below, which reconciles Free Cash Flow and Free Cash Flow, excluding gross payments for the settlement of interest rate swaps, to Net cash provided by operating activities, which we consider to be the most directly comparable GAAP financial measure.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(in millions)	**2021**	**2020**	**$**	**%**	**2021**	**2020**	**$**	**%**
Net cash provided by operating activities	$ 3,477	$ 2,772	$ 705	25 %	$ 10,917	$ 5,166	$ 5,751	111 %
Cash purchases of property and equipment	(2,944)	(3,217)	273	(8)%	(9,397)	(7,227)	(2,170)	30 %
Proceeds from sales of tower sites	—	—	—	NM	31	—	31	NM
Proceeds related to beneficial interests in securitization transactions	1,071	855	216	25 %	3,099	2,325	774	33 %
Cash payments for debt prepayment or debt extinguishment costs	(45)	(58)	13	(22)%	(116)	(82)	(34)	41 %
Free Cash Flow	1,559	352	1,207	343 %	4,534	182	4,352	NM
Gross cash paid for the settlement of interest rate swaps	—	—	—	NM	—	2,343	(2,343)	(100)%
Free Cash Flow, excluding gross payments for the settlement of interest rate swaps	$ 1,559	$ 352	$ 1,207	343 %	$ 4,534	$ 2,525	$ 2,009	80 %

NM - Not Meaningful

Free Cash Flow, excluding gross payments for the settlement of interest rate swaps, increased $1.2 billion, or 343%, for the three months ended and increased $2.0 billion, or 80%, for the nine months ended September 30, 2021.

The increase for the three months ended September 30, 2021, was impacted by the following:

- Higher Net cash provided by operating activities, as described above;
- Lower Cash purchases of property and equipment, including capitalized interest of $46 million and $108 million for the three months ended September 30, 2021 and 2020, respectively; and
- Higher Proceeds related to beneficial interests in securitization transactions.
- Free Cash Flow includes $617 million and $379 million in payments for Merger-related costs for the three months ended September 30, 2021 and 2020, respectively.

The increase for the nine months ended September 30, 2021, was impacted by the following:

- Higher Net cash provided by operating activities, as described above; and
- Higher Proceeds related to beneficial interests in securitization transactions; partially offset by
- Higher Cash purchases of property and equipment, including capitalized interest of $187 million and $339 million for the nine months ended September 30, 2021 and 2020, respectively.
- Free Cash Flow includes $1.1 billion and $910 million in payments for Merger-related costs for the nine months ended September 30, 2021 and 2020, respectively.
- The calculation of Free Cash Flow, excluding gross payments for the settlement of interest rate swaps, excludes the one-time impact of gross payments for the settlement of interest rate swaps related to Merger financing of $2.3 billion for the nine months ended September 30, 2020.

Borrowing Capacity

We maintain a financing arrangement with Deutsche Bank AG, which allows for up to $108 million in borrowings. Under the financing arrangement, we can effectively extend payment terms for invoices payable to certain vendors. As of September 30, 2021, there were no outstanding balances under such financing arrangement.

We also maintain vendor financing arrangements primarily with our main network equipment suppliers. Under the respective agreements, we can obtain extended financing terms. During the three and nine months ended September 30, 2021, we repaid $76 million and $167 million, respectively, associated with the vendor financing arrangements and other financial liabilities. These payments are included in Repayments of short-term debt for purchases of inventory, property and equipment and other financial liabilities, in our Condensed Consolidated Statements of Cash Flows. As of September 30, 2021 and December 31, 2020, the outstanding balance under the vendor financing arrangements and other financial liabilities was $69 million and $240 million, respectively, of which $12 million and $122 million, respectively, was assumed in connection with the closing of the Merger.

We maintain a revolving credit facility (the "Revolving Credit Facility") with an aggregate commitment amount of $5.5 billion. As of September 30, 2021, there was no outstanding balance under the Revolving Credit Facility.

