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# EDITED TRANSCRIPT

TMUS.OQ - T-Mobile US Inc Capital Markets Day and Q4 2025 Earnings Call

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## OVERVIEW:

Company Summary

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## PRESENTATION

### Operator

Please welcome Cathy Yao.

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

Hello. Welcome, everyone, and thank you for joining us live right here in New York City for our year-end earnings call and Capital Markets Day update event. Before we get started, I'll draw your attention to our Safe Harbor statement. This presentation includes forward-looking statements that may differ materially from actual results as well as certain non-GAAP measures. Please see our SEC filings for a review of risk factors. Please also see our Investor Relations website for all related materials, including a GAAP and non-GAAP reconciliation.

Let me walk you quickly through our agenda today. Srini is going to begin with a halftime check-in since our September 2024 Capital Markets Day before turning to our widening differentiation across Best Network best value and best customer experiences. He's then going to talk about growth. He's going to talk about how our growth opportunities across our core wireless business across our broadband business and in new growth areas are going to continue to drive sustained outperformance for the Un-carrier. And then Peter will wrap it all together with a financial update. We'll then have the broader leadership team join us right here on stage to answer your questions. Okay, let's get the show started.

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**Operator**

Please welcome Srini Gopalan.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Good morning. How are you doing? Well, thank you all for being here. It's a unique occasion. A few of you have asked me why are we doing this event, well, it's Q4 earnings.

It's halfway through our Capital Markets Day cycle, so we felt it was good to do a half-time check-in. And there's the small thing that Mike and I did back in November, the CEO transition. And I'm excited to talk to you guys about the future about my vision for this phenomenal company and talk to you in detail about some of the unparalleled growth we have staring at us. So I'm excited to be here and excited to spend the next couple of hours talking about a business I've grown to love over the last 10 years.

Let's get started. I'm going to kick off with a quick kind of half-time check-in. So how are we doing halfway through our Capital Markets Day cycle? And the short answer is incredibly well. You've all seen these numbers.

But the -- every time I look at them, I'm awed with what we've achieved already. We're growing 4 times faster in service revenue than any of our competitors. Twice as quickly on EBITDA. We've returned over \$20 billion to our shareholders. Our free cash flow generation and our conversion of service revenue into free cash flow is an industry benchmark and continues to stay really strong.

And that's where the rubber hits the road, right? You could report multiple things differently. Ultimately, what matters is free cash flow conversion. So incredible results and we've either met or beaten pretty much everything we've guided to from a Capital Markets Day guidance perspective as of this point, halfway through the cycle. And what lies underneath that is the incredible ability we've built to not just bring in new relationships, new families, new businesses into the T-Mobile fold, but also grow and deepen those relationships.

So if you look at our performance over -- it's a bit stable on the clicker. But if you look at our performance over the last five years, we've brought in over 1 million new prepaid relationships every year. right? That's new businesses, that's new families, right? One, 1.2 million new relationships every year. There's only one other competitor who reports that, and you can see those have been negative. And it's not just bringing in these relationships that matters. It's what we do with them. It's the extent to which we nurture existing relationships. Our ARPA has grown by 13% since 2020.

And in an industry where people worry about deflation where people worry about pricing power, our ability to drive these relationships. T-Mobile stands out as the one carrier who's not just grown volume but also grown the nature of that relationship driven more CLV into these relationships. So all that's great. Those are the headline numbers. right? Great financial performance, great revenue, solid work on volume and value.

But I want to talk about something different. What underlies this, right? What's the secret sauce that drives a lot of this. And the thing that's driven all of this performance is our widening differentiation. Now there was a law of physics in this industry, which is there has to be a trade-off.

You can either have the best network, in which case, customers have to pay a premium for it or you can deliver best value and best experience but the network kind of sucks, right? That was the law of physics of this industry. And the reason for our outstanding results is we've challenged and broken that law of physics because at T-Mobile, our customers have no trade-off to make. They get the best network, the best value and the best experience from one provider. And that widening differentiation underlies all of our results.

