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TMUS.OQ - Q4 2021 T-Mobile US Inc Earnings Call

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PRESENTATION

Operator

Good afternoon. Please note that today's call is being recorded. (Operator Instructions)

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

Jud Henry - *T-Mobile US, Inc. - SVP of IR*

All right. Welcome to the T-Mobile Fourth Quarter and Full Year 2021 Earnings Call. Joining me on the call today is Mike Sievert, our President and CEO; Peter Osvaldik, our CFO; as well as other members of the senior leadership team.

During this call, we'll make forward-looking statements that involve a number of risks and uncertainties. It may cause -- forward-looking or may cause actual results to differ materially, which we have in our SEC filings and I encourage you to review. Our earnings release, investor fact book and other documents related to our Q4 and full year results as well as reconciliations between our GAAP and non-GAAP metrics are all available on the Quarterly Results section of the Investor Relations website.

With that, I'll now turn the call over to Mike.

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G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Okay. Thanks, Jud. Well, my buddy and I here are excited to be here today to discuss another remarkable year at T-Mobile. We shared with you a year ago that 2021 would be a foundational year for us as a merged company, a year in which we set bold goals for ourselves in terms of customer growth, profitability, network leadership and merger integration. Well, we not only exceeded our own targets, but also Wall Street's expectations.

We are experiencing the greatest growth momentum in our history, setting record customer growth and service revenue growth, all because of the important investments we've made and will continue to make in our network leadership and in underpenetrated markets. This momentum sets us up for a very strong 2022 with plans to deliver another year of industry-leading postpaid growth, 10% in core adjusted EBITDA and over 30% growth in free cash flow at the midpoint of our guidance. We have big aspirations for this year, as Peter will explain more about in a minute.

Our historic network build is a driving force behind our growth opportunity, and it's central to unlocking our merger synergies. For the second year in a row, we set an audacious goal for Neville and the technology team, and they crushed it yet again. We set our sights on getting Ultra Capacity 5G to 200 million people, and the team blew right past that goal, reaching 210 million in 2021. This is no small feat when you consider that it takes roughly 3x the number of cell site upgrades to get from 100 million to 200 million.

And that gives you a sense of the challenge that AT&T and Verizon have ahead of them. Once they woke up to our 5G lead and differentiation, they finally began lighting up mid-band 5G POPs, but still only tens of millions compared to our hundreds of millions. According to their own build plan, it will take them multiple years to reach 200 million people, and they still won't be anywhere near the depth of mid-band spectrum that we're putting to work across our larger footprint. This demonstrates the remarkable deployment machine that we have spent years building and how hard it is to replicate.

And don't forget our extended-range 5G reached 94% of all Americans at the end of 2021 with speeds double that of typical LTE. This reinforces the importance of not just having the best spectrum portfolio, but how quickly T-Mobile puts spectrum to work for the benefit of consumers and businesses.

We continue to add to our mid-band portfolio with our recent purchase in Auction 110. Once again, our prudent and opportunistic approach meant that we concentrated on supplementing our mid-band spectrum holdings in major urban and suburban areas, mostly aligned with our C-band purchases and importantly, in places where these frequencies are well suited to the density of our network grid. That means we'll be able to deliver meaningful customer benefit with very little network capital and OpEx using existing towers, thanks to our completed agreements with American Tower and Crown Castle. And we're not slowing down.

We continue to extend our years-long 5G lead on the competition, and independent network experts continue to recognize this. More than 20 reports from third-party testing firms in the last year confirmed T-Mobile is top in 5G speed and coverage. In Ookla's latest testing, T-Mobile delivered a clean sweep of every category. And we're not just talking about individual 5G category wins like speed and availability. This is important. T-Mobile also won for overall network performance, meaning customers have a winning experience on the T-Mobile network. Period. OpenSignal's new report published last week stated that T-Mobile customers enjoy the fastest 5G speeds and can connect to 5G more often and in more places than anyone else. And the gap has only gotten wider as we keep increasing our speeds and reach. Meanwhile, AT&T somehow managed to see their 5G speeds get slower year-over-year with an LTE-like 49 megabits per second.

Okay. Let's talk about our industry-leading growth. Last year, we posted the best growth in our company's history. Across the entire span of our years-long Un-carrier journey, our best postpaid net add growth ever was in 2021. Our Magenta brand momentum is just incredible. And we added 1.2 million postpaid account net adds, doubling 2020's adds, the highest reported in the industry yet again. This measure of total billing relationships is the best barometer of winning the switching decisions in the industry, something we're famous for as the Un-carrier. And our highest-ever postpaid net adds were 5.5 million, leading the industry for the seventh consecutive year and exceeding the guidance that we raised again just last quarter. And our 2.9 million postpaid phone net adds were up 32% from last year, even during our accelerated Sprint customer integration.

Thanks to the strength of our Magenta brand, we're delivering at best-ever levels. Our Magenta postpaid phone churn in 2021 was the lowest in the industry for the second year in a row.

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We exited the year with great momentum as well. In Q4, we not only had the highest phone gross adds in the industry, but also the highest in our history. This last quarter, interesting fact, our Magenta postpaid porting ratio was above 1.5x in Q4, and we're seeing those ratios trend even higher against AT&T and Verizon so far in Q1, while seeing our overall phone churn so far in Q1 move down seasonally just as expected. And to put this underlying momentum into perspective, if the Sprint churn was the same as the Magenta churn, postpaid phone net adds in Q4 would have been closer to 1.4 million and would represent the highest quarterly postpaid phone net adds in our history.

And I couldn't be more excited about high-speed Internet, where T-Mobile was the fastest-growing broadband provider in the industry in Q4. Let me say that again. In Q4, T-Mobile, and not Comcast, not Charter or AT&T or Verizon, posted the most broadband net adds in the industry, and we're just getting started.

And mobile customers are taking our Magenta MAX plan in record numbers with over 55% of new customers choosing our best plan. This wasn't part of our playbook before and is now a tailwind as our continuously improving network perception and competitive device offers are enticing customers right to the top of our rate card. And there's still a huge potential upside here as fewer than 15% of our postpaid phone customers are on Magenta MAX or equivalent plans.

This affects ARPU and ARPA. When we shared our plan with you at Analyst Day last year, we assumed postpaid phone ARPU would decline 1% every year through 2023, consistent with our historical trends and any benefit from the Magenta MAX would be upside to the plan. Well, you're already seeing that upside as we just delivered flat ARPU, actually up $0.01 in 2021.

