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OVERVIEW:

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PRESENTATION

Operator

(Operator Instructions) I would now like to turn the conference over to Cathy Yao, Senior Vice President of Investor Relations for T-Mobile US. Please go ahead.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Good morning. Welcome to T-Mobile's Second Quarter 2024 Earnings Call.

Joining me on our call today are Mike Sievert, our President and CEO; Peter Osvaldik, our CFO; as well as other members of the senior leadership team.

During this call, we will make forward-looking statements, which involve risks and uncertainties that may cause actual results to differ materially from our forward-looking statements. We provide a comprehensive list of risk factors in our SEC filings, which I encourage you to review.

Our earnings release, investor fact book and other documents related to our earnings as well as reconciliations between GAAP and non-GAAP results discussed on this call can be found in the Quarterly Results section of the Investor Relations website.

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

G. Michael Sievert - T-Mobile US Inc - Director

Thanks, Cathy. Hi, everybody. Welcome to the call. We're coming to you from New York today. And if you're watching online, you can see I'm with several members of the senior team ready to discuss these strong quarterly results and our recent news and, of course, to take your questions.

This T-Mobile team just continues to demonstrate strong execution across the board, and we're taking up our customer growth and cash flow guidance for the full year once again. I'm going to begin with a comment on customer growth because this quarter not only represented our highest-ever Q2 postpaid phone net adds in company history, but we also pushed past a major milestone: 100 million customer connections. This growth was once again balanced geographically, across both smaller markets and rural areas and top 100 markets.

We also grew our postpaid phone gross adds at the highest rate in nearly 3 years. And at the same time, we delivered yet another record low upgrade rate this quarter, speaking to the strength of our customers' experience on our differentiated 5G network. And speaking of experience, let me now turn to that network leadership.

We swept every category for overall network performance in the latest Opensignal and Ookla test. According to Opensignal, T-Mobile's download speeds are up to 3x as fast as peers, alongside having nearly 6x the 5G availability as our next closest competitor. And our network was also awarded the most consistent by both independent third parties, a key indicator of an overall superior network experience.

We continue to invest thoughtfully and in a highly capital-efficient model to extend our network leadership, and it shows. It is really a privilege to see our team's hard work show up in recognition like this and to share it with you.

Okay. Turning to broadband. Our fixed wireless offering continues to resonate with customers, leading us to capture a record share of industry broadband net adds this quarter. And now we have an incredible 5.6 million fixed wireless broadband customers. I hope you all saw our news from last week as I'm excited to talk to you about our partnership with KKR to acquire Metronet. The Metronet team is the nation's fastest-growing pure-play fiber provider. This is a unique company and asset. They already reach over 2 million homes today, and with this partnership, are expected to grow to 6.5 million homes passed by 2030, bringing consumers greater choice where they need it most. And we are equally excited to work alongside KKR's expert infrastructure team on this project.

And as with our Lumos JV, T-Mobile will leverage our scale, brand, distribution and existing customer relationships to grow faster and to do it smarter.

I can't highlight enough how both the Metronet and Lumos JVs represent best-in-class partnerships in the fiber space. Because of the partners that we've chosen and T-Mobile's unique assets and capabilities, I believe this is going to be a very successful initiative for our shareholders.

Now going back to the current business and our financials. In Q2, we once again demonstrated our ability to deliver profitable growth in customers and translating that to industry-leading service revenue growth and industry-leading core adjusted EBITDA growth. That, combined with our capital efficiency, has led to a record adjusted free cash flow quarter that grew 54% year-over-year and once again led the major wireless companies in free cash flow margin. I could not be more proud of this team's results this quarter.

Okay. To sum it all up, we are staying true to our Un-carrier DNA while focusing on smart and profitable growth, delivering record financial results. Our durable and differentiated model continues to outperform. And I look forward to sharing more about the Un-carrier's next chapter on value creation at our Capital Markets Day, which will be in the second half of September. And we're going to get that on your calendars very soon. So Peter, let's hand it to you to talk about our key financial highlights and an update on our guidance.

Peter Osvaldik - T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer

Thank you very much, Mike. As you can see, we delivered yet another strong quarter. Mike already highlighted the momentum in our wireless and broadband business as well as our impressive financial results. But before turning to our outlook, I wanted to briefly touch on our acquisition of

Mint Mobile and Ultra on May 1. We couldn't be more excited for them to join Team Magenta. From a financial perspective, the acquisition resulted in a onetime prepaid base adjustment of approximately 3.5 million customers.

Subsequent to the close, the incorporation of Mint and Ultra also resulted in approximately \$100 million in net additional service revenue relative to Q1, which is net of the reduction in wholesale revenues. And also resulted in a small benefit to core EBITDA as the revenue was largely offset with SG&A expenses as we made additional investments into the business to drive customer growth.

All right. Let me shift to an update on our expectations for the remainder of 2024.

Starting with customers, we are excited to raise our total postpaid customer net additions to now be between 5.4 million and 5.7 million, up 150,000 at the midpoint relative to our prior guide. We now expect the total postpaid phone net customer additions component to be approximately half of our total postpaid additions, up from our expectations last quarter. And as part of that, we anticipate normal seasonal postpaid phone churn trends in the second half as we saw a year ago.

We continue to expect our full year postpaid ARPA to be up to 3% higher year-over-year and our industry-leading service revenue growth to accelerate at a higher rate in 2024 than we delivered in 2023. We now expect our core adjusted EBITDA to be between \$31.5 billion and \$31.8 billion for the full year, unchanged at the midpoint, which is up 9% year-over-year. This includes our latest estimate on the impact of ACP as well as funding our higher postpaid customer guide. On ACP, we now expect the year-over-year impact to be in the range of \$350 million to \$450 million, driven primarily by what we're seeing at some of our wholesale providers.