On October 30, 2020, we entered into a $5.0 billion senior secured term loan commitment with certain financial institutions. On January 14, 2021, we issued an aggregate of $3.0 billion of senior notes. The senior secured term loan commitment was reduced by an amount equal to the aggregate gross proceeds of the Senior Notes, which reduced the commitment to $2.0 billion. On March 23, 2021, we issued an aggregate of $3.8 billion of Senior Notes. The senior secured term loan commitment was terminated upon the issuance of the $3.8 billion of Senior Notes.

Debt Financing

As of September 30, 2021, our total debt and financing lease liabilities were $75.2 billion, excluding our tower obligations, of which $68.1 billion was classified as long-term debt and $1.6 billion was classified as long-term financing lease liabilities.

During the nine months ended September 30, 2021, we issued long-term debt for net proceeds of $11.8 billion and redeemed and repaid short- and long-term debt with an aggregate principal amount of $10.1 billion.

For more information regarding our debt financing transactions, see Note 7 - Debt of the Notes to the Condensed Consolidated Financial Statements.

Spectrum Auction

In March 2021, the FCC announced that we were the winning bidder of 142 licenses in Auction 107 (C-band spectrum) for an aggregate purchase price of $9.3 billion, excluding relocation costs. At the inception of Auction 107 in October 2020, we deposited $438 million. Upon conclusion of Auction 107 in March 2021, we paid the FCC the remaining $8.9 billion for the licenses won in the auction. We expect to incur an additional $1.2 billion in relocation costs which will be paid through 2024.

For more information regarding our spectrum licenses, see Note 5 - Goodwill, Spectrum License Transactions and Other Intangible Assets of the Notes to the Condensed Consolidated Financial Statements.

Off-Balance Sheet Arrangements

We have arrangements, as amended from time to time, to sell certain EIP accounts receivable and service accounts receivable on a revolving basis as a source of liquidity. As of September 30, 2021, we derecognized net receivables of $2.5 billion upon sale through these arrangements.

For more information regarding these off-balance sheet arrangements, see Note 4 – Sales of Certain Receivables of the Notes to the Condensed Consolidated Financial Statements.

Future Sources and Uses of Liquidity

We may seek additional sources of liquidity, including through the issuance of additional long-term debt in 2021, to continue to opportunistically acquire spectrum licenses or other assets in private party transactions or for the refinancing of existing long-term debt on an opportunistic basis. Excluding liquidity that could be needed for spectrum acquisitions, or for other assets, we expect our principal sources of funding to be sufficient to meet our anticipated liquidity needs for business operations for the next 12 months as well as our longer-term liquidity needs. Our intended use of any such funds is for general corporate purposes, including for capital expenditures, spectrum purchases, opportunistic investments and acquisitions, redemption of high yield callable debt, tower obligations, potential stockholder returns and the execution of our integration plan.

We determine future liquidity requirements, for both operations and capital expenditures, based in large part upon projected financial and operating performance, and opportunities to acquire additional spectrum. We regularly review and update these projections for changes in current and projected financial and operating results, general economic conditions, the competitive landscape and other factors. We have incurred, and will incur, substantial expenses to comply with the Government Commitments, and we are also expected to incur substantial restructuring expenses in connection with integrating and coordinating T-Mobile's and Sprint's businesses, operations, policies and procedures. While we have assumed that a certain level of Merger-related expenses will be incurred, factors beyond our control, including required consultation and negotiation with certain counterparties, could affect the total amount or the timing of these expenses. These expenses could exceed the costs historically borne by us and adversely affect our financial condition and results of operations. There are a number of additional risks and uncertainties, including those due to the impact of the Pandemic, that could cause our financial and operating results and capital requirements to differ materially from our projections, which could cause future liquidity to differ materially from our assessment.