And not to steal Peter's thunder, but on the strength of this trend, we now see postpaid phone ARPU being flat to slightly up in 2022 for the first time ever. In addition, we've seen our prime mix of credit apps increase year-over-year every quarter in 2021, showing that our network and brand is consistently attracting some of the industry's best customers.

We're off to a great start, bringing the same winning formula to smaller markets and rural areas. This is 40% of the country where we haven't meaningfully played before. We're growing our presence here as we expand the reach of our distribution and network. In just 1 year, our share has grown from approximately 13% to roughly 15%. Our share of portings in smaller markets and rural areas has increased multiple percentage points year-over-year, and these markets accounted for more than 1/3 of our new accounts.

This is one place our network leadership is beginning to shine. We're already the only 5G game in town for many of these communities. Our extended range 5G provides speeds more than double the average LTE and reaches nearly 5x more geographic coverage than Verizon's 5G. And we're rapidly rolling out our Ultra Capacity 5G to more of these communities at an unprecedented clip, expanding our mid-band 5G coverage to 5x the land area that we cover today by the end of next year as we move from 210 million people covered to over 300 million exiting 2023.

Meanwhile, AT&T and Verizon have finally started rolling out mid-band 5G and hope to soon be where we were almost 2 years ago. I'll say it again. We're 2 years ahead of AT&T and Verizon in 5G and 2 years from now will still be 2 years ahead.

T-Mobile for Business had another great year as enterprise and government customers continue to do hands-on testing and when they do, they see the strength of our network. This differentiation on the network experience is delivering win share well above our market share. Just to put that in perspective, we're already, today, at a win share in enterprise and government that would get us to our targeted 20% market share by 2025, that's if we just hold our win share at current levels. And we've still got room to run.

We're in many ways just beginning the expansion of our solutions and capabilities. Last week, others said they were still in proof-of-concept for advanced 5G network solutions like mobile edge compute and private networks that they hope to commercialize at some point in the future. At T-Mobile, we already have commercial revenue-generating agreements for advanced 5G solutions with multiple large corporations, including the federal government and a very large logistics company. I'm excited about building on our momentum with businesses in 2022 with our ever-expanding 5G network lead.

And let me just go back and touch just a little bit more on high-speed Internet. At the beginning of 2021, we were actually still in pilot. While we closed out the year with 646,000 customers, far exceeding our 500,000 target, it's abundantly clear that customers are loving the network performance

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and the simplicity of this 5G-based product. And with roughly 40% of high-speed Internet customers being new to T-Mobile, it creates another front door to fuel our mobile growth.

We're excited about the revenue and margin contribution potential of this business as we ramp up further this year and next as our planned network capacity really hits its pace. T-Mobile 5G home Internet is ready for its prime time moment. And I think a lot of people are going to be surprised by how mainstream this product really is with our unique 5G network capacity to back it up.

Okay. Let's touch on our progress on our accelerated merger integration. While our Magenta business is firing on all cylinders, we're also successfully powering through the transition of the higher-churning Sprint customers faster than planned.

At our Analyst Day last year, we laid out our post-merger plan to accelerate our integration, bringing many of our biggest milestones forward by a year or more. The Sprint customer network migration is an essential part of this integration. At the end of 2021, 64% of Sprint customers have been migrated onto the T-Mobile network, well ahead of the 60% target that we laid out back at Analyst Day. This is impressive in 1 year when you consider that less than 10% were migrated at the end of 2020. As we've previously said, we expect the billing migration to be relatively seamless to the customer as we begin to ramp up this final part of the integration over the course of 2022 and into the first half of 2023.

As we enter the home stretch in '22 for many of our Sprint customer integration initiatives, we believe that Q4 of '21 was the high watermark for churn in terms of our overall postpaid phone churn during the integration. Having seen the integration results so far, we're now confident that churn will improve because we've seen the performance of a now material cohort of migrations.

As customers migrate to fully compatible devices anchored on the T-Mobile network and have a new EIP instead of leasing, they show churn rates similar to our Magenta customers. A sizable minority of Sprint customers have now hit these milestones. Completing these upgrades and migrations won't happen overnight, but the bottom line is simple. While others are temporarily padding their net adds from elevated Sprint churn today, we're working to make that very short lived, which will create a growth tailwind for us, as you saw from our underlying Magenta performance while simultaneously creating a corresponding headwind for them. And we like those kinds of trends.

Okay. Finally, before I wrap up, I do want to touch on our accomplishments as a leading corporate citizen in our industry. We not only set and exceeded our bold business and financial goals in '21, we also stayed true to our commitments to use our new network, scale and resources for good, building a more connected, equitable and sustainable future for all of our stakeholders.

T-Mobile was the first telecom to commit to sourcing 100% of our total electricity usage with renewable energy. And we're proud to announce this week that we're the first to achieve that goal, just another example of where we're leading the industry.

We also further extended our leadership position in helping to bridge the digital divide. We're removing economic and geographic barriers in multiple ways. Our centerpiece is Project 10Million, which has already connected 3.2 million students with free or subsidized service. And we're expanding our high-speed Internet availability to millions of rural households, providing an important new connectivity option right where it's needed most. We also have an active participation in the government's affordable connectivity program through Metro by T-Mobile and Assurance Wireless, providing lower cost subsidized connectivity for many at a time when it's needed most.

Okay. So let me sum it up. 2021 was our best year ever, and that's just because '22 hasn't happened yet. Our positioning to simultaneously offer the best network and the best value is working while we also rushed to successfully expand into big underpenetrated segments. We saw strong ongoing growth ahead. We see it ahead in 2022 with a strategy that is really resonating with customers.

Our network excellence has unlocked unprecedented growth for our Magenta brand, allowing us to move upmarket in urban and suburban areas with prime consumers and with enterprises and government. And at the same time, we've expanded our reach into smaller markets and rural areas and new product categories like high-speed Internet. We delivered big milestones in each of these areas in 2021 that really demonstrate our growth thesis with results. That customer growth helped to deliver industry-leading service revenue growth, and combined with our accelerated execution on our merger synergies, has enabled us to nearly double our free cash flow year-over-year in 2021.

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Only T-Mobile has this unique recipe with permission to win and room to run across multiple paths to unlock the massive shareholder value potential of this business.

I'm incredibly excited to carry our momentum into 2022. This is a huge year, and there's no team I'd rather tackle it with.

So Peter, over to you.

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

All right. Thanks, Mike. As you can see, our strong results in 2021 highlighted our unique ability to leverage our 5G network to execute our exciting growth initiatives and accelerate the merger integration. Let's start by talking about growth.