Okay. Turning to cash CapEx. We now expect to be between \$8.7 billion and \$9.1 billion as we continue to invest and lead in network performance with unmatched capital efficiency. While our longer-term expectations continue to be in the \$9 billion to \$10 billion range annually, as we discussed before, 2024 is a bit lower given certain capital-efficient network activities, such as spectrum refarming and deploying additional 2.5 gigahertz licenses from Auction 108, benefiting from the significant 5G radio deployments during our merger integration. We would expect Q3 to be the low watermark for the year before reaccelerating in Q4 with more site upgrades and build activity.

Lastly, we now expect adjusted free cash flow, which includes payments for merger-related costs to be in the range of \$16.6 billion to \$17 billion, up \$150 million at the midpoint and up 24% year-over-year, driven by both margin expansion and capital efficiency and translating to an industry-leading service revenue to adjusted free cash flow margin. In closing, we delivered another strong quarter and expect another year of durable and differentiated growth as we continue to extend our network leadership and further scale our unique growth opportunities. We expect this to continue to translate into industry-leading growth in service revenue, core adjusted EBITDA and adjusted free cash flow, along with the highest adjusted free cash flow margin in the industry.

We are looking forward to sharing more on our multiyear plans to continue to unlock shareholder value at Capital Markets Day this fall. And with that, I will now turn the call back to Cathy to begin the Q&A. Cathy?

QUESTIONS AND ANSWERS

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Okay. Let's get to your questions. (Operator Instructions) We will start with a question on the phone. Operator, first question, please.

Operator

The first question today comes from John Hodulik with UBS. Please go ahead.

John Hodulik - UBS Equities - Analyst

Great. Good morning, guys. Can we talk a little bit about the fiber strategy? I mean, obviously, you guys have 2 big deals you announced and a number of other partnerships. Should we expect more deals sort of similar to what we saw with Lumos and Metronet?

And then can you give us any color on what you've seen in some of your pilot markets in terms of penetration rates and maybe the benefits of convergence, both in terms of matching broadband and wireless and what that does to maybe your wireless penetration in those markets?

G. Michael Sievert - T-Mobile US Inc - Director

Yes, John, sure. Let me start and I'll just ask the team to jump in. First of all, we're just really excited about where we are. This was a terrific transaction for us to be able to partner with KKR to acquire Metronet on top of our previous transaction to partner to acquire Lumos. So now we have the beginnings of a critical mass in the space. And for me, this is big. I mean, these two transactions taken together with our partnerships in the wholesale arena are going to allow us to reach millions of homes. The Lumos transaction, we see 3.5 million homes passed by 2028.

The Metronet transaction, we see 6.5 million homes passed by 2030. There's probably a couple more million in the wholesale partnerships we have so far. And so that's a pretty significant footprint that we've put together. And more importantly, we've chosen the best assets in the space and we're very excited about this.

Now to the premise of your question, I think what people can see from our strategy are a number of things. One, our bias is pure-play fiber, the simplicity and elegance of that model. It's doing it with partners so that we can get more leverage on our equity dollars. It's about best-in-class assets that are performing and growing like we're seeing.

And we have some further appetite, but not much. I want to make that clear. I mean, these transactions that we have done get us millions of homes passed and do it in a way that we think is really smart and positive for our shareholders. So while we're open-minded to things that fit this strategy, it would have to be the right deal. Our appetite is somewhat limited for more. I can tell you we're not currently working on another transaction like this. And since they've been coming every month or 2, I want to make that clear as well.

And -- but we're really excited about this. This is a chance for us to make a big impact in the space and to do it with teams that are already the best in class out there. So that's that piece.

The second, you asked about performance. We can talk about our pilot markets. Those are going well. They're earlier in phasing, so it's hard to see, but absolutely on track. To me, what's more interesting is looking at the performance of these already in-market teams that we are now going to be partnering with. Like Metronet, we see penetrations in the upper 30s in their more mature markets because they already passed over 2 million homes. So we can see at more scale how that asset is performing. Now our thesis has always been that our brand and our distribution, our embedded customer base and our know-how can actually add performance to a partner like that and in a very cost-effective way. But it's on top of a team that's performing very, very well.

John Hodulik - UBS Equities - Analyst

Thanks, Mike.

G. Michael Sievert - T-Mobile US Inc - Director

You bet.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Operator, next question, please.

Operator

The next question comes from Simon Flannery with Morgan Stanley. Please go ahead.

Simon Flannery - *Morgan Stanley*

Great. Thanks for the disclosure on ACP. Perhaps if you could just give us a little bit more color on how that flows through? How much of that \$350 million to \$450 million was in Q2 and that impacts into Q3 and beyond? And then have you seen any benefit in terms of winning customers, say, in the Metro brand or anything like that?

And then, Peter, you talked about the expectations for churn and so forth second half of the year. What are you assuming in terms of an iPhone cycle? There's obviously a lot of excitement about an AI iPhone given where your customers are, another low upgrade quarter. Do you think we're waiting for a bigger surge? Or do you think this will be looking fairly similar to last year, which is, I think, what you said. Thanks.

G. Michael Sievert - *T-Mobile US Inc - Director*

So Peter, I'll turn to you on the ACP question and maybe I'll comment on the upcoming cycle.

Peter Osvaldik - *T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer*

Okay. Yes, and thanks, Simon. And as you know and just as a little bit of a history lesson for us, is we didn't participate in ACP through our postpaid brand. So there were no subscribers out of there. And through Metro, we had a very small amount of customers. We primarily serve these customers through our Assurance brand, which didn't include subscriber counts and through supporting our wholesale partners.

And if I think about the arc of the \$350 million to \$450 million impact, given, of course, ACP was still in play in Q1 and partially in Q2, I'd see the majority of that impact happening in the second half and even more of it in Q4 than Q3. There's still a little bit of a tail coming in Q3.

So that's the best view. Primarily, the majority of that, again, is going to be in wholesale and other service revenues and I'd expect Q4 to be probably the biggest impact there.

G. Michael Sievert - *T-Mobile US Inc - Director*

And Simon, our prepaid nets of 179,000 were the best quarter we've posted in years. Part of that is obviously joining with Mint and Ultra. But part of that is that we have a fantastic portfolio of brands that meet the needs of value consumers. And to the premise of your question, this is a year when value consumers, because of these changes, will be reentering the market. So we think we're very well positioned there.

