

T-Mobile

1st Quarter 2016  
Financial Results,  
Supplementary Data and  
Non-GAAP Reconciliations

# A REVOLUTION DRIVING RESULTS

\$ T M U S



## Definitions of Terms

Operating and financial measures are utilized by T-Mobile's management to evaluate its operating performance and, in certain cases, its ability to meet liquidity requirements. Although companies in the wireless industry may not define measures in precisely the same way, T-Mobile believes the measures facilitate key operating performance comparisons with other companies in the wireless industry to provide management, investors, and analysts with useful information to assess and evaluate past performance and assist in forecasting future performance.

- 1 Customer - SIM card with a unique T-Mobile mobile identity number which generates revenue. Branded customers generally include customers that are qualified either for postpaid service, where they generally pay after incurring service, or prepaid service, where they generally pay in advance. Wholesale customers include Machine-to-Machine (M2M) and Mobile Virtual Network Operator (MVNO) customers that operate on T-Mobile's network, but are managed by wholesale partners.
- 2 Churn - Number of customers whose service was disconnected as a percentage of the average number of customers during the specified period.
- 3 Customers per account - The number of branded postpaid customers as of the end of the period divided by the number of branded postpaid accounts as of the end of the period. An account may include branded postpaid phone and mobile broadband customers.
- 4 Average Revenue Per User (ARPU) - Average monthly service revenue earned from customers. Service revenues for the specified period divided by the average customers during the period, further divided by the number of months in the period.  
  
Branded postpaid phone ARPU excludes mobile broadband customers and related revenues.  
  
Average Billings per User (ABPU) - Average monthly branded postpaid service revenue earned from customers plus monthly EIP billings and lease revenues divided by the average branded postpaid customers during the period, further divided by the number of months in the period. T-Mobile believes branded postpaid ABPU is indicative of estimated cash collections, including device financing payments, from T-Mobile's customers each month.  
  
Service revenues - Branded postpaid, including handset insurance, branded prepaid, wholesale, and roaming and other service revenues.
- 5 Cost of services - Costs directly attributable to providing wireless service through the operation of T-Mobile's network, including direct switch and cell site costs, such as rent, network access and transport costs, utilities, maintenance, associated labor costs, long distance costs, regulatory program costs, roaming fees paid to other carriers and data content costs.  
  
Cost of equipment sales - Costs of devices and accessories sold to customers and dealers, device costs to fulfill insurance and warranty claims, write-downs of inventory related to shrinkage and obsolescence, and shipping and handling costs.  
  
Selling, general and administrative expenses - Costs not directly attributable to providing wireless service for the operation of sales, customer care and corporate activities. These include commissions paid to dealers and retail employees for activations and upgrades, labor and facilities costs associated with retail sales force and administrative space, marketing and promotional costs, customer support and billing, bad debt expense and administrative support activities.
- 6 Adjusted EBITDA - Earnings before interest expense (net of interest income), tax, depreciation, amortization, stock-based compensation and expenses not reflective of T-Mobile's ongoing operating performance. Adjusted EBITDA margin represents Adjusted EBITDA divided by service revenues. Adjusted EBITDA is a non-GAAP financial measure utilized by T-Mobile's management to monitor the financial performance of its operations. T-Mobile uses Adjusted EBITDA internally as a metric to evaluate and compensate its personnel and management for their performance, and as a benchmark to evaluate T-Mobile's operating performance in comparison to its competitors. Management believes analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate overall operating performance and facilitate comparisons with other wireless communications companies. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for income from operations, net income, or any other measure of financial performance reported in accordance with GAAP. The reconciliation of Adjusted EBITDA to net income (loss) is detailed in the Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures schedule.
- 7 Cash capital expenditures - Amounts paid for construction and the purchase of property and equipment.
- 8 Smartphones - UMTS/HSPA/HSPA+ 21/HSPA+ 42/4G LTE enabled converged devices, which integrate voice and data services.
- 9 Free Cash Flow - Net cash provided by operating activities less cash capital expenditures for property and equipment. Free Cash Flow is utilized by T-Mobile's management, investors, and analysts to evaluate cash available to pay debt and provide further investment in the business. The reconciliation of Free Cash Flow to net cash provided by operating activities is detailed in the Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures schedule.
- 10 Adjusted Free Cash Flow - Free Cash Flow excluding decommissioning payments related to the shutdown of the CDMA portion of the MetroPCS network.
- 11 Net debt - Short-term debt, long-term debt to affiliates, and long-term debt (excluding tower obligations), less cash and cash equivalents and short-term investments.