We achieved our highest postpaid accounts and customer growth ever in 2021, which resulted in the best service revenue growth in company history and in the industry. We delivered strong ARPA and ARPU trends throughout 2021 with postpaid ARPA up nearly 2% from a year ago, consistent with our accounts and ARPA growth strategy we have shared with you. This postpaid ARPA growth is driven by both customer growth across both postpaid phones, including the success of our Magenta MAX offering and value-accretive postpaid other connections.

We realized approximately $3.8 billion in synergies in 2021, nearly tripling year-over-year, with around $2.8 billion in P&L savings, which funded our growth initiatives and network build and roughly $1 billion in avoided costs. Through our higher service revenues and merger synergies, we reached record high core adjusted EBITDA of $23.6 billion, exceeding the high end of our recently raised guidance. Our growth in synergies have also unlocked rapid free cash flow expansion, which nearly doubled year-over-year to $5.6 billion in 2021 and it's just the beginning of our unique journey to deliver significant shareholder value.

So let's talk about how our great execution and investments in 2021 set us up for another strong year of growth in 2022. We expect total postpaid net additions to be between 5 million and 5.5 million, reflecting continued focus on profitable growth with our Magenta brand as we continue the accelerated Sprint customer migration. This assumes roughly half of postpaid net adds coming from phones and continued growth in high-speed Internet. This net adds guidance does not include an expected small subset of customers who will not migrate upon the sunset of the Sprint network, which will be treated as a base adjustment at the end of Q1 for CDMA and the end of Q2 for LTE. The anticipated small impact of these adjustments is fully incorporated into our core adjusted EBITDA and free cash flow guidance.

So we expect core adjusted EBITDA to be between $25.6 billion and $26.1 billion, up approximately 10% at the midpoint based on continued growth in service revenues and merger synergies. And this excludes leasing revenues, which we expect to be between $1.1 billion to $1.4 billion as we continue to transition Sprint customers off device leasing.

Our merger synergies are expected to further ramp to $5 billion to $5.3 billion in 2022, primarily as we unlock more network savings, particularly as we get into the second half of the year. Merger-related costs not included in adjusted or core adjusted EBITDA are expected to be between $4.5 billion and $5 billion before taxes, primarily representing network activities. These costs will peak this year as we laid out at Analyst Day, and we expect roughly 1/3 of the total to occur in Q1 and another 1/3 in Q2 and then taper off in the second half of the year as merger-related costs precede synergy realization.

Net cash provided by operating activities, including payments for merger-related costs, is expected to be in the range of $15.5 billion to $16.1 billion, up more than 10% year-over-year. We expect cash CapEx to be between $13 billion and $13.5 billion as we continue the robust pace of our 5G deployment and network integration while also accelerating additional components of our build plan in order to capitalize on growth opportunities and enhance the customer experience.

It is important to reiterate that our overall network capital budget remains unchanged. This acceleration further strengthens our competitive advantage by continuing the unprecedented pace of deployment, which unlocks the differentiated growth and significant cash flow generation potential of this business. Together, this results in expected free cash flow, including payments for merger-related costs, to be in the range of $7.1

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billion to $7.6 billion. This is up more than 30% over last year, even with the higher levels of investment and does not assume any material net cash inflows from securitization.

We expect our full year effective tax rate to be between 24% and 26% as 2021 included significant onetime benefits. And finally, we expect full year postpaid ARPA to be up again in 2022 as we execute on our strategy to continuously deepen our account relationships.

As Mike mentioned, we expect postpaid phone ARPU to be flat to slightly up year-over-year in 2022, driven by continued customer adoption of Magenta MAX. Altogether, we expect 2022 to be a year of profitable growth and free cash flow expansion as we continue to invest in our network and the business. Our unique opportunity to unlock significant expansion in free cash flow is what we find so exciting and look forward to building on our momentum this year.

And with that, I will now turn the call over to Jud Henry for Q&A. Jud?

Jud Henry - *T-Mobile US, Inc. - SVP of IR*

All right. Thanks, Peter. Let's get to your questions. (Operator Instructions)

We'll start with a question on the phone.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we will go to our first question at this time from Phil Cusick of JPMorgan.

Philip A. Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Detail on the base adjustment at the end of the...

Jud Henry - *T-Mobile US, Inc. - SVP of IR*

Hey, Phil, we lost you at the beginning. Can you start over?

Philip A. Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Sorry. let me start over. So thanks for the direction on postpaid phones being half of adds. What do you -- can you give us more detail on how you think of this base adjustment at the end of the transition? Do you expect that these are sort of nonresponsive customers that you'll treat it as an adjustment rather than people who actually leave? And how else would you think about fixed wireless broadband for 2022 within that guide?

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

Yes, absolutely. Thanks, Phil. So yes, we couldn't be more excited to continue on this journey and get the CDMA network shutdown and transition that technology and really unlock things for customers, particularly with 5G.

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In terms of what we expect there, what we're anticipating is probably in order of a couple hundred thousand phone subscribers. And really what those represent is the nonusage subscribers that we've seen really tail off. So it's not customers really leaving. I think it's really the tail of nonusage customers there.

And of course, we'll probably see some other devices. It's a little unique. You have some end-of-life devices that really aren't practical to be replaced. So that's really there. But again, couldn't be more excited about the progress that we're making towards decommissioning these networks and both unlocking the synergies that come from that, but also putting all of that spectrum to use in the 5G space. And all of that is incorporated in the guidance that we gave you.

With respect to fixed wireless, what we really see is 2022 will be a bigger year than 2021. And that's how we thought about it in the context of the guide that we gave you, but not specific figures.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

And maybe, Don, you can give a little color on how it's going out there with mobile Internet and what we're seeing and why is '22 going to be a bigger year?

Brandon Draper - *T-Mobile US, Inc. - EVP of Emerging Products*

Yes. As we said earlier, I mean, this last year was our launch, our official launch -- we did 542 -- or ended the year with just under 650,000 customers. So it's a great growth year for us. And the thing that's really exciting about this business is customer satisfaction continues to actually improve. I mean we're already 3x higher than cable, and we're seeing it improve. So the customers are liking it. We have momentum.

The other exciting piece about this is that 40% of the customers we're bringing on are new to T-Mobile, which is a fantastic opportunity for us to cross-sell our wireless services. So this continues to be the case. And our economics, as we stated back at Analyst Day, continue to be something that's really great and attractive, postpaid-like ARPU, much lower acquisition costs. So economically, this is a really good piece for us.