And then to your question about the upgrade cycle, look, I'm really excited about this year. I think AI is on every customer's mind. I think we're seeing the major companies really pushing ambitiously in the space. There was a lot of excitement around Apple's launches.

Now some of those technologies are good on legacy phones as well, like last year's phones, we're told from those announcements. And so we'll have to see. I'm not really here to predict cycles. I'll tell you that we're very, very excited about what's coming.

And I want to remind people that our model isn't really dependent on that cycle. So we've been benefiting from very low upgrade rates. In many ways, that's good for the efficiency of our model. But should upgrade rates take off due to a larger cycle based on excitement of a new phone launch, which we certainly hope for, that's a share-taking moment for us. And so you either have a moment where we're able to be efficient like the last few quarters with some of these very low upgrade rates or because we are the net share taker in this industry, a chance for more jump balls.

And so we design our business plan to be responsive to what happens. And at the same time, we're excited about AI and we think consumers are excited about AI and we're looking forward to seeing what happens.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Operator, next question, please.

Operator

Next question comes from Michael Rollins with Citi. Please go ahead.

Michael Rollins - *Citi - Analyst*

Hi, good morning. Curious if you could unpack a bit more of where you saw the strength of the postpaid phone net adds in the quarter. You mentioned, I think, some diversified impacts during the quarter, but maybe a little bit more on where you stand on the rural market penetration versus top 100 and business versus consumer in terms of impacts. And then secondly, where is T-Mobile in terms of the multiyear return on capital goal? Is it still up to \$60 billion? And is there any change in timing or magnitude as you look at the performance in the second quarter and how much is left over the next, call it, one-and-a-half to two-and-a-half years, if you're looking now at '26, to kind of get to the destination. Thanks.

G. Michael Sievert - *T-Mobile US Inc - Director*

Sounds great, Mike. So I'm going to start with Jon Freier to talk about what we're seeing in the consumer space and where those customers are coming from.

Jonathan Freier - *T-Mobile US Inc - President - Consumer Group*

Yes. You bet. So it's been at -- it was a fantastic quarter, as you guys saw, with 777,000 postpaid phone net additions in Q2, our highest Q2 ever in the company's history as we talked about just a few moments ago.

And when you look at smaller markets and rural areas, which is 40% of the U.S. population, our business continues to be incredibly responsive. As a matter of fact, in Q2, we had the highest switching that we have ever seen that quarter.

And so that's great to see. We've been building a business, as I've been talking to you about for the last 3 years, in smaller markets and rural areas with the network expansion, distribution expansion, bringing our value proposition into these markets.

And it's really, really doing incredibly well. So well that we're just excited about the next turn and as we're setting our sights on ultimately getting to our fair share in the marketplace. And so that's going really well.

In addition to the growth in smaller markets and rural areas, we're seeing growth in the top 100 markets as well. And so this is where we -- legacy have been very successful over the last 2.5 decades. And for us to take the share position we have today and continue to build on it with more and more account growth is just great to see. And why that's really happening is because we have prime customers that are continuing to seek a better network experience. And with the best-in-class 5G network and Ultra Capacity capabilities that we have in the top 100 markets, in addition to

smaller markets, rural areas as well, we're really attracting those prime customers into our overall franchise. So we're just really excited about the overall growth. We're seeing good geographic responsiveness across the entire set of segments.

G. Michael Sievert - T-Mobile US Inc - Director

The other thing that we said in our prepared remarks, Mike, is that we took the highest percentage of broadband nets ever in our history this quarter, 75% or so. And that's huge and that adds to all this, and so we're obviously now resonating with customers on multiple topics. And that plays on itself in some ways and so that's terrific to see. So you're looking across geographies, across customer segments and even across product lines and seeing strength and those things start to play on each other.

Okay. And your second question was about capital allocation strategy. Maybe we could start with the highest level, Peter, on how we think about this.

Peter Osvaldik - T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer

Yes, absolutely. And we've been remarkably, I think consistent on this, Mike, with regards to the multiyear arc. And how we think about capital allocation has always been invest in the core business; drive the differentiation, particularly in network performance, so that we can continue to have that unique combination of best value and best network. After that, it was look for higher value-accretive opportunities to create value over the long term for shareholders.

And when I think back around just from the last Analyst Day to now, it's been a significant amount of opportunity for us, whether that's been spectrum purchases to enhance the long-term continuing network leadership opportunity that we have, whether that's been things like Mint and Ultra and bringing that great brand into the Team Magenta family, whether that's some of the announced acquisitions of U.S. Cellular, Metronet, Lumos. So that's been great.

And all while doing that and delivering the results we have, we've also now had significant, already to-date, shareholder returns. Almost 150 million shares already repurchased, and shortly here, our almost fourth dividend by the end of this year. So I couldn't be more excited about what we've done here. In terms of exactly what day we'll finish [and it's] sort of up to \$60 billion, that's really hard to predict for you. We kind of put a mid-2026 time frame out there because we're going to be focused on exactly that strategy, that capital allocation and the underlying business itself has so much free cash flow generation and unlock there. That's the exciting part here is we can do all 3 of these things in our capital allocation framework and drive significant shareholder value.

I think you asked about also Q2 progression. And I will say, you saw a little bit of a different arc in Q2 and that's nothing more than just -- as we think about how to set strategies in place, much like any prudent company, we do a multi-month 10b5-1 plans. And the particular plan we had in place hadn't anticipated maybe the pace of the run-up in the share price and so we got out of the market there because of that one plan. But now that we're past the blackout, we certainly anticipate being back in the marketplace and delivering that up to now remaining \$8.7 billion inclusive of dividends for the year. So well on pace. The business itself is what allows all of this capital allocation and investment. And we're very proud of what we've done to date and what the future looks like here.

G. Michael Sievert - T-Mobile US Inc - Director

Well said, Peter. So I mean, for us, we're really pleased to be able to try to have it both ways here. So many incredible opportunities have presented themselves and we have seized on those things. That's certainly what you want us to be doing. And yet at the same time, we have these ambitions for shareholder returns that are principally unchanged.