And what I'll talk to you about is. We don't take that differentiation for granted. We fight every day to widen that differentiation. It's widened over the last three years, and you'll see it widen even further. That's what opens out the unparalleled growth opportunities that we're staring at. I'm going to double-click you through each of these elements, best network, best value, best experience, what we've done and how we're going to widen that differentiation further and then convert that into what does that mean in terms of growth opportunities for us.

Let's start with the Best Network. I mean historically, through the storied history of the Un-carrier, the one thing we didn't have was Best Network. Over the last five years, we have quietly built the best network. And that changes our proposition fundamentally. It's what takes us into the no trade-offs territory. Let's talk about the best network, right? Building the best network starts with having the best assets. And what are the best assets spectrum. We have more spectrum than anyone else. Importantly, we have better spectrum than anyone else.

Our 2.5, which we often call the Goldilocks spectrum, our 2.5 covers 70% more area than C-band. And that's just one example. It's a very big important example of where we have not just more spectrum, but better spectrum. Our grid, our history with mid-band frequencies meant for a long time, this was a bit of a disadvantage. We needed a denser grid to cover the same area. In a 5G world, the density of that grid is a huge positive for us. It allows us to generate speeds and capacities that others can only dream on.

And pulling all of that together is the brain of the network our core. Now we moved to a 5G stand-alone core back in 2021. Our competitors got there sometime in '25. That's a three to four year lead on the quality of our 5G network. 5G SA, now 5G advanced, the number of capabilities we're building into our core gives us the ability to take these best assets and put the best brain to it.

Now all of that is kind of the asset side of the story, spectrum, towers, core, all great pulls together to give us the best assets. But in the classic Un-carrier manner, what we've done different is we've turned those assets into something that makes the customer experience better. Now we talked at Capital Markets Day about our vision for customer-driven coverage. That vision today is a reality. We use AI and huge amounts of customer data to deploy capital in our network based on what's right for customers rather than chasing a vanity stack like POPS.

I'll give you an example of where this makes a real difference. Let's take Sacramento. Now the traditional way of thinking about improving the network in Sacramento is densify the network, cover more pots. The reality is to improve the customer experience for the people in Sacramento, where you actually need to double down on coverage is not just Sacramento itself but Lake Tahoe, given the amount of time they spend on Lake Tahoe, right?

And that understanding of where people work, where they live, where they play, that combination of things is really what drives network experience and using AI, using scale machine learning, all of our site deployment. We deploy almost 4,000 greenfield sites a year now. All of our site deployment is surgically planned to improve our customer experience. That's been the heart of what's driven the best network, great assets, a fabulous score and the ability to use all of this to meaningfully change the game on customer experience.

And what that's resulted in is a true ultra capacity network. Now the proof of capacity, the best way to think about capacity is speed. So what speeds can your network deliver is the best way of thinking about what is it actually that this network offers in terms of capacity. You look at our median download speeds our median download speeds are -- get this twice as much as our nearest competitors. That gives you a sense of the amount of capacity this ultra capacity network has today it's phenomenal. And speed, again, for me is not just a vanity stat. It's not an esoteric number. It's a really good indication of capacity. And when you have a new phone like the iPhone 17, it's great to compare what happens on our network versus other networks.

We're 85% faster than one competitor and nearly 50% faster than the other competitor. That's true network differentiation. And it's not just us saying it. Many of you in this room, the experts have known for a while that we have the best network. We won Ookla, we won Open signal, multiple speed tests. What gives me real pride today is J.D. Power. After 35 reports over 17 years, the erstwhile trial number one network has been unseated. T-Mobile today is the number one in network quality as judged by J.D. Power. That's after 35 reports, 17 years we are number one as a network.