**T-Mobile US, Inc. Supplementary Operating and Financial Data**

(in thousands)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
<b>Customers, end of period</b>					
Branded postpaid phone customers	26,835	27,595	28,438	29,355	30,232
Branded postpaid mobile broadband customers	1,475	1,723	1,965	2,340	2,504
Total branded postpaid customers	28,310	29,318	30,403	31,695	32,736
Branded prepaid customers	16,389	16,567	17,162	17,631	18,438
Total branded customers	44,699	45,885	47,565	49,326	51,174
Wholesale customers	12,137	13,023	13,655	13,956	14,329
Total customers, end of period	56,836	58,908	61,220	63,282	65,503

(in thousands)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
<b>Net customer additions</b>					
Branded postpaid phone customers	991	760	843	917	877
Branded postpaid mobile broadband customers	134	248	242	375	164
Total branded postpaid customers	1,125	1,008	1,085	1,292	1,041
Branded prepaid customers	73	178	595	469	807
Total branded customers	1,198	1,186	1,680	1,761	1,848
<b>Wholesale customers</b>	620	886	632	301	373
Total net customer additions	1,818	2,072	2,312	2,062	2,221

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Branded postpaid phone churn	1.30 %	1.32 %	1.46 %	1.46 %	1.33 %
Branded prepaid churn	4.62 %	4.93 %	4.09 %	4.20 %	3.84 %

**T-Mobile US, Inc. Supplementary Operating and Financial Data (continued)**

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
<b>Financial Metrics</b>					
Service revenues (in millions)	\$ 5,819	\$ 6,144	\$ 6,302	\$ 6,556	\$ 6,578
Total revenues (in millions)	\$ 7,778	\$ 8,179	\$ 7,849	\$ 8,247	\$ 8,599
Adjusted EBITDA (in millions)	\$ 1,388	\$ 1,817	\$ 1,908	\$ 2,280	\$ 2,749
Adjusted EBITDA margin	24%	30%	30%	35%	42%
Net income (loss) (in millions)	\$ (63)	\$ 361	\$ 138	\$ 297	\$ 479
Cash capex - Property & Equipment (in millions)	\$ 982	\$ 1,191	\$ 1,120	\$ 1,431	\$ 1,335
Free Cash Flow (in millions)	\$ (493)	\$ (30)	\$ 411	\$ 802	\$ (310)
Adjusted Free Cash Flow (in millions)	\$ (422)	\$ 73	\$ 487	\$ 897	\$ (247)
<b>Revenue Metrics</b>					
Branded postpaid phone ARPU	\$ 46.43	\$ 48.19	\$ 47.99	\$ 48.05	\$ 46.21
Branded postpaid ABPU	\$ 60.94	\$ 63.29	\$ 62.96	\$ 63.74	\$ 61.90
Branded prepaid ARPU	\$ 37.81	\$ 37.83	\$ 37.46	\$ 37.63	\$ 37.58
Branded postpaid accounts, end of period (in thousands)	11,831	12,061	12,250	12,456	12,639
Branded postpaid customers per account	2.39	2.43	2.48	2.54	2.59
<b>Device Sales and Leased Devices</b>					
Smartphone units (in millions)	8.0	7.4	8.1	10.0	8.8
Branded postpaid handset upgrade rate	8%	9%	9%	10%	7%
<b>Device Financing</b>					
EIP financed (in millions)	\$ 1,483	\$ 1,697	\$ 1,107	\$ 926	\$ 1,246
EIP billings (in millions)	\$ 1,292	\$ 1,393	\$ 1,409	\$ 1,400	\$ 1,324
EIP receivables, net (in millions)	\$ 4,842	\$ 5,114	\$ 4,771	\$ 3,225	\$ 3,053
Lease revenues (in millions)	\$ -	\$ -	\$ 30	\$ 194	\$ 342
Leased devices transferred from inventory to property and equipment, net of returns (in millions)	\$ -	\$ -	\$ 822	\$ 1,463	\$ 653
<b>Customer Quality</b>					
EIP receivables classified as prime	52%	52%	52%	48%	47%
Total bad debt expense and losses from sales of receivables (in millions)	\$ 169	\$ 156	\$ 198	\$ 228	\$ 173