And to be able to have it both ways is amazing because you would expect the trade-offs, but that shows you the strength of our business.

And we've been talking for some time that it would take us probably into 2026 to realize the business support for that up to \$60 billion in shareholder returns, and that's certainly the case as we look at all these transactions that are adding long-term value to the company. But stay tuned and we'll do the best we can to keep that cash flow rolling in for years to come.

Michael Rollins - Citi - Analyst

Thank you

Quan Yao - T-Mobile US Inc - Senior Vice President - Investor Relations

Thank you, Mike. Operator, we're ready for our next question.

Operator

The next question comes from Jim Schneider with Goldman Sachs. Please go ahead.

Jim Schneider - Goldman Sachs - Analyst

Good morning. Thanks for taking my questions. Two, if I may. Now that you've begun to gain appreciable broadband scale with fixed wireless, can you comment on your penetration of mobile wireless subscribers inside your broadband base on fixed wireless?

And then secondly, could you comment on the overall pricing environment and long-term sustainability of pricing actions and the extent to which you contemplate additional actions given the well-controlled churn you reported in the quarter?

G. Michael Sievert - T-Mobile US Inc - Director

Okay. Great. You can do the math on the first one. We've now reached 5.6 million homes with our broadband product. It's just an amazing result.

The strength continues with this quarter's performance being perhaps our best ever in the competitive context.

And what's interesting is our customers love this product. So we're also winning so much great feedback from third parties and from customers as to how this product performs. It gives us lots of confidence for the long-term legs of the initiative.

And you can do the numerator and denominator math. We have said the majority of that 5.6 million is from existing T-Mobile customers. That means they also have mobile and so they'd be part of our mobile accounts. But we haven't broken it out in exact numbers for you. And the rest represent kind of a land-and-expand strategy that we've been talking about, which is people coming in from the top 100 markets, also from smaller markets and rural areas and choosing T-Mobile through the broadband front door and then giving us an opportunity to sell wireless, which is a cool dynamic to see. But Mike Katz, maybe you can talk about how this product is resonating in the marketplace because I think it's one of the things that might surprise some people.

Michael Katz - T-Mobile US Inc - President - Marketing, Strategy and Products

Yes. And you said it at the beginning, I think the key to the success of this product is it's a great product. And one of the things that we're seeing, and we've seen this for some time, is the satisfaction rates on our FWA product lead the industry and every other category of broadband, including fiber, 3x higher than cable. And that is not just staying flat, it's actually improving. The delta of satisfaction between T-Mobile US, FWA and the rest of the industry is expanding, which we're really excited about.

And that's translating exactly into the results that we just talked about where you saw the biggest share of broadband growth in Q2 coming from T-Mobile US, both because we're attracting more customers and because we're seeing churn decrease across every 10-year cohort within the base and it's because it's a great product and it's serving a need in markets where there's been very, very little choice. So it's just fantastic job by the team.

G. Michael Sievert - *T-Mobile US Inc - Director*

James, to your second question about pricing, I can tell you that our strategy, which has been in place for so many years is not a strategy that we have any interest in changing. We are the service revenue growth leader in this industry. We are the postpaid service revenue growth leader by a wide margin. And we do that because we have a value proposition that customers trust us around. And that's not to say that we're not going to make changes. We made changes this year to keep up with the times, first in a decade. But we like being the value leader and that translates through our unique strategy into industry-leading revenue growth performance.

Now what you also see is the growth of per-customer revenues rising. We talked about our average revenue per account growing at well over 2%. And those kinds of things are great to see, but I want to make sure that people don't misinterpret our actions as anything other than keeping up with the times and reinforcing our strategy, which is a deeply trusted covenant with the world's consumers, American consumers, that we are and will be the best value in the marketplace.

And that sometimes includes changes that we'll make along the way, and you saw us do that. And I think you saw us perform through it because of that trusted relationship that we have with our consumers.

Jim Schneider - *Goldman Sachs - Analyst*

Thank you.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Thanks, Jim. Operator, next question, please.

Operator

The next question comes from David Barden with Bank of America.

David Barden - *BofA Global Research - Analyst*

Hey, guys. Thanks so much for taking the questions. Just a couple of follow-ups, if I could. I want to kind of come back to Simon's question, Mike, obviously, with The Wall Street Journal article out there suggesting that the reason you're being coy about the fiber strategy is because that's the straight -- that's the game theory. You don't want people to believe that you have a bigger fiber strategy. In the Metronet press release, you called out it was unique, it was capital-light. But you kind of said the same thing about Lumos, that you had a \$1 billion capital-light transaction, then you had a \$5 billion capital-light transaction. Is there a reason to believe that you either need to do a \$10 billion capital-light transaction or a \$20 billion capital-light transaction? Or is there a reason that you definitely will not do those things? If you could kind of put a stake in the ground on that, that would -- I think a lot of people will be listening to that.

I think -- the second follow-up would be just I think in answer to, I think, it was Mike's question on sources of postpaid phone growth. I know that you guys had some real success in enterprise of late. If you could elaborate a little bit on how that contributed to the quarter, it would be great. Thank you.

G. Michael Sievert - *T-Mobile US Inc - Director*

Sure, Dave. We'll do both of those things. First of all, I'll just go back to my comments from a few minutes ago and reiterate our appetite for further transactions in this space is limited. We really like the ones we've done. They give us a material footprint and we're not currently working on something else like it. That being said, we're open minded. You hire us on your behalf to be pragmatic, practical strategic. And I think people can see our strategy. And if there's the right partner, the right asset, the right pricing on the right strategy, a bias and preference for pure play, we would be open minded, but with a limited further appetite.

And part of that is we're balancing all of our objectives. You heard Peter talk about our capital allocation strategy. We take that seriously. We think our investors like the fact that we have a pure-play elegant model. As we step into fiber, we're keeping the elegance of that with a pure-play fiber model. We want to be an outstanding execution machine that's able to execute really, really well in the marketplace. And we don't have any interest in changing the complexion largely of who we are as a company because we perform so well. So we're open minded for our appetite is limited from here on out.