What's even more important than what the experts say, however, is what customers say. And this is -- we talk about these money slides. This is one of those graphs that I look at very, very often because this is what translates into customer perception. Network switches amongst the most sensitive, amongst the people who do most research, network switches, when we ask them, what is the best network, right? Now back in 2020, one in eight thought T Mobile was the best network, 1 in 2.5 thought Verizon was the best network.

Today, we're at a place where in believe that T-Mobile is the best network, slightly more than one in four. And you can see that gap is closing. And you can see there's a long way for us still to go. We have the ability to meaningfully expand this lead. With our ultra capacity network with all of the features that 5G SA gives us with 5G advanced with our continued investment and doubling down on what this network is we're not standing still.

We're committed to network leadership, and we're committed to expanding this lead. And the best indication of that is how we think about the next wave of network innovation, 6G. 5G, we own 5G. We still own 5G. 5G has allowed us to build a business called FWA from a standing start to close to 8 million customers in three to four years, that blows my mind, right?

5G was the core of how we started competing in a segment we didn't exist T-Mobile for Business. Our 5G superiority has driven a lot of the industry-leading growth. And we're not standing still. 6G opens up multiple possibilities for us, whether that's AI, physical AI, edge AI and we're right there defining the standards of 6G. I'll talk a bit more about specific opportunities with 6G later.

One thing to remember, though, is our lead in 5G does mean that our rand refresh cycle runs significantly ahead of the rest. And we start with an unfair advantage on 6G. It's an unfair advantage we love. The fact that people like John saw the vision for 5G way before the rest of the industry did, puts us in a fabulous place to drive the next wave of innovation.

And that 26% of network switches who see us as the best network is only going in one direction -- it's going this way. And that unlocks the nominal amounts of growth. And I'll come back and talk about where those growth opportunities exist. So Best network. After one year of the carrier to be able to say that, I relish it. And if you notice, I'll say that a few times today. But it's not just Best network. Having no trade-offs is more than best network.

It's also Best Value. And we are in a truly unique place on Best Value. We provide best value, not just for new customers, but also for our existing customers. We provide best value, not just in terms of the free iPhone, but in terms of value that you can count on every day savings, value that you get every hour. Let's talk about existing customers.

Our existing customers pay between 12% and 15% lower than AT&T and Verizon. That is a massive factor in terms of the flexibility it gives us. It's also something that we zealously guard and protect because it's the heart of enabling us to claim no trade-offs. It is at the heart of flexibility that it gives us in terms of how we price new customers.

And importantly, it's the heart of the relationship. It's making sure that we can reassure people every day that they get not just best network, but also best value. And when we look at new customers, we -- the holistic value we provide is substantially better than AT&T and Verizon. And you can compare the experience beyond plan here where you not only get all of our services, but you also get Netflix on us. You also get Hulu on us.

You also get Apple TV, you also get T satellite. The bouquet of things that we offer and the savings we drive every day is there's a 20% to 30% gap in terms of value, we're able to provide new customers. So you've got existing customers who save every day and you've got new customers who save every day, not just on the free phone you get every three years. But in terms of meaningful things that drive your life every day. And that best value is something we're going to guard zealously -- that's something we will protect. That is our heritage, and that's something we will not give up purely because we have best network now.

Now you think about value and network and there's a third thing customers care about, experience. How do you treat me? Now our experience story over the last 13 years, has been built on two things: incredible people and an incredible culture. Let's start with our care centers and retail. Now typically, when you talk about taking cost out, people go at this from saying, let me take cost out of experience.

Let me kind of shave this much headcount off. That's not how the Un-carrier thinks of it. We think of it as costs come because we've created a problem for people. And the question is what can we do with our incredible frontline to enable them to solve those problems better. You can see on the call reduction front, through a real focus on eliminating force on working with our frontline to solve people's problems better, ensuring that they don't need to call twice for the same problem, equipping them with better tools.