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

(in millions, except share and per share amounts)	March 31, 2016	December 31, 2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,647	\$ 4,582
Short-term investments	2,925	2,998
Accounts receivable, net of allowances of \$116 and \$116	1,880	1,788
Equipment installment plan receivables, net	2,149	2,378
Accounts receivable from affiliates	37	36
Inventories	1,443	1,295
Other current assets	1,263	1,813
Total current assets	13,344	14,890
Property and equipment, net	20,625	20,000
Goodwill	1,683	1,683
Spectrum licenses	25,495	23,955
Other intangible assets, net	541	594
Equipment installment plan receivables due after one year, net	904	847
Other assets	471	444
Total assets	\$ 63,063	\$ 62,413
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,431	\$ 8,084
Payables to affiliates	253	135
Short-term debt	365	182
Deferred revenue	895	717
Other current liabilities	425	410
Total current liabilities	9,369	9,528
Long-term debt	20,505	20,461
Long-term debt to affiliates	5,600	5,600
Tower obligations	2,640	2,658
Deferred tax liabilities	4,285	4,061
Deferred rent expense	2,513	2,481
Other long-term liabilities	1,047	1,067
Total long-term liabilities	36,590	36,328
Commitments and contingencies		
Stockholders' equity		
5.50% Mandatory Convertible Preferred Stock Series A, par value \$0.00001 per share, 100,000,000 shares authorized; 20,000,000 and 20,000,000 shares issued and outstanding; \$1,000 and \$1,000 aggregate liquidation value	—	—
Common Stock, par value \$0.00001 per share, 1,000,000,000 shares authorized; 823,513,524 and 819,773,724 shares issued, 822,101,014 and 818,391,219 shares outstanding	—	—
Additional paid-in capital	38,700	38,666
Treasury stock, at cost, 1,412,510 and 1,382,505 shares issued	(1)	—
Accumulated other comprehensive loss	(4)	(1)
Accumulated deficit	(21,591)	(22,108)
Total stockholders' equity	17,104	16,557
Total liabilities and stockholders' equity	\$ 63,063	\$ 62,413

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

(in millions, except share and per share amounts)	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
<b>Revenues</b>			
Branded postpaid revenues	\$ 4,302	\$ 4,337	\$ 3,774
Branded prepaid revenues	2,025	1,956	1,842
Wholesale revenues	200	200	158
Roaming and other service revenues	51	63	45
Total service revenues	6,578	6,556	5,819
Equipment revenues	1,851	1,536	1,851
Other revenues	170	155	108
Total revenues	8,599	8,247	7,778
<b>Operating expenses</b>			
Cost of services, exclusive of depreciation and amortization shown separately below	1,421	1,384	1,395
Cost of equipment sales	2,374	2,019	2,679
Selling, general and administrative	2,749	2,755	2,372
Depreciation and amortization	1,552	1,369	1,087
Cost of MetroPCS business combination	36	21	128
Gains on disposal of spectrum licenses	(636)	(139)	—
Total operating expenses	7,496	7,409	7,661
Operating income	1,103	838	117
<b>Other income (expense)</b>			
Interest expense	(339)	(305)	(261)
Interest expense to affiliates	(79)	(134)	(64)
Interest income	68	85	112
Other expense, net	(2)	(3)	(8)
Total other expense, net	(352)	(357)	(221)
Income (loss) before income taxes	751	481	(104)
Income tax (expense) benefit	(272)	(184)	41
Net income (loss)	479	297	(63)
Dividends on preferred stock	(14)	(14)	(14)
Net income (loss) attributable to common stockholders	\$ 465	\$ 283	\$ (77)
Net income (loss)	\$ 479	\$ 297	\$ (63)
<b>Other comprehensive loss, net of tax:</b>			
Unrealized loss on available-for-sale securities, net of tax effect of \$(2), \$0, and \$0	(3)	—	—
Other comprehensive loss	(3)	—	—
Total comprehensive income (loss)	\$ 476	\$ 297	\$ (63)
<b>Earnings (loss) per share</b>			
Basic	\$ 0.57	\$ 0.35	\$ (0.09)
Diluted	\$ 0.56	\$ 0.34	\$ (0.09)
<b>Weighted average shares outstanding</b>			
Basic	819,431,761	816,585,782	808,605,526
Diluted	859,382,827	824,716,119	808,605,526