David Barden - *BofA Global Research - Analyst*

Thank you.

G. Michael Sievert - *T-Mobile US Inc - Director*

Now second question, we'll turn to Callie Field to talk about what's going on in the business and enterprise space.

Callie Field - *T-Mobile US Inc - President - Business Group*

Thanks, Mike. Appreciate the question, Dave. I'll start with, once again, we outpaced our benchmark competitor in overall phone nets and phone churn. And we saw once again positive port trends across all segments against all of our competitors. Our CLVs are healthy. We're very pleased with the contribution of the business to overall growth.

And what I'll also mention is that in SMB, in particular, we had our best quarter ever in postpaid phone nets, up almost 20% year-over-year. And enterprise, our win share continues to beat our overall share. And I'll also mention our prices are competitive. We continue to be a value leader.

But customers are choosing us because we're the best. We have the best, the fastest, the largest, the most reliable, most consistent network. And what we've seen is that CIOs and CTOs at large enterprises and even in the federal government space are really seeing what a 5G stand-alone core, what a commercially available network slicing and Advanced Network Solutions can do for them. And we're starting to see some growth in our funnels and customers really coming to us to evaluate our entire solution portfolio. And so we see both growth, but also opportunities to expand our existing relationship with customers and growing ARPA.

And some examples of that, that I'll just share really quickly is the largest oil and gas company in the United States chose us to provide Advanced Network Solutions in their innovation lab, but they also, for all of their mobile workforce, selected T-Mobile to provide phones and tablets and then added on to that our SASE T-SIMsecure product. So that's an example of how we're expanding our relationship with our customers in a way that's profitable, and we're very pleased with in our business overall.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Thanks, Dave. Next question, please.

Operator

The next question comes from Craig Moffett with MoffettNathanson. Please go ahead.

Craig Moffett - *MoffettNathanson - Analyst*

Hi, good morning. I want to return to the fiber strategy for a second. Can you talk -- I know you've said in the past that this is not really part of a convergence strategy, but it's been so much talked about by your peers and competitors, you've obviously learned quite a bit in offering a bundle of wireless -- mobile and fixed wireless access with your FWA product. How are you thinking about convergence and the need for a converged offer because, again, we go back to the same conversation we've been having about what to expect going forward. The two deals you've got give you eventually 10% coverage of the country by the end of the decade. Is that a sufficient strategy for you? Or do you need to think differently about what your converged offers and coverage will be?

G. Michael Sievert - *T-Mobile US Inc - Director*

Craig, great question. Like I said, over the long haul, we're open-minded. We're very proud of these transactions. We want to execute them extremely well. We want to get them closed and we'll take a wider lens and see where we are and what we've learned.

One thing we feel very strongly about, and I'm not sure I like the phrasing not believers in convergence. I'll parse it differently for you, one thing we feel very strongly about is that these transactions are not defensive of our mobile business. We believe our mobile business stands strongly alone. Consumer choice has been made very clear that wireless is a deeply considered sale. It's the primary purchase decision in a connected life and that people will choose the wireless company that is right for them.

And we believe we will compete effectively as a pure-play wireless company regardless of our simultaneous participation in broadband.

That being said, convergence is real in that the customers that buy both buy them together, and we have bundles today. Many of our 5.6 million broadband customers today purchase that in a bundle and realized discounts by doing so. And there's nothing wrong with that. We think that's a dynamic that makes sense. Customers love discounts, discounts make sense to customers, but they can come in many forms. And so I want to -- convergence is happening in that some people are buying these things together and they kind of like that. It's not happening in the sense that if you don't have this product, you can't compete in mobile. We have 0 evidence to support that thesis. And so I want to make sure that we parse it that way.

And then secondly, of course, over the long haul, we're open-minded about this. I just want to make sure that we're really smart about how we do it. And for us, joining with some of these very, very high-quality teams who are doing this the best in the country and her doing it in an elegant and pure way and at a pace that's really impressive is a fantastic way for us to step into this. And we're not going to make further decisions about where to go from here until we're able to get more experience in the ground.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Thanks, Craig. Operator, next question, please.

Operator

The next question comes from Jonathan Chaplin with New Street Research. Go ahead.

Jonathan Chaplin - *New Street Research - Analyst*

Thanks, Mike. Just one follow-up on Craig's question. So AT&T said they're seeing 500 basis points of additional mobile market share in markets where they've got fiber. I take it from what you just said, you saw the zero evidence of the convergence benefit to mobile, that you're just not seeing that. Would that -- would you take that to sort of the benefit that AT&T is seeing there is really just on a selection bias?

And then I have a bunch of questions on the Metronet deal. I'm hoping you guys can give us some more detail first on how much of the \$4.9 billion went towards buying the retail business versus the network? How much of the \$4.9 billion stays on the balance sheet to fund future investments? How much cash is coming in from KKR and Oak Hill alongside your cash? And how much additional debt you expect to take on in order to get to the 6.5 million?

G. Michael Sievert - *T-Mobile US Inc - Director*

Okay. Well, Peter, why don't you just ship the spreadsheet over there to Jon...

Let me answer the first one. And you know, first of all, it's very hard for us to tell. And I think even for others who are saying those things to tell what's causal on. And so there does appear that the statement is true that that competitor share is higher or where they also have broadband, but they have a broadband in places of their historic strength and including back when their broadband product wasn't that interesting. And so it's hard to tell what's causal there.

The one thing that does appear to be linked in a way that's somewhat causal is that churn looks to be lower. And when people buy these bundled offers, there does appear to be a marginal impact to churn, which is attractive. And again, that's one of the thesis for why we like this. We think we can outperform a purely disinterested financial investor because of the embedded customer base.

But remember, churn in wireless is already historically low. So there's only so much benefit you can count on from that on the wireless side. And it's one of the reasons why again, we don't think it's necessary as a defense of our mobile business. Far from it.

Peter Osvaldik - *T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer*

Yes. And on the Metronet deal, before I ship over the spreadsheet to everybody, I think let's -- if we step back, to your point, there's a number of components of the \$4.9 billion.