The indentures, supplemental indentures and credit agreements governing our long-term debt to affiliates and third parties, excluding financing leases, contain covenants that, among other things, limit the ability of the Issuers or borrowers and the Guarantor Subsidiaries to incur more debt, pay dividends and make distributions on our common stock, make certain investments, repurchase stock, create liens or other encumbrances, enter into transactions with affiliates, enter into transactions that restrict dividends or distributions from subsidiaries, and merge, consolidate or sell, or otherwise dispose of, substantially all of their assets. Certain provisions of each of the credit agreements, indentures and supplemental indentures relating to the long-term debt to affiliates and third parties restrict the ability of the Issuers or borrowers to loan funds or make payments to Parent. However, the Issuers or borrowers are allowed to make certain permitted payments to Parent under the terms of each of the credit agreements, indentures and supplemental indentures relating to the long-term debt to affiliates and third parties. We were in compliance with all restrictive debt covenants as of September 30, 2021.

Shentel Wireless Assets Acquisition

On July 1, 2021, we closed on the acquisition of the Wireless Assets (as defined in Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements) for a cash purchase price of approximately $1.9 billion. For more information regarding the acquisition of the Wireless Assets, see Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements.

Financing Lease Facilities

We have entered into uncommitted financing lease facilities with certain partners that provide us with the ability to enter into financing leases for network equipment and services. As of September 30, 2021, we have committed to $6.2 billion of financing leases under these financing lease facilities, of which $599 million and $1.1 billion was executed during the three and nine months ended September 30, 2021, respectively. We expect to enter into up to an additional $131 million in financing lease commitments during the year ending December 31, 2021.

Capital Expenditures

Our liquidity requirements have been driven primarily by capital expenditures for spectrum licenses, the construction, expansion and upgrading of our network infrastructure and the integration of the networks, spectrum, technology, personnel, customer base and business practices of T-Mobile and Sprint. Property and equipment capital expenditures primarily relate to the integration of our network and spectrum licenses, including the acquired C-band licenses won in Auction 107, acquired Sprint 2.5 GHz spectrum licenses and existing 600 MHz spectrum licenses as we build out our nationwide 5G network. We expect the majority of our remaining capital expenditures related to these efforts to occur in 2021 and 2022, after which we expect a reduction in capital expenditure requirements.

For more information regarding our spectrum licenses, see Note 5 - Goodwill, Spectrum License Transactions and Other Intangible Assets of the Notes to the Condensed Consolidated Financial Statements.

Dividends

We have never paid or declared any cash dividends on our common stock, and we do not intend to declare or pay any cash dividends on our common stock in the foreseeable future.

Related Party Transactions

We have related party transactions associated with DT, SoftBank or their affiliates in the ordinary course of business, including intercompany servicing and licensing.

Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act of 1934, as amended ("Exchange Act"). Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

As of the date of this report, we are not aware of any activity, transaction or dealing by us or any of our affiliates for the three months ended September 30, 2021, that requires disclosure in this report under Section 13(r) of the Exchange Act, except as set forth below with respect to affiliates that we do not control and that are our affiliates solely due to their common control with either DT or SoftBank. We have relied upon DT and SoftBank for information regarding their respective activities, transactions and dealings.

DT, through certain of its non-U.S. subsidiaries, is party to roaming and interconnect agreements with the following mobile and fixed line telecommunication providers in Iran, some of which are or may be government-controlled entities: Irancell Telecommunications Services Company, Telecommunication Kish Company, Mobile Telecommunication Company of Iran, and Telecommunication Infrastructure Company of Iran. In addition, during the three months ended September 30, 2021, DT, through certain of its non-U.S. subsidiaries, provided basic telecommunications services to two customers in Germany identified on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of Treasury's

Office of Foreign Assets Control: Bank Melli and Europäisch-Iranische Handelsbank. These services have been terminated or are in the process of being terminated. For the three months ended September 30, 2021, gross revenues of all DT affiliates generated by roaming and interconnection traffic and telecommunications services with the Iranian parties identified herein were less than $0.1 million, and the estimated net profits were less than $0.1 million.

In addition, DT, through certain of its non-U.S. subsidiaries that operate a fixed-line network in their respective European home countries (in particular Germany), provides telecommunications services in the ordinary course of business to the Embassy of Iran in those European countries. Gross revenues and net profits recorded from these activities for the three months ended September 30, 2021 were less than $0.1 million. We understand that DT intends to continue these activities.