You're seeing a 50% reduction in calls. We had committed to 75% in the Capital Markets Day at the half time, we're making great progress on this. And this is not simply about technical things. There's a great element of culture to this.

One of the things that happens at T-Mobile is when this team visits an experience center normal big companies, kind of the big shots show up, present for 55 minutes, and then they need to be somewhere else. So they'd love to take questions, but they don't have time for it. That sounds familiar? At T-Mobile, this works very differently. I get on a good day, maybe 8 minutes on stage.

Jon Freier fires them up for maybe 2 minutes. And then we have 50 minutes of our front line relentlessly pounding us on what have you done recently for me in terms of solving customer problems. And their expectation is very simple that as far as we can, they'd like us to solve the problem there. This isn't -- let me take this -- that's a really good point. Let me take this back home with me and I'll get my assistant to do something about it.

Our frontline is demanding they want an answer now, and they want to know why you can't send an e-mail when you're sitting at that stage to solve my problem. That's a huge part of what's enabled all of the stuff that you're seeing. And the same thing plays out in our retail stores. Our company-owned retail, our experienced stores give us a significantly better NPS than our authorized retailers. That's down to culture, that's down to the incredible empathy our people show.

And we're stoking that. We have cut back on some of our authorized retail and driven even more investment into our experience store. That's a big part of the secret sauce of what's driven our best experience. And it's not just that. A big part of our culture is how we think about rewarding existing customers. Unlike other companies, we don't believe customers need to prove their loyalty to us.

We believe we need to prove our loyalty to them which is why all of our plans compact with things that they don't get elsewhere. And then there's my favorite, the money can't buy stuff with Magenta status and T-Mobile Tuesdays is probably a great highlight of that. We do wild stuff on T-Mobile Tuesdays, free Slurpees, actually, we work with Wingstop to give away free chicken and Wingstop actually ran out of chicken which gives you a sense of the -- again, prior and Cat's got lots of e-mails, some angry customers demanding more free chicken. But that gives you some sense of -- when we talk about experience, this is a lot of fun for us. This is about how we work with our frontline.

This is about what we put into our product. This is about genuinely committing to giving our customers an experience that special, unique, edgy that surprises them, that brings our relationship to life. And we're not stopping. We're now taking the best technology digital, AI, putting

that in the hands of our incredible frontline to drive an even sharper and even more differentiated experience. And at the center of all that is T-life, Sea Life more than 100 million downloads and there were weeks last year when we were the most downloaded app on the app stores, both the app stores. That's not the most downloaded telco or carrier service app. That's the most downloaded app full stop.

Now we've got 4 million-odd relationships, businesses, families and typically, the primary account holder is the person who accesses T Life out of those 34 million order of magnitude use T Life every month, and they use it 4 times every month. It's an incredible source of engagement -- it's a huge portal into our experience, it's game-changing for us in terms of the nature of the relationship. And with intense CX which is AI that we've developed, working really closely with OpenAI, where the objective is simple, it is to personalize the experience. We raised the bar on what a carrier experience should look like and using AI and digital, we're taking it to the next level in terms of making that experience feel a lot more personal, feel a lot more tailored to the individual. This gives us lots of opportunities.

But first up, it changes the nature of our core consumer wireless business. You look at the extent of self-service now. We started off this journey with 22% of our upgrades being done through T Life, and they were all assisted, which is an agent would show the customer what to do. That was in Q4 2024 just a little more than a year ago. Today, we're sitting at 73% of our upgrades being done on tea Life and 39% of them unassisted consumers doing it themselves.

And this unlocks a huge amount of efficiency as well as satisfaction. Peter will talk in detail about this. But across our AI and digital initiatives, we expect close to \$3 billion in savings by the end of '27 in our '27 run rate, which is incredible because this has not been a slash in burn, let's take out X100 people. This has been how do we go after the experience, how do we make that experience a win-win where consumers enjoy it where they naturally move towards this, while at the same time, making us significantly more efficient as a business. And that's the heart of the unlock.