So we're seeing all the things that we had expected continue to trend as we expected -- even more favorably than we expected. And the penetration we're seeing across different market types also continues to be really positive.

I mean, the majority of our customers are coming from suburban and urban areas. And don't get me wrong, we do very well in rural areas where people are looking for even one choice of high-speed Internet. So that's been great. But the value proposition that we have, the simplicity, the price, the quality of the product, the fact that we have backed it with amazing customer service, it's so easy to set up, all these are resonating with customers, whether they come from cable, which is still the majority of customers that we're bringing on, or customers that are just looking for a great Internet provider.

So all these things give us great momentum in the fourth quarter, again, where we were #1 in industry net adds, and we continue to -- we expect to lean into that going into 2022.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Last word on home Internet, Phil. I would say -- I think some people are going to be surprised. I mentioned this in my remarks at how mainstream this product really is. And you certainly saw it in our growth numbers in Q4 where we beat the industry. But more importantly, you see it in our usage profiles. Average users are using 300 to 400 gigs a month. We have a mid-single digit using more than a terabyte.

And people might say, "Well, that's not the same as cable. Cable uses more than that." But if you look at the broad distribution of cable users, their medians are right in that range. Their averages are only higher because they have some 10%, 20% of people that use multiple terabytes. Look, we can support some of that, too, as we're demonstrating today. But we don't have to target those people. I mean 80%, 90% of the customers are right

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in the sweet spot of where our product performs. And that's a wide, huge TAM for us. This is a very mainstream product for one reason. Our 5G is backed by the massive capacity of our rollout advancements and our spectrum portfolio. Nobody else is anywhere close or like that for quite some time. Yes, please, Phil.

Philip A. Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Mike, just a follow-up on one thing. I think that Peter said -- and thanks on the fixed wireless side. That couple of hundred thousand customers that you said mostly nonusage. Is it fair to assume that the revenue associated with those are substantially less than average for those customers?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Yes. And it's -- we don't have it exactly sized yet, and it's low usage and no usage and lower revenue. But it's basically the people who you've offered them a phone completely brand-new, totally free phone several times, and they haven't responded. And in many cases, they have lower revenue profiles, little or no usage. And we don't have it perfectly sized yet. But it's -- what Peter is trying to get at is it's not material to either our total subscriber enrollment nor our revenues.

And so at some point, when we begin our orderly transition, which looks like it's right on track for March 31, we'll begin that orderly shutdown of CDMA, we'll do a residual base adjustment, but it won't have a material impact on our financials. And certainly, whatever impact we do expect is fully embedded in the guidance we shared with you today.

Operator

(Operator Instructions) And we're going to be moving next to our question from Brett Feldman of Goldman Sachs.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

And great to hear the confidence you have in the cash flow profile of the company. Going back, that's one of the principal reasons why you had expressed confidence that you would be getting to a point where you could seek approval from the Board to pursue a fairly meaningful buyback program. Could you maybe just revisit for us what are some of the conditions you would hope that the business would be in, in order to be in a position to go seek that approval? And to what extent would that be operational milestones like completing certain elements of the integration, such as the network integration versus maybe being in line with certain financial objectives, such as where you're looking to get leverage?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Of course. I'll just take you back to Analyst Day because essentially nothing's changed. We're a year smarter, but all that year has done is demonstrate that the thesis we shared with you last year is completely intact, if not better than before. And what we said back then is that it's all predicated on the massive cash flow potential of this business, particularly in the years '23, '24, '25 and beyond.

So we set an aspiration of about a $60 billion program during those years, the possibility of starting sooner, and all of that remains intact because the thesis is intact. And you saw that we authorized a pretty good capital build for this year because we're running well ahead of schedule on integration. We want to get this thing behind us. That means next year's capital profile will be lower. We're going to see a significant step down in capital next year versus this year.

We don't have any formal updates for you, but the entire thesis that, that magnitude of buyback makes sense and is a great way to return value in those time frames, including the possibility of starting earlier, all of that's intact. But I can't really parse it for you any more than that in terms of our deliberations. So sorry about that.

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Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Well, can I ask a follow-up for Pete. You had previously expressed the goal of getting to investment grade. I don't think that was a prerequisite for pursuing buybacks, but obviously, the rate environment has changed, so I'm wondering if your thinking around your balance sheet priorities have evolved at all.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

No. They haven't. And look, it's very straightforward. We are going to achieve in this time frame according to our outlooks, investment grade. We are going to, according to our outlooks, have the wherewithal to be able to do these buybacks. They're not in tension with one another. And there are no preset predicates to when we might pursue these things. But I don't have a formal update for you.

Operator

And so we'll move to our next question from Craig Moffett of MoffettNathanson.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder & Founding Partner*

So let's stay with -- you talked a lot about fixed wireless broadband. Let's stay with the cable theme for a second. Having now seen the rapid growth that the cable operators posted in their wireless businesses, can you talk about how you think about coexisting with cable? I'm guessing they probably don't take a lot of subscribers directly from you, but they now sort of occupy a similar kind of value price that you occupy. How much do you think that affects your growth trajectory?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Well, as you know, Craig, we also posted the biggest postpaid numbers in the entire industry in that same quarter you're asking about, Q4, the one we're reporting, and the highest postpaid net adds in our history in the full year 2021, all during which we're seeing this trend on cable, which isn't new.

Cable had a strong quarter in Q4, but it wasn't an outsized quarter. I mean basically, it was 10.4% of gross adds. And we've been saying for a long time, we see them right around 10%. They've been consistent performers. And when you have those kinds of smaller bases that -- you'll see a little bit more variability in nets. But their activations are very consistent. And you see how we're thriving in that environment.

And one of the issues is what you talked about. We think our value proposition is distinct, and it's resonating. And I'm really talking about the Magenta value proposition because that's the one we bring to the market.

We talked about the fact that if Magenta churn matched Sprint churn, and they were both at the Magenta levels right now, which is certainly a long-term trend, this performance this last quarter would have been 1.4 million postpaid phone net adds, the highest in our history. And it's not meant to give you some alternate reality on Q4. It's meant to express what we see in the underlying trends of our business that don't always come through in the reports.

So look, we are coexisting with them. We've been coexisting with them and we're really just not concerned about some step change catalyst.

Operator

We'll go next to a question from Michael Rollins of Citi.