Separately, SoftBank, through one of its non-U.S. subsidiaries, provides roaming services in Iran through Irancell Telecommunications Services Company. During the three months ended September 30, 2021, SoftBank had no gross revenues from such services and no net profit was generated. We understand that the SoftBank subsidiary intends to continue such services. This subsidiary also provides telecommunications services in the ordinary course of business to accounts affiliated with the Embassy of Iran in Japan. During the three months ended September 30, 2021, SoftBank estimates that gross revenues and net profit generated by such services were both under $0.1 million. We understand that the SoftBank subsidiary is obligated under contract and intends to continue such services.

In addition, SoftBank, through one of its non-U.S. indirect subsidiaries, provides office supplies to the Embassy of Iran in Japan. SoftBank estimates that gross revenue and net profit generated by such services during the three months ended September 30, 2021, were both under $0.1 million. We understand that the SoftBank subsidiary intends to continue such activities.

Critical Accounting Policies and Estimates

Preparation of our condensed consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. There have been no material changes to the critical accounting policies and estimates as previously disclosed in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020, and which are hereby incorporated by reference herein.

Accounting Pronouncements Not Yet Adopted

For information regarding recently issued accounting standards, see Note 1 – Summary of Significant Accounting Policies of the Notes to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the interest rate risk as previously disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure information required to be disclosed in our periodic reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls include the use of a Disclosure Committee which is comprised of representatives from our Accounting, Legal, Treasury, Technology, Risk Management, Government Affairs and Investor Relations functions and are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this Form 10-Q.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") are filed as Exhibits 31.1 and 31.2, respectively, to this Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For more information regarding the legal proceedings in which we are involved, see Note 2 - Business Combinations and Note 13 – Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Other than the updated risk factors below, there have been no material changes in our risk factors as previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Our Fifth Amended and Restated Certificate of Incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain actions and proceedings, which could limit the ability of our stockholders to obtain a judicial forum of their choice for disputes with the Company or its directors, officers or employees.

Our Fifth Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or employee of the Company to the Company or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or the Company's bylaws or (iv) any other action asserting a claim arising under, in connection with, and governed by the internal affairs doctrine. This choice of forum provision does not waive our compliance with our obligations under the federal securities laws and the rules and regulations thereunder. Moreover, the provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act or by the Securities Act of 1933, as amended.

This choice of forum provision may increase costs to bring a claim, discourage claims or limit a stockholder's ability to bring a claim in a judicial forum that the stockholder finds favorable for disputes with the Company or its directors, officers or employees, which may discourage such lawsuits against the Company and its directors, officers and employees, even though an action, if successful, might benefit our stockholders. Alternatively, if a court were to find the choice of forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such matters in other jurisdictions, which could increase our costs of litigation and adversely affect our business and financial condition.

Our business and Sprint's business may not be integrated successfully or such integration may be more difficult, time consuming or costly than expected. Operating costs, customer loss and business disruptions, including challenges in maintaining relationships with employees, customers, suppliers or vendors, may be greater than expected.

The combination of two independent businesses is complex, costly and time-consuming, and may divert significant management attention and resources. This process may disrupt our business or otherwise impact our ability to compete. The overall combination of our and Sprint's businesses may also result in material unanticipated problems, expenses, liabilities, competitive responses and impacts, and loss of customers and other business relationships. The difficulties of combining the operations of the companies include, among others:

- diversion of management attention to integration matters;
- difficulties in integrating operations and systems, including intellectual property and communications systems, administrative and information technology infrastructure, and supplier and vendor arrangements;
- challenges in conforming standards, controls, procedures and accounting and other policies;
- alignment of key performance measurements may result in a greater need to communicate and manage clear expectations while we work to integrate and align policies and practices;
- difficulties in integrating employees;
- the transition of management to the combined company management team, and the need to address possible differences in corporate cultures, management philosophies, and compensation structures;
- challenges in retaining existing customers and obtaining new customers;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- any disruptions to the operations and business in the Shentel service area following the Company's acquisition of Wireless Assets (as defined in Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements) as a result of the transition of such assets to the Company;

- compliance with Government Commitments relating to national security;
- known or potential unknown liabilities of Sprint that are larger than expected; and
- other potential adverse consequences and unforeseen increased expenses or liabilities associated with the Transactions.