And one of those is, of course, 50% ownership in the JV itself. Another element of it is actually acquiring all of the residential customers as well as the exclusive rights to distribute service, et cetera, residential customers in the future as the build continues. And then the third part is funding the JV itself.

So that to get to that 6.5 million households passed number, that business plan, as it stands, actually contemplates the need for no additional equity contributions. Of course, the JV itself will be appropriately levered. And this is a JV that's off of our balance sheet with counter-parties, so I can't unfortunately disclose all elements of this. But those are the three main components.

And in fact, not only does it not require additional equity contributions, we anticipate that, again, to meet that business plan of 6.5 million households passed, that will get dividends back from the JV during the pendency of this through 2030 well in excess of \$1 billion.

So yes, I can't parse every element of it for you out, but it is all three of those together as well as kind of the dividends coming back and the great prefunding to keep this build machine going and get to that 6.5 million.

Jonathan Chaplin - *New Street Research - Analyst*

Got it. One last follow-up question just on -- okay, great.

Thanks, Quay.

G. Michael Sievert - *T-Mobile US Inc - Director*

That's okay, Jon.

Peter Osvaldik - *T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer*

Go ahead.

Jonathan Chaplin - *New Street Research - Analyst*

You'll take it? Just on the business-consumer mix question, on fixed wireless broadband, can you give us a sense of how much of the adds coming in are from business and how that's evolved?

G. Michael Sievert - *T-Mobile US Inc - Director*

Sure. Yes. We have -- we saw this product across all of our major brands and segments. And so we have postpaid consumer, we have prepaid consumer and we have business. And it kind of speaks to the ongoing opportunity that we have in the other segments. And so that's just how it's been flowing in. And the product is really resonating with postpaid consumers.

And I talked earlier in the call about how these things tend to kind of feed on themselves. And inside of this segment, we're benefiting from so much person-to-person talk value. As people get this, they tell their friends about it, how much money they're saving. You heard from Mike about how this product is resonating. I mean, it's really performative and that surprises some people pleasantly. And so those things kind of feed on itself. And I think a lot of that opportunity might still be in front of us on the business side.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Okay. Thank you. Next question, please.

Operator

The next question comes from Kannan Venkateshwar with Barclays. Please go ahead.

Kannan Venkateshwar - *Barclays - Analyst*

Thank you. So Mike, maybe on the fiber part, it would be helpful to understand how you think about the build plan in the sense that is this maybe a strategy to open up capacity on the fixed wireless side by maybe migrating some subscribers over from fixed wireless to fiber? Or is this just an additional opportunity to expand the footprint? And so in that sense, do you really need to have an overlap as you think through the fiber build plan with your fixed wireless footprint? Or could you just think about this completely independently?

And then, Peter, maybe from a housekeeping perspective, there's a lot of puts and takes in terms of EBITDA guidance this year. And you obviously have mentioned there is ACP, the price increases. So maybe if you could just parse out the components just to understand what the core trend lines look like, that would be really helpful. Thank you.

G. Michael Sievert - T-Mobile US Inc - Director

Okay. Kannan, those are great questions. First of all, on the fiber and the interplay with our fixed wireless business, it's actually a fantastic question. I'll turn to Mike Katz.

Michael Katz - T-Mobile US Inc - President - Marketing, Strategy and Products

Yes. It is a fantastic question because we see -- one of the reasons why we're excited about fiber is we do think it is quite complementary to our fixed wireless business, both in situations where customers that are looking for a different kind of performance like symmetrical speeds have an upsell path. But also because, remember, our fixed wireless business is an excess capacity model. So we sell fixed wireless in places in the network where we have excess capacity that won't be consumed either now or in the future by normal mobile usage and that's where we sell fixed wireless.

And in places where we deploy fiber, there's an opportunity for us to take some of the demand that we're seeing in fixed wireless where those excess capacity pockets don't exist and move them to fiber. So there's really a bunch of complementary features to it. I think to your question, I think it's a really interesting one. I can tell you it's not the primary thesis of why we're doing fiber. I think we're doing fiber for all the reasons that Mike and Peter talked about. We think our unique asset set allows us to drive enterprise value and gives us advantage in fiber. That's the primary thesis.

But I think a really unique potential tertiary opportunity is the one that you pointed out where fixed wireless users, as they migrate to fiber, opens up potentially additional spots for fixed wireless because of the nature of the excess capacity model.

So I think it's a really interesting point and probably an opportunity for us as we deploy more fiber footprint.

G. Michael Sievert - T-Mobile US Inc - Director

And to illustrate that, we have a long, long list of people who have expressed interest in our fixed wireless product that we're not able to serve because we only put it in places where there's open capacity.

Michael Katz - T-Mobile US Inc - President - Marketing, Strategy and Products

Yes, that's right. I think that's one of the assets that we bring here is that we have demand in some sense that exceeds supply because of excess capacity that we can immediately move into fiber.

G. Michael Sievert - T-Mobile US Inc - Director

So great question. And then on to the second piece, Peter.

Peter Osvaldik - T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer

Yes. I think it's a really astute question in terms of what's happening underneath and what are all the puts and takes of the EBITDA guide and how should I think about the core business underneath. Very, very important. And of course, predominantly what's happening with core EBITDA and the ongoing tremendous growth, 9% year-over-year at the midpoint of the guide, is continued profitable share-taking from a customer perspective.

You see not only our ability to deliver, of course, outsized customer adds, whether that's in postpaid phone or total postpaid or the prepaid side of the house, but also translate that vis-a-vis ARPA and other initiatives into service revenue growth that's outsized as well from an industry perspective.

So the vast majority of what you're seeing on the trend line of EBITDA growth is the continued execution by this team on outsized customer share-taking and translation of that into financial performance. I'd say the counter to that in terms of a 1-year impact, so EBITDA perhaps would be even better had it not been for ACP and the impacts of the wind down of the government program, which again that is that \$350 million to \$450 million range, which we'll see primarily in the second half of this year and that will distort the trend line until that fully winds down, which we anticipate be fully gone by Q4. And then we'll soon be back to kind of this profitable growth element of it taking over without this onetime distortion.