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Michael Ian Rollins - *Citigroup Inc. Exchange Research - Research Analyst*

I wanted to touch upon the flow of performance over the course of '22. I think you mentioned earlier that the integration investments would be, I think, 1/3, 1/3 and then the balance in the back half of the year. I'm just curious how we should be thinking about the pace of churn -- normal course churn or Sprint related churn over the course of the year as you're continuing with the integration, how to think about the synergy realization and whether EBITDA growth is back-end loaded for the timing of those savings and then as it relates to free cash flow.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Sure. Let me make a comment on churn, and then I'll hand it to Peter on what you can expect in terms of timing, so he can give you his usual nonanswer on how it will all unfold during the year.

But look, on churn, what I mentioned in my remarks is that we're, as expected, seeing a seasonal step down in churn. But we're also seeing an improvement in our relative performance with our underlying Magenta porting better so far in Q1 than in Q4, where it was already very strong. So we're really pleased with the progress that we're seeing. And then underneath that, I mentioned that I believe that Q4 would be the high watermark quarter for churn overall, certainly through this multiyear integration period. And the reason why we were able to express some confidence in that is that you remember last time, I said there had been a small group of people that have sort of fully completed the migration. And we weren't sure if there was a selection bias or what was going on, but they looked exactly like or even a little better than Magenta.

And now we have a significant cohort, millions that have moved across. It's still a minority. I mean, it's going to take some time because it's driven by upgrades, which are stepwise. But now we have a big material cohort of people who have a compatible device. They have one or more on their account T-Mobile payment plans or T-Mobile-like payment plans, not the leasing, on a compatible device, domiciled on the T-Mobile network. And when you have those pieces in place, there are lots of pieces. But when you have those pieces in place, you see churn just like Magenta. And we have now a significant minority of Sprint customers that have that in place. And it makes sense.

If you have one or more phones on your band, doesn't have to be every single one. A band is an account. If you have one or more phones that are on a new T-Mobile-like payment plan, then you see how user-friendly it is versus the leases. You see how it performs on the network versus your prior product. And there's a dynamic there of having a level of commitment to the company. And so you see that taste of Magenta and what it's like, and that corresponds to churn just like Magenta. So now we're able to say, "Look, we just got to get the job done. We have to sweep across all these bands, make sure that they have the experience of Magenta, particularly compatible phones and compatible phone plans, and we're going to see the performance that we expect." And it's easier to predict now that we have a material cohort that's come all the way across.

As to the time frames on some of the financials through the quarter, what kind of color can you share, Peter?

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

Yes, absolutely. I'll try to give more than a nonanswer to say, Mike. But you mentioned, Mike, on the merger-related costs, and we said out of the guide that we provided, we anticipate about 1/3 of that in Q1 and about 1/3 of that in Q2. And you see that, of course, as you're starting to decommission the cell sites, you're going to start seeing the majority of this cost be associated with that decom.

By the way, and all of this acceleration of synergy that we provided, including beating 2021 and this 2022 guide, we're still projecting the same total amount of merger-related costs, which remember, were $15 billion. I do think now instead of the 11.5 OpEx, 3.5 CapEx, what we'll see is about 12 OpEx and 3 CapEx because the acceleration actually meant some things that we thought would be capitalized and now flipped to OpEx given the shorter time frame.

So that's it with respect to merger-related costs. And those perceive the synergies. So as I said, as you start decomm-ing the cell sites, in particular, you're going to start seeing the network synergies build in the second half of the year. And those are the things that will give you color around

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how it develops with respect to core EBITDA. And of course, you have other things such as seasonality and holiday and gross add flows that will affect some of that, but at least color around merger-related cost and synergy developments throughout the course of the year.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Okay. Sounds good. Let's go to Twitter for a couple and then come right back to the phone. So Neville, Bill Ho asks, with Auction 110 spectrum expanding our mid-band TDD, what are the issues beyond clearing to put this new spectrum into service? And while you're at it, with 5G ultra capacity, 260 million POPs targeted by the end of this year and 300 at the end of next year, is that organic or with roaming partners or what should we expect there?

Neville R. Ray - *T-Mobile US, Inc. - President of Technology*

Great. Yes. Thanks, Mike, and thanks for the Q, Bill. So Auction 110, so we're very pleased with the outcome, as Mike referenced in his opening comments, a great addition for us to our mid-band spectrum position. Your question there about what are the issues, well, obviously, this is a new band. So -- and it does have some complexity with coordination with the DoD to navigate. So that takes a little bit of time.

The radio infrastructure is new. So that has to be brought on and made available. And obviously, supply chain can play in there. And then third, but certainly not the last issue, is handsets and devices. And so we see kind of from the major OEMs, availability on devices in this band, tail end of this year, early next.

So for T-Mobile, our plan is to look at starting deployment of that 110 spectrum in '23 in conjunction with the C-band spectrum that we purchased last year. And that's a one and done for us. That's a single radio. Unlike the AT&T approach you've heard about, which is 2 radios kind of integrated together. So for us, I mean, we're looking to deploy the spectrum at the perfect time as we move into '23.

So very pleased with the outcome there. And I think the other important piece, as Mike referenced, we purchased spectrum in key areas of the country where the spectrum is most suited for deployment and capacity use.

On the target for 260 million POPs by the end of '22 and then 300 million by the end of '23, nobody more excited about those numbers than me. That's one hell of a footprint and looks to really extend the powerful lead we have today.

And are we going to be using roaming partners? I think they're going to be very few and far between. I think the question out there, Bill, is how many folks are going to be coming to T-Mobile and asking if they can roam on our great 5G with all of that footprint and capacity and capability that's out there. So it's an organic build. I won't say 100%, but effectively, it's a T-Mobile build, so excited on both those fronts.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Okay. Back to the phones in a minute. But first, Roger Entner, Mike Katz, he asked, can you talk about progress in the business segment, both for phone and for fixed wireless. So a little color on the quarter and maybe what you see ahead in '22.

Michael J. Katz - *T-Mobile US, Inc. - President of Business Group*

Yes. No, thanks for the question, Roger. And look, I'm very, very proud of the progress that we made in business this last year. As you heard Mike talk about at the beginning of the call, we left '21 in with a win rate and a corresponding net add velocity that gets us to the 20% target share target that we talked about at Analyst Day in 2025.

So I'm really thrilled with the momentum that we're building there. And we left the year with a lot of momentum. Last time we were here together, I talked about it being the best quarter that we've had in enterprise. Q4 bested Q3 in enterprise. So we've left '21 with a lot of momentum.

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And one of the things that we're seeing is the size of the wins that we're getting. It's not just new companies picking us, but it's the depth of wins. And it's really well demonstrated by one of the ones we announced this last quarter with Alaska Airlines picking us to not just be a partner but be their primary wireless provider. And those are the kinds of partnerships that we see striking, both in enterprise and government throughout the course of '21.