And we'll see the same story play out through Adaline, which is our second biggest transaction in retail as well as with acquisitions. We announced breaking through another big consumer pain point, the ability to switch easily with easy switch back in November. And as easy switch scales, we'll see even more transactions move on to T Life. And T Life will be the center of our relationship, the portal into T-Mobile. And again, we're not stopping here because like I said, we're about continuing to widen differentiation across network, value and experience.

One of the most personal things, as we talk about personalizing experience is language. We have over 6 billion international calls every year on our network. More than 40% of our base travels internationally. And I'm proud today to introduce for the first time across the world on any network using AI, live translate built right into the core of our network. I'll let this video explain it and then come back and talk to you about it.

(video playing)

Now there's a few things that get me incredibly excited about that. The product itself, life translation. Suddenly, you kind of moving across barriers, you're enabling people to speak to each other, which at the end is the core purpose and mission of our industry. What gets me even more excited is this is the first scale use case of AI being built directly into the core network, which is why the only thing you need to use this product is one person on the T-Mobile network. You don't need an app.

You don't need to type something in and pass it to someone else to using translate. You just need one person on the T-Mobile network, and you can speak the other language. And it's an incredible capability. But what I like even more than this is underlying this, we've built a platform that allows us to build multiple AI services directly into our core network.

And as we talk about personalizing and experiences, we talk of kind of raising the bar on what you can expect from your carrier. This is a great example of where we're going. So we pause for a minute. Kind of talk about our journey from where we were to the best network. The fact that we're not stopping there.

The fact that, that is even going to broaden further as we get into the 6G age. The ultra capacity network that we already have is only going to get better, best value, which for us doesn't mean simply new customers getting great value and getting great value once in three years

with a phone, it means delivering value every day. It means delivering value to our existing customers and new. We talked about experience and how we're transitioning from a lot of that being driven purely by our people and culture to empowering those people kind of stoking that culture with the best in technology and making that even more personal.

How does all of this come together, right? It's easy to talk about widening differentiation, but do we have any evidence of it. My favorite number is our NPS. It measures what people think about our relationship. Would they recommend us to someone else. And here's what's happened to NPS over the last three years. If you look at where we were in '23, it was -- we were kind of in the same place as our competitors give or take a bit. You look at where we are in '25. We've opened up -- this is what widening differentiation looks like. This is what happens when you break out of the pack.

This ultimately is the biggest driver to all of the outsized financial performance that you saw. It's the fact that we're able to take these relationships, use our unique combination of best value, best network, best experience to widen that differentiation. And that differentiation, are we happy with where we are today? Absolutely not. We'd love to see those bars, especially the Magenta bar, grow significantly and widen the space between us and our competitors.

And that's what moving our network forward, moving our value forward and moving our experience forward is. It's all about taking that and widening that differentiation because our strong belief proven by the results that we've seen is what keeps driving us.

What drives our success is not the promotion that we did last month. What drives the tide of momentum and moves it in our direction is that widening differentiation. And that widening differentiation for us opens up unparalleled growth opportunities. And I want to spend a few minutes talking about the differentiation is great. What does that mean in terms of growth opportunities.

We are convinced that we are staring at a set of growth opportunities that no one else in our industry has. Let's talk about them. Let's start with core consumer wireless. Historically, we've over-indexed on the value seeker portion of this. Today, network seekers see T-Mobile as the home of the best network.

Over 20 million families and businesses chose AT&T and Verizon, mostly in the 4G era because they were happy paying a premium because they wanted the best network. That is no longer true. And that opens up a massive growth opportunity for us. You take New York City, we are by far leaders here with significant share even in New York City, we're under-indexed on network seekers. And that's why we're continuing to grow share in New York City, even with significant lead over the rest as of today.