Additionally, uncertainties over the integration process could cause customers, suppliers, distributors, dealers, retailers and others to seek to change or cancel our existing business relationships or to refuse to renew existing relationships. Suppliers, distributors and content and application providers may also delay or cease developing new products for us that are necessary for the operations of our business due to uncertainties. Competitors may also target our existing customers by highlighting potential uncertainties and integration difficulties.

Some of these factors are outside our control, and any one of them could result in lower revenues, higher costs and diversion of management time and energy, which could adversely impact our business, financial condition and operating results. In addition, even if the integration is successful, the full benefits of the Transactions including, among others, the synergies, cost savings or sales or growth opportunities may not be realized within the anticipated time frames or at all.

We have recently experienced a criminal cyberattack and could in the future be further harmed by disruption, data loss or other security breaches, whether directly or indirectly.

Our business involves the receipt, storage and transmission of our customers' confidential information, including sensitive personal information and payment card information, confidential information about our employees and suppliers, and other sensitive information about our Company, such as our business plans, transactions and intellectual property (collectively, "Confidential Information"). Unauthorized access to Confidential Information is difficult to anticipate, detect or prevent, particularly given that the methods of unauthorized access constantly change and evolve. We and our third-party service providers are subject to attacks and threats to our and their IT networks, systems and supply chain, including attacks and threats by state-sponsored parties, malicious actors, employees or third parties, who may exploit bugs, errors, misconfigurations or other vulnerabilities that can compromise the confidentiality and integrity of Confidential Information or cause serious operational disruptions (e.g., ransomware).

As a telecommunications carrier, we are considered a critical infrastructure provider and therefore are likely to be the target of cyberattacks (e.g., denial of service and other malicious attacks). In addition, the Pandemic has presented additional operational and cybersecurity risks to our IT systems due to work-from-home arrangements at the Company and our providers. Attacks against companies like ours are perpetrated by a variety of groups or persons, including those in jurisdictions where law enforcement measures to address such attacks are ineffective or unavailable, and such attacks may even be perpetrated by or at the behest of foreign governments.

In addition, we provide confidential, proprietary and personal information to third-party service providers as part of our business operations. These third-party service providers have experienced data breaches and other attacks that included unauthorized access to Confidential Information and operational disruptions in the past, and face security challenges common to all parties that collect and process information.

In August 2021, we disclosed that our systems were subject to a criminal cyberattack that compromised the data of millions of our current customers, former customers, and prospective customers, including, in some instances, social security numbers, names, addresses, dates of birth and driver's license/identification numbers. With the assistance of outside cybersecurity experts, we located and closed the unauthorized access to our systems and identified current, former and prospective customers whose information was impacted and notified them, consistent with state and federal requirements. We have incurred certain cyberattack-related expenses and expect to continue to incur additional expenses in future periods, including costs to investigate and remediate the attack, send notifications to customers and provide additional customer support and enhance customer protection. For more information, see "Cyberattack" in the Overview section of MD&A. As a result of this cyberattack, we are subject to numerous lawsuits and regulatory inquiries, the ongoing costs of which may be material, and we may be subject to further regulatory inquiries and private litigation. For more information, see "– Contingencies and Litigation – Litigation and Regulatory Matters" in Note 13 – Commitments and Contingencies of the Notes to the Consolidated Financial Statements, and "– Unfavorable outcomes of legal proceedings may adversely affect our business, reputation, financial condition, cash flows and operating results" below. As a result of this cyberattack or other cyberattacks or security breaches involving our Company or our third-party suppliers, we may incur significant costs or experience other material financial impacts, which may not be covered by, or may exceed the coverage limits of, our cyber insurance, and such costs and impacts may have a material adverse effect on our business, reputation, financial condition, cash flows and operating results.