The wins are coming both in phone, but also in postpaid other, the latter of which we're really excited about because we are seeing CLVs on other connectivity that are greater than phone and enterprise and government. So it's really profitable business for us. And in that part of the business, we led the industry in growth there. So it's coming both simultaneously from phone and postpaid other.

On fixed wireless, Dow will tell you that part of the growth that we had this year certainly came from business customers, and I see that as one of the big growth vectors for us this coming year. Certainly in small business where they -- we talk about the lack of choices that consumers have in fixed wireless, just think about how rough it is for small businesses. Man, they get gouged. They have very few choices and the choices they have, they really get gouged. So we think there's a big growth opportunity in small business.

And we think there's opportunities across other business segments as well, including large enterprise, where we can provide both primary and redundant service in certain use cases. So Dow and I are working closely on that, and I see that as one of our big growth opportunities as we roll into '22.

Operator

We'll go next to Jonathan Chaplin of New Street.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Two quick ones, one for Peter. I'm wondering if you can give us some context for what you're assuming in your net add guidance for the industry. Is it another year of 9 million adds to the industry? Are we heading back towards a sort of a pre-pandemic trend of maybe 5.5, 6?

And then maybe for Mike, sticking with the fixed wireless broadband theme, I'd love to get your thoughts on the pricing environment in broadband and a sense for other markets where you're up against Verizon's fixed wireless broadband product. And if so, how does your message around 5G resonate against their $30 pricing?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Terrific. Okay. First to Peter.

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

Yes, absolutely. And look, Jonathan, I think the important thing is, at some point, this industry will probably normalize more to pre-pandemic levels, right? That's -- no doubt about it that it will happen at some point. It might come in ebbs and flows.

The most important thing is in what we provided you from a net add guidance and what we, of course, delivered in 2021 that you have to ask yourself is, who really has a clearly articulated strategy backed up with proof points in terms of how they're going to generate their growth. And that's why we're so excited about the guide that we gave you because of all the underpenetrated opportunities that we have, smaller markets and rural areas, you just heard Mike Katz talk about enterprise and government, of course, what we have in terms of high-speed Internet, and we're going into all of these areas while we're building a completely differentiated network that is going to stay ahead.

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And that's going to fuel the opportunity to bring the best product and the best value and fuel the growth that we're seeing and the momentum and the stats that you've heard, whether it's from smaller markets and rural areas that are generating that account growth. We're just tremendously excited about it.

And so despite what the industry does in 2022, we feel very confident in the guide that we gave because of, again, the product differentiation on the network and our ability and traction and growth opportunities in these underrepresented areas.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Yes. And on mobile broadband or fixed wireless, no, we're not really running into that. But remember, we're just operating at a different scale.

So in Q4, we delivered more net adds than Verizon has delivered in the entire time frame they've been swinging the bat on fixed wireless, 3 years plus. So we're operating at completely different scales.

And you have to remember that while they're starting with mid-band 5G, they're starting with a very small amount of geographic coverage and concentrating POPs in urban areas where it's easiest to do deployment. We know. We started planning our mid-band 5G in 2018 with permitting and licensing and started rolling it out in earnest over 2 years ago so -- or about 2 years ago. So we know that, that's a different opportunity. So we're not really running into them much. As to their pricing, it's interesting. We'll have to see where that goes.

I'll tell you this, the response we're getting to our offers is phenomenal. The idea of being able to have a product with massive capacity and mainstream usage across vast swaths of this country for $50.00, including all taxes and fees and no promotional gotchas like our WIRED into the fine print on that Verizon offer. That's really cool, and it's resonating, and we're really not out to respond to other people's initiatives. We're out to delight customers with an offer we're proud of.

And the thing that I think they will see is that it's backed by this massive capacity network. And others -- it just kind of shows the time-to-market advantage. Others do have massive capacity in a few places with millimeter wave, but there are also demonstrated issues there with self-install and other complications. And so we feel like we've got the right sweet spot and we're just heads down, executing our strategy and really not worrying about all the noise.

Operator

We'll move next to Simon Flannery of Morgan Stanley.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. Neville, I wonder if you could just talk a little bit about some of the key priorities for the CapEx program. I think we were a little bit surprised about last month when the guide -- or in December when the guide went up year-over-year given that you've achieved the 210 million already. So any color around that?

And also color around the dispute with the FAA around the C-band availability and maybe also pivoting to Mike, does that give you an opportunity to do more with enterprises that rely on connectivity around airports. How and when do you think this issue will be resolved.?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

You do capital, I'll do the FAA.

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Neville R. Ray - *T-Mobile US, Inc. - President of Technology*

Sure. Yes. We'll split the 2. Yes. Thanks, Simon. So obviously, this is a year with this powerful lead that we just talked about. We really want to press that home in '22.

And Mike referenced earlier, how this is our time. We've built a very, very high-performing deployment machine. It's not just deployment. It's supply chain logistics, radio features. There's so much to pulling together this type of deployment at this pace, which is record breaking. So while we have that wind in our sails, it's a great opportunity for us to really push the envelope and gap our competition.

For Verizon to come close to what we're delivering, it's a multiyear task. And AT&T with their announced strategy have really said meaningful for our 5G customer -- meaningful experience for our 5G customers, it kind of may start in '23, maybe. So they've almost put another year on the clock for themselves. So they're also way behind. So it's a perfect opportunity where we have such a high-performing machine.

There's a bunch of other pieces in there, Simon. Obviously, we continue to expand and increase our coverage. We're working hard on in building and supporting Mike and the team on the TFB side. That's another area of growth for us.

And we want to wrap up on this integration. Part of that program is upgrading a high volume of Sprint sites that we always said we would integrate and combine into the T-Mobile network, adding coverage and capacity. And part of the pull forward is to get all of that work done inside the '22 envelope as well.

So lots of things ongoing, but we have incredible momentum. We have the crews, the equipment, the team, the process. And so this is a great year for us to really look to extend that leadership we've now established.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Simon, just to double down on what Neville said. Neville's plan respects and understands that there's a lot more to a customer's network assessment than just our massive 5G lead. They also want coverage everywhere it matters to them. And we have such a great coverage footprint, but we've always talked about in our merger plan the idea of 10,000 incremental sites going after smaller markets and rural areas and pursuing great business opportunities for us in underpenetrated segments. And our thought is, let's get after that now and get it done. And so that's one of the reasons why you see the capital, but you don't see a different goal on the POP coverage other than around the margins on 5G because a big part of this is about chasing meaningful coverage for consumers and, as Neville said, for businesses. And we think that's very important to our overall competitive story.