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

(in millions)	Three Months Ended March 31,	
	2016	2015
<b>Operating activities</b>		
Net income (loss)	\$ 479	\$ (63)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,552	1,087
Stock-based compensation expense	52	55
Deferred income tax expense (benefit)	264	(50)
Bad debt expense	121	104
Losses from sales of receivables	52	65
Deferred rent expense	32	41
Gains on disposal of spectrum licenses	(636)	-
Changes in operating assets and liabilities		
Accounts receivable	(202)	(170)
Equipment installment plan receivables	109	(229)
Inventories	(801)	(145)
Deferred purchase price on sales of receivables	21	5
Other current and long-term assets	185	91
Accounts payable and accrued liabilities	(492)	(393)
Other current and long-term liabilities	288	92
Other, net	1	(1)
Net cash provided by operating activities	1,025	489
<b>Investing activities</b>		
Purchases of property and equipment	(1,335)	(982)
Purchases of spectrum licenses and other intangible assets, including deposits	(594)	(1,696)
Sales of short-term investments	75	-
Other, net	(6)	(14)
Net cash used in investing activities	(1,860)	(2,692)
<b>Financing activities</b>		
Repayments of capital lease obligations	(36)	(5)
Repayments of short-term debt for purchases of inventory, property and equipment, net	-	(63)
Repayments of long-term debt	(5)	-
Tax withholdings on share-based awards	(46)	(28)
Dividends on preferred stock	(14)	(14)
Other, net	1	30
Net cash used in financing activities	(100)	(80)
Change in cash and cash equivalents	(935)	(2,283)
<b>Cash and cash equivalents</b>		
Beginning of period	4,582	5,315
End of period	\$ 3,647	\$ 3,032

**T-Mobile US, Inc.**  
**Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures**  
**(Unaudited)**

This Investor Factbook includes non-GAAP financial measures. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information provided in accordance with GAAP. Reconciliations for the non-GAAP financial measures to the most directly comparable GAAP financial measures are provided below. As T-Mobile does not or cannot predict or forecast certain of the expenses which are excluded from Adjusted EBITDA, but which would be required for the presentation of projected net income, T-Mobile does not provide projected net income or reconciliations to GAAP in the forward-looking financial measures.

Adjusted EBITDA is reconciled to net income (loss) as follows:

(in millions)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Net income (loss)	\$ (63)	\$ 361	\$ 138	\$ 297	\$ 479
Adjustments:					
Interest expense	261	257	262	305	339
Interest expense to affiliates	64	92	121	134	79
Interest income	(112)	(114)	(109)	(85)	(68)
Other expense (income), net	8	(1)	1	3	2
Income tax expense (benefit)	(41)	2	100	184	272
Operating income	117	597	513	838	1,103
Depreciation and amortization	1,087	1,075	1,157	1,369	1,552
Cost of MetroPCS business combination	128	34	193	21	36
Stock-based compensation <sup>(1)</sup>	56	71	43	52	53
Other, net	—	40	2	—	5
<b>Adjusted EBITDA</b>	<b>\$ 1,388</b>	<b>\$ 1,817</b>	<b>\$ 1,908</b>	<b>\$ 2,280</b>	<b>\$ 2,749</b>

(1) Stock-based compensation includes payroll tax impacts and may not agree to stock based compensation expense in the condensed consolidated financial statements.



T-Mobile US, Inc.

Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures (continued)  
(Unaudited)

The following tables illustrate the calculation of ARPU and ABPU and reconcile these measures to the related service revenues, which we consider to be the most directly comparable GAAP financial measure to ARPU and ABPU:

(in millions, except average number of customers, ARPU and ABPU)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
<b>Calculation of Branded Postpaid Phone ARPU</b>					
Branded postpaid service revenues	\$ 3,774	\$ 4,075	\$ 4,197	\$ 4,337	\$ 4,302
Less: Branded postpaid mobile broadband revenues	(109)	(135)	(165)	(179)	(182)
Branded postpaid phone service revenues	\$ 3,665	\$ 3,940	\$ 4,032	\$ 4,158	\$ 4,120
Divided by: Average number of branded postpaid phone customers (in thousands) and number of months in period	26,313	27,250	28,003	28,849	29,720
<b>Branded postpaid phone ARPU</b>	<b>\$ 46.43</b>	<b>\$ 48.19</b>	<b>\$ 47.99</b>	<b>\$ 48.05</b>	<b>\$ 46.21</b>
<b>Calculation of Branded Postpaid ABPU</b>					
Branded postpaid service revenues	\$ 3,774	\$ 4,075	\$ 4,197	\$ 4,337	\$ 4,302
EIP billings	1,292	1,393	1,409	1,400	1,324
Lease revenues	-	-	30	194	342
Total billings for branded postpaid customers	\$ 5,066	\$ 5,468	\$ 5,636	\$ 5,931	\$ 5,968
Divided by: Average number of branded postpaid customers (in thousands) and number of months in period	27,717	28,797	29,838	31,013	32,140
<b>Branded postpaid ABPU</b>	<b>\$ 60.94</b>	<b>\$ 63.29</b>	<b>\$ 62.96</b>	<b>\$ 63.74</b>	<b>\$ 61.90</b>
<b>Calculation of Branded Prepaid ARPU</b>					
Branded prepaid service revenues	\$ 1,842	\$ 1,861	\$ 1,894	\$ 1,956	\$ 2,025
Divided by: Average number of branded prepaid customers (in thousands) and number of months in period	16,238	16,396	16,853	17,330	17,962
<b>Branded prepaid ARPU</b>	<b>\$ 37.81</b>	<b>\$ 37.83</b>	<b>\$ 37.46</b>	<b>\$ 37.63</b>	<b>\$ 37.58</b>

Net debt (excluding Tower Obligations) to last twelve months adjusted EBITDA ratio is calculated as follows:

(in millions, except net debt ratio)	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016
Short-term debt	\$ 467	\$ 386	\$ 114	\$ 182	\$ 365
Long-term debt to affiliates	5,600	5,600	5,600	5,600	5,600
Long-term debt <sup>(1)</sup>	16,248	16,373	16,430	20,461	20,505
Less: Cash and cash equivalents	(3,032)	(2,642)	(2,633)	(4,582)	(3,647)
Less: Short-term investments	-	-	-	(2,998)	(2,925)
Net Debt (excluding Tower Obligations)	\$ 19,283	\$ 19,717	\$ 19,511	\$ 18,663	\$ 19,898
Divided by: Last twelve months Adjusted EBITDA	\$ 5,936	\$ 6,302	\$ 6,864	\$ 7,393	\$ 8,754
Net Debt (excluding Tower Obligations) to Last Twelve Months Adjusted EBITDA Ratio	3.2	3.1	2.8	2.5	2.3

(1) Long-term debt as of March 31, 2015 through December 31, 2015 has been restated for the adoption of Accounting Standards Update 2015-03, "Simplifying the Presentation of Debt Issuance Costs" in the first quarter of 2016. The impact to the Net Debt (excluding Tower Obligations) to Last Twelve Months Adjusted EBITDA Ratio was not significant.

Free cash flow and adjusted free cash flow is calculated as follows:

(in millions)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Net cash provided by operating activities	\$ 489	\$ 1,161	\$ 1,531	\$ 2,233	\$ 1,025
Cash purchases of property and equipment	(982)	(1,191)	(1,120)	(1,431)	(1,335)
Free Cash Flow	(493)	(30)	411	802	(310)
MetroPCS CDMA network decommissioning payments	71	103	76	95	63
Adjusted Free Cash Flow	\$ (422)	\$ 73	\$ 487	\$ 897	\$ (247)