In addition to the August 2021 cyberattack, we have previously experienced other incidents involving unauthorized access to certain Confidential Information, and we expect to experience cyberattacks and other cybersecurity incidents in the future.

Typically, these incidents have involved attempts to commit fraud by taking control of a customer's phone line. In other cases, the incidents have also involved unauthorized access to certain of our customers' private information, including credit card information, financial data, social security numbers or passwords.

Our procedures and safeguards to prevent unauthorized access to sensitive data and to defend against attacks seeking to disrupt our services must be continually evaluated and revised to address the ever-evolving threat landscape and changing cybersecurity regulations, which could require the investment of significant resources. We cannot make assurances that all preventive actions taken will adequately repel a significant attack or prevent security breaches or misuses of data, unauthorized access by third parties or employees or exploits against third-party supplier environments, or that we or our third-party suppliers will be able to effectively identify, investigate or remediate such incidents. We expect to continue to be the target of cyberattacks, data breaches or security incidents, given the nature of our business. Any future cyberattacks, data breaches, or security incidents may have a material adverse effect on our business, reputation, financial condition, cash flows and operating results.

Unfavorable outcomes of legal proceedings may adversely affect our business, reputation, financial condition, cash flows and operating results.

We and our affiliates are involved in various disputes, governmental and/or regulatory inspections, investigations and proceedings and litigation matters. Such legal proceedings can be complex, costly, and highly disruptive to our business operations by diverting the attention and energy of management and other key personnel.

In connection with the Transactions, it is possible that stockholders of T-Mobile and/or Sprint may file putative class action lawsuits or shareholder derivative actions against the Company and the legacy T-Mobile board of directors and/or the legacy Sprint board of directors. Among other remedies, these stockholders could seek damages. The outcome of any litigation is uncertain and any such potential lawsuits could result in substantial costs and may be costly and distracting to management.

Additionally, on April 1, 2020, in connection with the closing of the Merger, we assumed the contingencies and litigation matters of Sprint. Those matters include a wide variety of disputes, claims, government agency investigations and enforcement actions and other proceedings, including, among other things, certain ongoing FCC and state government agency investigations into Sprint's Lifeline program. In September 2019, Sprint notified the FCC that it had claimed monthly subsidies for serving customers even though those customers may not have met usage requirements under Sprint's usage policy for the Lifeline program due to an inadvertent coding issue in the system used to identify qualifying customer usage that occurred in July 2017 while the system was being updated. Sprint has made a number of payments to reimburse the federal government and certain states for excess subsidy payments. Unfavorable resolution of these matters could require making additional reimbursements and paying additional fines and penalties.

On February 28, 2020, we received a Notice of Apparent Liability for Forfeiture and Admonishment from the FCC, which proposed a penalty against us for allegedly violating Section 222 of the Communications Act and the FCC's regulations governing the privacy of customer information. We recorded an accrual for an estimated payment amount as of March 31, 2020, which was included in Accounts payable and accrued liabilities in our Consolidated Balance Sheets.

As a result of the August 2021 cyberattack, we are subject to numerous lawsuits, including multiple class action lawsuits seeking unspecified monetary damages, and inquiries by various government agencies, law enforcement and other governmental authorities, and we may be subject to further regulatory inquiries and private litigation. We are cooperating fully with regulators and vigorously defending against the class action and other lawsuits. In light of the inherent uncertainties involved in these proceedings and inquiries, as of the date of this Quarterly Report, we have not recorded any accruals for losses related to these proceedings and inquiries, as any such amounts are not yet probable or estimable. We believe it is reasonably possible that we could incur losses associated with these proceedings and inquiries, and we will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable. Ongoing legal and other costs related to these proceedings and inquiries, as well as any potential future proceedings and inquiries, may be substantial, and losses associated with any adverse judgments, settlements, penalties or other resolutions of such proceedings and inquiries could be significant and have a material adverse impact on our business, reputation, financial condition, cash flows and operating results.