Kannan Venkateshwar - Barclays - Analyst

Got it. Thank you, both.

G. Michael Sievert - T-Mobile US Inc - Director

Shall we take a moment to see what's online, Cathy? We do have questions coming in online we could hit in a rapid fire manner.

Tech life Channel. Are you completely averse to copper assets? Or would you consider them as a way to achieve more fiber?

I think the words I would use is strong bias. We love the idea of the elegant model of a pure-play fiber asset. The teams that have that are performing beautifully. So it's a bias. It's not a complete aversion to the premise of your question.

Roger Entner. How is TFB progressing?

Callie, you spoke earlier about enterprise strength. What about small and medium business, do you want to talk about that briefly?

Callie Field - T-Mobile US Inc - President - Business Group

Yes, we continue to see strong growth. Obviously, our legacy business began in SMB, it's where we have the most share. It's where our channels and assets really shine in our core wireless business. And something I'm really pleased that our team has been able to do is to, as I was mentioning in enterprise, build a broader solutions portfolio that really addresses the needs of small businesses.

So in both small- and medium-sized business, we continue to grow share. We continue to see very attractive CLVs and I'm pleased with the pace of the business. It's also a place where we see continued quarter-over-quarter growth in our fixed wireless business and still have opportunity to go back to our base and open up more opportunities in fixed wireless. So a lot of really good things going on for our small businesses there.

G. Michael Sievert - T-Mobile US Inc - Director

The strong CLVs across both consumer -- sorry, across both small and medium and across enterprise really points to the fact that customers are buying this product for the reasons you outlined, which is because it's a great product. It's also a great value, but they're buying it because it's a great product. And you see that in the strong CLV development. So great point.

Walt Piecyk. The U.S. is a big opportunity. So why not more fiber? Why stop there?

Kabletown with a K would say this confirms the questionable return on investment.

Look, we're open-minded over the long haul, as I said. And I would take exception to the questionable return on investment as it relates to T-Mobile. I really don't know enough about this to know whether or not, in the absence of T-Mobile, a lot of the companies out there are going to perform with great ROIs.

But T-Mobile can outperform because we have billions of dollars and years of embedded investment to create a capability and know-how that we bring to the game. And so you could actually -- the things could be simultaneously true. I don't know. Cable could say, look, these guys will struggle. We don't plan to struggle.

We bring a lot to the fight.

Bill Ho. What's the long-term trend of ARPA service revenue contribution? We talked about revenue development. But I think talking about ARPA and where we see ARPA going as a key measure of revenue per customer.

Any comments on that, Peter?

Peter Osvaldik - T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer

Of course, I won't update long-term guidance here, but much like what you saw in 2024 and what our guide is, our strategy has been to continue to increase ARPA. And it's because this network, consumers' businesses are hungry for more of the experience that this network creates and provides. Whether that's in the postpaid phone category itself, whether that's in other connected devices such as fixed wireless, watches, tablets, new connectivity solutions out there, that is what's driving ARPA expansion.

And that's the strategy: share taking, combined with ARPA expansion, earned ARPA expansion, with the network experience that they have and the value leadership that we provide to continue to drive for the long haul ARPA growth. That's the strategy here. And of course, we'll have more on longer-term trends at another time.

G. Michael Sievert - T-Mobile US Inc - Director

Cathy, back to the callers.

Quan Yao - T-Mobile US Inc - Senior Vice President - Investor Relations

Sounds good. Operator, ready for the next question on the phone.

Operator

Next question comes from Bryan Kraft with Deutsche Bank. Please go ahead.

Bryan Kraft - Deutsche Bank - Analyst

Hi, good morning. I had two, if I could. First, volumes have obviously remained very strong across the industry so far this year. Every company has beat on net adds, including cable. Based on what you're seeing, just curious as to where you think the industry volume strength is coming from and how sustainable it is from here.

And then secondly, Mike had talked about the adaptability of the business plan to respond to opportunities that arise in the market. I just wanted to ask when we think about the EBITDA guidance, what is that assuming broadly about upgrade trends and/or industry switching activity in the

second half of the year? Is there room in there for those to increase? Or if we did see an uptick in upgrades and industry switching, could that put some incremental pressure on EBITDA?

G. Michael Sievert - T-Mobile US Inc - Director

Okay, Bryan. I'll take the first one and ask Peter to comment on the second. You'll find it a little unsatisfying as an answer, though, which is we find the industry level kind of hard to predict. The Q2 came in higher than we had expected in some cases and our business landed right about where we were planning. But if you look at the wider lens, the industry context was a little hard to predict. And you kind of see that in our guide. We were able to flow through our Q2 beat versus consensus in our guide. It was a very strong quarter for us, and you see that in the second half where we're sort of side-eyeing that industry question because we just don't know. We're very confident in our plans for the second half.

And as it relates to how much that relies on upgrade rates, look, if upgrade rates rise, then we have more jump balls and the ability to grow faster. And of course, there's always at least for a quarter or two a geographic timing price to that growth. And so we'd need to be cautious about that, too. And you saw us hold firm on our EBITDA guidance as a result of that as well as a result of ACP. But maybe, Peter, you could talk about what upgrade rates are assumed generally speaking.

Peter Osvaldik - T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer

Generally speaking, yes. I mean, look...

Or I'll just send out all of my spreadsheets and we'll be in a good place. But that's -- it's exactly right, it's hard to predict. And again, if it's a higher upgrade rate, higher moment of switching, that creates higher ultimate customer value and enterprise value for us as well being the share taker. So that's part of the reason why we're always in a range scenario with EBITDA. Yes, we have the ACP element of it, but we also have element of what is the opportunity going to be. And if you see an opportunity where industry share-taking can flow to, to our benefit more than we think, of course, we'll take it. You saw that happen in Q2. As we saw opportunities, we made investments and we took more share. So that's part of the range. We are excited, of course, much like we all at every holiday season, at every new iPhone introduction as a moment of potential share-taking. Can't predict exactly what's going to happen. But the EBITDA range gives us flexibility to achieve exactly what we want to with the plan.