The opportunity on network seekers exists across geography, exists across types of customers. Our second big opportunity, small markets and rural areas. Now just to be clear, because we call them small markets and rural areas, it doesn't mean a lot of people don't live there. 40% of America lives here. Our share used to be 13% back in 2020 including M&A, it's now at 24%. But 24% means there's a lot of headroom to grow here. Again, these markets tend to over-index on network seekers -- and moving to the best network opens up massive opportunity here. And that's not all, even within core consumer wireless.

You look at our back book pricing, and we'll talk in more detail about this that opens up a lot of headroom in terms of value growth, in terms of how we can deepen that relationship. So if I look at core consumer wireless, there are three significant drivers of growth. And again, that's not all because we have T-Mobile for business. Here, our customers rigorously test networks before buying, and we love that.

Because we know our odds of winning with a customer who's rigorously tested the network are very, very high. Again, New York is a great example. The first responders here depend on T priority, and they picked the T priority after rigorous testing. Lots of runway here in terms of share growth. Moving on to broadband. Now our broadband business -- for the most, our FWA product is based on this ultra capacity network.

And a lot of you have asked us, so where does FWA go? How do you think of capacity in this context. We've said 12 million customers in 2028. Today, I'm delighted to tell you that we believe this business will go to 15 million customers in 2030 and that there's a lot of runway

even beyond that. Fiber, we believe, will add 3 million to 4 million customers which will give us a broadband business of 18 million to 19 million customers by 2030.

I'd like to pause for a minute. We would have built a business with 18 million to 19 million customers in seven years. Not sure there's any company of our size and scale that's done that 18 million to 19 million customers in this industry in broadband, and remember, for us, this is all incremental. None of this is an overbuild of copper and cannibalization. All of this is incremental revenue. As incremental customer relationships that we can nurture and the growth in this business and the upside still left in it is substantial. And I'll double-click on this in a little more detail.

And then there's new growth areas. T-Ads we've talked about, we've just launched our financial services, and we're really excited about where 6G goes -- this last part, only a small proportion of it is captured in our guidance as we build these businesses. But again, I'll double-click through each of these to give you a sense of why I'm so excited by the growth that lies ahead of us and why I'm convinced that the best lies ahead. Let's talk about core consumer wireless first. We've grown -- sorry, like?

We've grown really quickly, and we've talked about why NPS being a big driver. The network seeker population, whether it's in TB whether it's an SMRA or in our top 100 is a huge unlock for us. Now let me give you some stats, right? New York City, I talked about, we're continuing to grow share because we're still under-indexed with network seekers. An interesting fact is in areas where our competitors have built fiber. We have gained share.

Now I'm not suggesting that there's any causality there, right? But we have gained share even in areas where our competitors have built fiber because we continue to attract the network seeker population in those areas and our historical under-indexation, gives us share growth opportunities. This collection of opportunities across top 100. And when you look at our top 100, all of you are familiar, we split it into three kinds of markets, markets where we're number one, number two and number three and we're growing across all three. We're continuing to win household share.

All of this gives us a significant opportunity. And from a unit economics perspective, it's very, very accretive because under-indexing in network seekers, when you're looking at future growth, that's a good thing because in comparison with value seekers, you do see accretion in terms of the relationship and ARPU and ARPA. That's on the volume side.

On the value side, our front book, back book pricing equation is a huge positive. It means that when we think about new customers coming in as a group, they're actually accretive to both ARPU and with time ARPA because of the pricing of our back book. And it allows us a lot more flexibility in terms of pricing of the front book. It also gives us runway in terms of deepening our relationship with existing customers. And from time to time, we will look at some of our legacy plans and optimize our rate plans in the context of more for more.

So that combination of things gives us a lot of runway on the ARPA side, which is kind of the value, the P times Q, the complement to what I talked about on the volume side. I do want to spend a couple of minutes on one thing, though. The one tenant that has been fundamental to the Un-carrier is win-win economics, which is economics that create really strong CLVs, combined with economics that deliver unparalleled value to our customers. And from time to time, the industry loses its way and we kind of get into some bad practices. And that's when as the Un-carrier, we step in and change the course and what typically happens as other people follow.