We, along with equipment manufacturers and other carriers, are subject to current and potential future lawsuits alleging adverse health effects arising from the use of wireless handsets or from wireless transmission equipment such as cell towers. In addition, the FCC has from time to time gathered data regarding wireless device emissions, and its assessment of the risks associated with using wireless devices may evolve based on its findings. Any of these allegations or changes in risk assessments could result in customers purchasing fewer devices and wireless services, could result in significant legal and regulatory liability, and could have a material adverse effect on our business, reputation, financial condition, cash flows and operating results.

The assessment of the outcome of legal proceedings, including our potential liability, if any, is a highly subjective process that requires judgments about future events that are not within our control. The amounts ultimately received or paid upon settlement or pursuant to final judgment, order or decree may differ materially from amounts accrued in our financial statements. In addition, litigation or similar proceedings could impose restraints on our current or future manner of doing business. Such potential outcomes including judgments, awards, settlements or orders could have a material adverse effect on our business, reputation, financial condition, cash flows and operating results.

Our business may be impacted by new or amended tax laws or regulations or administrative interpretations and judicial decisions affecting the scope or application of tax laws or regulations.

In connection with the products and services we sell, we calculate, collect, and remit various federal, state, and local taxes, fees and regulatory charges (“tax” or “taxes”) to numerous federal, state and local governmental authorities, including federal and state USF contributions and common carrier regulatory charges and public safety fees. In addition, we incur and pay state and local transaction taxes and fees on purchases of goods and services used in our business.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In many cases, the application of existing, newly enacted or amended tax laws (such as the Coronavirus Aid, Relief, and Economic Security Act of 2020 or the U.S. Tax Cuts and Jobs Act of 2017) may be uncertain and subject to different interpretations, especially when evaluated against new technologies and telecommunications services, such as broadband internet access and cloud related services and in the context of our recent merger with Sprint. Legislative changes, administrative interpretations and judicial decisions affecting the scope or application of tax laws could also impact revenue reported and taxes due on tax inclusive plans.

In the event that T-Mobile, including pre-acquisition Sprint, has incorrectly described, disclosed, determined, calculated, assessed, or remitted amounts that were due to governmental authorities, we could be subject to additional taxes, fines, penalties, or other adverse actions, which could materially impact our business, financial condition and operating results. In the event that federal, state, and/or local municipalities were to significantly increase taxes and regulatory or public safety charges on our network, operations, or services, or seek to impose new taxes or charges, such as a proposed corporate minimum tax or new limits on interest deductibility, it could have a material adverse effect on our business, financial condition and operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Date of First Filing	Exhibit Number	Filed Herein
4.1	Nineteenth Supplemental Indenture, dated as of August 13, 2021, by and among T-Mobile USA, Inc., the Guarantors (as defined therein) and Deutsche Bank Trust Company Americas, as trustee, including the Form of 3.400% Senior Secured Note due 2052.	8-K	8/13/2021	4.3	
4.2	Twentieth Supplemental Indenture, dated as of August 13, 2021, by and among T-Mobile USA, Inc., the Guarantors (as defined therein) and Deutsche Bank Trust Company Americas, as trustee.	8-K	8/13/2021	4.4	
4.3	Registration Rights Agreement, dated as of August 13, 2021, by and among T-Mobile USA, Inc., the Initial Guarantors (as defined therein) and Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as representatives of the Initial Purchasers (as defined therein).	8-K	8/13/2021	4.5	
10.1	Fifth Amendment, dated as of August 16, 2021, to Third Amended and Restated Receivables Purchase and Administration Agreement, dated as of October 23, 2018, by and among T-Mobile Handset Funding LLC, as transferor, and T-Mobile Financial LLC, as servicer.				X
22.1	Subsidiary Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize Securities of the Registrant.				X
31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				X
104	Cover Page Interactive Data File (the cover page XBRL tags)				

* Furnished herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

T-MOBILE US, INC.

November 2, 2021

/s/ Peter Osvaldik

Peter Osvaldik
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)