Quan Yao - T-Mobile US Inc - Senior Vice President - Investor Relations

Thank you.

Bryan Kraft - Deutsche Bank - Analyst

Thank you, both.

Quan Yao - T-Mobile US Inc - Senior Vice President - Investor Relations

Next question, please.

Operator

The question comes from Peter Supino with Wolfe Research. Please go ahead.

Peter Supino - *Wolfe Research - Analyst*

Hey, good morning. A couple of questions on broadband. In FWA, I wonder if you could describe how the mix of your gross adds has shifted, say, from '23, maybe looking out to '25 or at least '24. I'm wondering if the percentage of gross adds or number of gross adds in dense metro and higher-value, more dense suburban areas is falling and whether it's rising in smaller towns.

And then another FWA question relating to the longer term of the fallow capacity model. Using one cell as an example, today's fallow capacity doesn't necessarily equal fallow capacities 3 years from now to the extent that consumption across mobile and home is rising. And so as cells that today have room in the future get busier, densification sometimes is the right answer.

Thank you.

G. Michael Sievert - *T-Mobile US Inc - Director*

Great. Well, let me start with the second one, which is the way our fallow capacity model works is pretty sophisticated. I mean, we look at every sector, and in fact, smaller geographic elements than a sector and look at the predicted, not current, usage of that sector, assuming ongoing share-taking in line with historical norms of share-taking in mobile phones and assuming dramatic growth of usage of mobile phones on a per-mobile phone basis and ongoing growth in line with historical norms of usage for the actual broadband customers that we bring on.

We take all that forward and drag it right years and then approve applicants for broadband only when that capacity will still be there. And so that's one of the reasons why we have hundreds of thousands of people waiting for this product, on waiting list, because right down to your particular address unless we're convinced that product will serve you for years to come in a way that drives your happiness and does it without interrupting anybody's mobile service, we don't accept your application.

And it's a very sophisticated model. One of the online questioners said that Verizon commented that they're balancing and capping at 400,000 a quarter in order to avoid disrupting mobile subs. Are you doing the same thing? And the answer is no. Because our broadband subscribers don't do that by virtue of how we do this. So it's a really sophisticated model that we're quite proud of. And now I forget the second half.

Peter Osvaldik - *T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer*

Yes. It was really a question around the breakout of gross adds and are we still seeing the same amount coming from urban, suburban, high quality. And the answer is relatively yes. Of course, as we continue to build into smaller markets and rural areas, which, again, I remind everybody for us, it's 40% of the population. We have the top 100 markets and everything else is smaller markets and rural areas, which has a lot of geography, a lot of great customers in it.

So overall, yes, the majority is still coming from cable. The breakout between smaller markets and rural areas and our top 100 is relatively the same and they continue to be and more so very high-quality adds. In fact, ARPUs are up year-over-year. Churn is down year-over-year. Obviously, Mike Katz spoke a little bit about customer sentiment towards this product. So we couldn't be more proud of how the gross adds are continuing to flow in and the makeup of those and the value that we're creating for customers as well as for T-Mobile itself.

Peter Supino - *Wolfe Research - Analyst*

Thank you both.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Thanks, Peter.

Operator, we have time for one last question. Please go ahead.

Operator

The last question today comes from Sebastiano Petti with JP Morgan. Please go ahead.

Sebastiano Petti - *JPMorgan - Analyst*

Thanks for taking the question. Just a quick couple of housekeeping questions. On FWA, I think you're currently in the market with an online promo, I think for \$55 relatively, but you had raised prices earlier in the year. Just help us think about the strategy behind that to the extent of how it fits into the overall strategy, particularly, Peter, what you just kind of described it; Mike, what you've been talking about on the call as well.

And then another housekeeping question. You've mentioned, I think, Peter, in your prepared remarks that you expect normal seasonal postpaid phone churn trends in the second half of the year similar to a year ago. Should we be thinking about that on a sequential basis or more relative to the prior year? Just trying to get a sense of some -- what you meant there in terms of the guidance.

Thank you.

G. Michael Sievert - *T-Mobile US Inc - Director*

Let's start with the second one.

Peter Osvaldik - *T-Mobile US Inc - Senior Vice President - Finance, Chief Accounting Officer*

Yes. On the churn, I really meant kind of sequential trends. So what we saw last year was Q2 to Q3 sequentially was up 10 bps and Q3 to Q4 sequentially was up 9 bps. And so those are generally the sort of trends we'd expect.

So as you think about what we just delivered in Q2, I'd anticipate a similar sequential increase in terms of number of bps and similarly then from Q3 to Q4 of this year. So that's kind of the housekeeping around that.

G. Michael Sievert - *T-Mobile US Inc - Director*

And we kind of wish it was that precise.

On the 5G broadband pricing, I would say -- you were asking what should be read into that from a strategy standpoint. And I would say nothing. What you'll see from us is we try things, we learn. We have test cells. We do things online.

We do things in markets. And we're always looking to see kind of what resonates and what people respond to.

But overall, the general trend for us is that we are post the period where we were discounting every customer all the time during the introductory years. We move back to a normative pricing that we think is highly attractive. And we like to understand those elasticities. And so you'll always see us doing things.

And before I hand it to Cathy to wrap things up, I will just tell you, thank you for all these great questions. It's just an absolute pleasure to be able to talk about this team's outstanding performance quarter after quarter.

We kept our prepared remarks to just 11 minutes, so we could get to lots and lots of your questions. That's because we love you and we listen to you, so we try to be responsive. And Cathy, we'll let you wrap this up.

Quan Yao - *T-Mobile US Inc - Senior Vice President - Investor Relations*

Thanks, Mike. That's all the time we have for questions, and we appreciate everyone joining us today. We look forward to speaking to you again soon. If you have any further questions, you may contact the Investor Relations or media department.

Operator

Ladies and gentlemen, this concludes the T-Mobile second-quarter earnings call. Thank you for your participation. You may now disconnect and have a pleasant day.

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