As it relates to the controversy we see AT&T and Verizon embroiled in, first of all, it would be awfully tempting to sit on the outside of a controversy like that and take pot shots. But honestly, we think that in the final analysis after the work has been done, the studies have been completed, we think the wireless industry, AT&T, Verizon, the FCC positions will be validated. And we think they're right. So these are different frequencies than what radio altimeters operate in. And a properly functioning radio altimeter, I think, will ultimately be shown not to be interfered with by C-band.

I regret that this has been so widely reported as a 5G issue and that we've been a little left out of the story there. It would be great if what sold clicks for the press was to say, "And by the way, T-Mobile is already nationwide with a frequency that has nothing to do with this controversy." But that doesn't really sell page views, and so it's not showing up in a lot of the reports.

But as I said, when this -- when everything is said and done and the assessments are completed this year and people take a breath because of the importance of this issue, I think the positions of AT&T, Verizon and the FCC will be validated. And that's our company's view.

Obviously, we've taken interest in this because we hope to deploy C-band down the road. We're not in a rush. But to me, that's very important. And if it's ultimately found that some old or faulty radio altimeters are picking up stray signals, then I'm sure that the country will deal with that. I for one would prefer to have a world where there aren't old and faulty radio altimeters out there. So look, we'll see how it all unfolds. But I think the positions of the industry and the FCC will ultimately be validated.

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Operator

And we'll go next to a question from John Hodulik of UBS.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

A couple of questions, first on fixed wireless. Do you guys have a sense of where those customers are coming from? I mean, whether it's cable or maybe starts of new fixed services or customers new to the category?

And then in terms of the ramp, I mean, at what point -- how long does it take to get to sort of the run rate in net adds where you think you're sort of going full speed, you've got all the logistics worked out and then the business model sort of clicking?

And then my quick question, a follow-up to the buyback, I think that obviously is a big focus of investors. Is there any chance that you could see the buyback, given the potential magnitude of this over the next few years, starting in the second half of the year, given it really looks like, as really Peter called out, you'll be really largely through or really starting to see the sort of the end of the integration at that point?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Sounds great. Well, Dow, let's go back to you on some of these statistics on urban and suburban or on cable switchers, new to T-Mobile and what you're seeing, also the ramp rate for this year and next.

Brandon Draper - *T-Mobile US, Inc. - EVP of Emerging Products*

Yes. So I mean, the great thing about our position here and what Neville and his team have built is we're all across the country in all different markets, all different types of markets. So -- and we're seeing wins -- customer wins across all of those. So we're certainly seeing a small percentage of people who have never had wireless before coming to us. And we certainly do very well. And as you would imagine, in rural and small town America where they have either no or a choice and that choice isn't very good, and so we're doing well there.

The thing that's been also validating for us is that we are also winning well in urban and suburban markets. In fact, the majority of our customers come from suburban and urban markets, and the majority of those are coming from cable and fiber and other things. You might say, "Well, why is that?" And look, quite frankly, we're half the price in a lot of cases against cable companies when you add in their fees and all the different charges they have. Also, it's simplistic. We don't have price hikes. I mean, customers are generally very unhappy with the cable industry.

So that tends to be why we see people coming to us from all different types of geographies, all different providers, especially cable and fiber, is it's just a better value proposition. They get treated right and it's a good product.

And in terms of the trajectory, remember, we are really following the network build. And so as you're seeing, Neville is covering the country in terms of coverage. We're adding capacity, and that capacity just keeps getting bigger and bigger and bigger over the next several years. And so I think our business will continue to grow and scale along with that build, at least that's our plan as more availability, more capacity and supportability arise.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Great. And then on the share buyback, I think what you're getting at, is there a preconceived milestone? And no, there's no particular preconceived milestone that we're looking for.

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And beyond that, I can't really update you on our deliberations and our Board's deliberations other than to repeat what I said a minute ago, which is that when we put out this thesis a year ago, we saw a future that of rapidly accelerating cash flow, massive value creation opportunity and the wherewithal to do $60 billion in share buybacks in '23, '24 and '25 with the possibility of starting sooner. And everything we saw then is still intact and obviously, many of the underlying trends, as you saw with our great cash flow beat this year, if anything, are improving.

Operator

We'll go to our next caller, Doug Mitchelson of Credit Suisse.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Sorry to follow up on broadband, but I'm just curious if you're able to offer any context on business versus residential, but also relative to the follow -- the build-out of the network, is there any reason why the fourth quarter isn't the right growth pace to look at for fixed wireless net adds in 1Q and beyond? That would be interesting.

And then separately, just your comment on premiums like Netflix and Apple TV+ and Paramount+, how have those impacted marketing? Would you look to add more services? Has that been efficient for you? That would be helpful.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

You bet. Well, first of all, as it relates to the trends, as Dow was saying, we see '22 significantly bigger than '21, and we see '23 bigger than '22. So we do see a ramp-up happening. We probably -- fixed wireless is such a new industry, and we're by far the leaders in the U.S. I don't think there's a seasonality trend well established yet for this part of the industry.

And so look, we're going into places informed by our capital and our network capacity and where we're able to market. And there's so much great opportunity in smaller markets and rural areas, which I think we should talk about, both for mobile and for fixed. So it's going to be a year of, I think, increasing momentum as essentially we follow that network build. You remember in '21, including Q4 with this record performance. We're still in the process of allocating capacity to the Destination Network. We're still in the height of an integration, and that capacity starts to massively increase and that opens up more and more doors for us because all of our opportunity in fixed wireless is centered around our excess capacity model being able to offer fixed wireless services in places where our analysis says mobile capacity won't take it up.

As it relates to the second piece on marketing, I'll ask Jon Freier to comment on what he's seeing. And a big piece of this, John, is as consumers are trying to get to know us in smaller markets and rural areas and our brand differentiation with the Un-carrier, things like Netflix on Us, Apple TV+ for a year, all of the things that we provide, some of which we're talking about in this question, what are people in smaller markets and rural areas and nationwide seeing as it relates to our value proposition.

Jon A. Freier - *T-Mobile US, Inc. - President of Consumer Group*

Yes. So thank you for the question. I got to tell you, we are just incredibly excited about what's happening with this space. Like Mike said, we pioneered this entire space of having content that people love and get into the very best value with Netflix on Us that we introduced back in 2017 and then have followed up with YouTube TV and a discount on YouTube TV and Philo and Apple TV+ on Us for a period of 12 months on us and then also with what we announced in Q4 on Paramount+ on Us for 12 months as well. So all of that is going incredibly well because it is the very best content that you can get that is at -- is brought to you at the very best value. And so when you look at all of that put together, we love how that's working.

And like Mike said, in the smaller markets and rural area space, People are just loving that because you got to remember, these people -- and just let me just back up, 140 million people, 50 million households, 40% of the entire country have been looking at these T-Mobile television commercials

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for years and years and years and seeing what the Un-carrier is doing and wishing they could have some of that. And now what we're being able to do is bring them that, that incredible value, that incredible offer set that they haven't been able to get before.

And what Neville was talking about a little while ago with this network pull forward, it's given us a huge opportunity to go after this space. I'm really proud with what we've done so far in 2021, 13% market share increased to 15% market share. That's fantastic. But we really see a much bigger opportunity in front of us because when you think about the markets that we have a permission to win in, we've taken all of our markets and kind of diced them up into 770 pipe markets across the country. And when you -- and we're looking at them from a full network superiority position all the way to -- we need to make some investment.

And there's a few steps along the way. But when you look at the markets where we have a permission to win across the 775 markets and smaller markets and rural areas, it's about 1/3. It's about 1/3. So we're moving this market share position of 13% to 15% by playing really only about 1/3 of the markets in smaller markets and rural areas. And that's why this coverage expansion is so incredibly important so as we can continue to get more and more markets with the permission to win, and we can follow that with our infamous sales and marketing playbook that the Un-carrier is famous for, we see huge opportunities here.

And just remember, these are places that from a wireless perspective, it's really kind of a page out of the 1990s with really kind of 2 choices, and it's like high cost and higher costs. Those are the 2 choices that are in those particular areas. So with us bringing our value proposition and a superior 5G network declaration in these markets, we think we have a huge opportunity to continue to bring this winning formula across the entire country.

Operator

And we'll go to our next question from David Barden of Bank of America.

David William Barden - *BofA Securities, Research Division - MD*

I guess just one quick numbers question, guys. Obviously, last year, with the DISH announcement with the relationship with AT&T, the closing of the Verizon TracFone announcement, high-margin wholesale revenue is kind of this unknown quantity as we look into 2022. Could you kind of share with us -- you said in the past you expected this trajectory to go to 0 over time. But can you kind of give us more color as to kind of how you think this is going to unfold into 2022?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Sure. In that particular question, I think you were talking about DISH because we sure don't see wholesale going to 0, but that's always been our plan with DISH is that ultimately, they would build their own network and wouldn't need ours. And as you know, the AT&T deal that they struck last year looked to us like it would accelerate that. And that's fully embedded in our guidance.

So I think we've previously disclosed that in '21, our revenues from DISH were under $2 billion. The guidance we gave you today assumes that in '22, it's a lot less than that, a material step down in '22. And -- but at the same time, that means there's a materially less usage of our network from DISH, and that opens up other opportunities. First of all, in wholesale, we recently struck a deal to make sure we have a thoughtful transition with TracFone over multiple years, and that's something I think is very productive for both us and for Verizon. We have been able to strike a multiyear exclusive agreement with Google for the Google offer, and that's very exciting. And we're in discussions with several other opportunities, both renewals and greenfield. So -- and that's just in the wholesale area.

The other opportunity, of course, as these millions of customers come off our network is increased capacity for us to pursue our core business. And our core business is on fire, if there's nothing else we've gotten across on this call, including the fixed wireless that's subject of so much interest today because that's a consumptive product, and it's all driven on a detailed excess capacity model. So as capacity frees up, that frees up new eligible households. So lots of opportunity, but I wanted to be clear on at least what the guidance that Peter shared with you today assumed. And hopefully, that helps.

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Operator

We'll go to that last question from Peter Supino of Bernstein.

Peter Lawler Supino - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

So time flies when you're having fun, right? I just wanted to ask a -- very long-term oriented questions, so please expand your aperture out many years.

T-Mobile has about 27 million accounts. The market is trending towards -- albeit just recently, towards a more bundled relationship with consumers and your fixed wireless broadband initiative looks extremely timely in that context. But one question we get often from investors is, how does T-Mobile thrive over the long run? How does T-Mobile keep a valuation multiple when it has a finite ability to sell fixed wireless in a converging marketplace? And I'd love to know your thoughts on that. Is that -- does that get solved by densification, by adding spectrum? What's the long-term plan for that?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Yes. It's a great question. Well, first of all, I would say that the question presumes some things about convergence, which I don't know how they -- it will apply in the United States.

One broad trend, if we're going macro, that we certainly keep in mind is the underlying health and vitality of mobile. The broad trends are that all the content and communications of all kinds are leaving and have left their prior linear forms and landing on the Internet, and eyeball time and usage and customers on the Internet are going mobile. So the broad trend is from linear to Internet to mobile.

And we're the country's leading pure-play mobile Internet company, and that is a great place to be. And we're backed by a differentiated asset base that really does have the ability to deliver massive capacity. We don't talk much about our second best in the industry millimeter wave portfolio, the years' long lead we have deploying spectrum against our mid-band leadership portfolio. And all of this builds to a position of massive potential capacity that we can use to create businesses. And those businesses may be pure connectivity or they may be things that surround connectivity as we're already starting to see in the enterprise space.

In my remarks earlier, I said that we're entering actual revenue agreements for advanced 5G services with major organizations, including the federal government itself, not trials, but major agreements. And so there's lots of opportunity when you have a differentiated asset base, a strong balance sheet, a killer brand, a creative, fast and entrepreneurial team and the wherewithal to be able to turn those things into businesses.

What I can tell you is that we thought it through at a level deeper than that for the 5- or 6-year picture. And we see the trends that we've been describing to you pretty clearly within that time frame. And it gives us a lot of confidence in the massive shareholder value creation that we see ahead. I hope that helps.

Okay. Great, Peter. Well, Jud, anything -- any final words?

Jud Henry - *T-Mobile US, Inc. - SVP of IR*

No, I just appreciate everybody joining us today. Obviously, we look forward to speaking with you again soon and telling you more of this exciting journey in 2022. If you have any additional questions, feel free to reach out to the Investor Relations team or the media relations team. And again, we look forward to speaking again soon. Thank you.

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G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Bye, everybody.

Operator

And so ladies and gentlemen, this concludes the T-Mobile Investor Relations Fourth Quarter Earnings Call. Again, if you have any further questions, you may contact the Investor Relations or media departments. Thank you for your participation. And you may now disconnect, and have a pleasant day.

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