As I look at the industry today, I believe we're at another such point where we, as an industry, have got over focused on how free the newest phone is. And we've lost track of some of the incredible things that we bring to the customers in terms of value. And I'm not going to say a lot more about this right now. But we will change that. The Un-carrier will make another move, which will take us much more towards the direction of where we create value, which will take the emphasis back to win-win economics, things that are good for the customer and things that lead to more sustainable CLVs with time because we believe maintaining win-win economics things that are good for investors as well as customers is critical to driving a healthy environment in this industry.

But you'll hear more from us in the next few weeks and months as we drive this journey forward. But that's consumer wireless and the broader wireless opportunities in TFB. So we've got clear line of sight to strong volume growth, especially with network seekers. And we've

got the advantage of our back book combined with, as you can see here, strong premium plan loading on our front book and the ability to grow relationships all of which makes our equation look really strong. Peter will delve into that in a lot more detail, but we believe we will continue growing ARPA in the range of 2.5% to 3% even as we go through this journey, and that will get powered by some of the things we're talking about here.

Let me move next to broadband growth. And how do we create this business with 18 million to 19 million customers by 2030. Our broadband business to date, largely FWA has been phenomenal. We've led the industry in broadband new customers. And that's from a standing start.

You can see really we started scaling in 2022. And this business has been running at a real clip, close to 2 million new customers every year. The industry leader in broadband net adds. And what's driven that again is NPS. What's driven that again is the simple reality of when you give customers a great product, you would -- our NPS today is higher than fiber. That's a composite of the product, the value we provide, the experience, the ultra capacity network -- that is the source of the unlock for us on FWA. And that product has only got better. And this is kind of -- to me, the best demonstration of what an ultra capacity network is.

When you look at what's happened, we have a 77% growth of customers, a 27% increase in usage per customer and our speeds have gone up by 50% during that period of time. And if you take our newest routers, it's gone up nearly -- it would be nearly doubled speeds at the same point in time that we've seen 80% more customers using 30% more. That is incredible in terms of the amount of capacity our ultra capacity network has. That's what makes us really confident that we can get to 15 million customers in 2030, and our speeds will be higher than this. Let me walk you through kind of how we think about the 50 million customers.

We step back for a minute first. As all of you know, we've run this business with a fallow capacity model. What does that mean? It means at a Hexbin level, and there are 30 million Hexbin, it's a small geographical area. Each of those 30 million hexbins what we do is we look at our wireless usage today. We project that forward for growth add all of this was done at peak hour because that's the only thing that matters for a wireless network.

So we look at wireless usage and peak projected for growth going forward, reserve that capacity for wireless whatever is left is then used for FWA. When we talk about 15 million customers in 2030 at higher speeds than what we have today, it still assumes fallow capacity. It does not assume any of the spectrum acquisitions that the one big beautiful bill will end up doing. It doesn't assume any spectral efficiency increase because of -- what it does build for is the fact that we are broadening our product range. So as we sell more into businesses, for example, they don't use between 7% to 9%.

So that is that is true fallow capacity. It does build in the increased spectral efficiency because of better routers. It does build in the increased petrol efficiency as a result of being on 5G advanced features like L4S, which allow us to use our existing assets even better. And so when we look at that 15 million number, that's on a very conservative basis.

And when I look at FWA as a category, I think the days of asking the question of is this a temporary category? Is this here to stay? Those are gone, right? The speed of evolution of mobile technology as we look forward, convinces me that this category is going to have a lot more upside. At this point in time, we can see line of sight to the 15 million, and that's what we'll go for by 2030.

But that creates itself. Remember, again, all of these are incremental, none of this is overbuild, none of this is compromising legacy revenue. And in addition to that, we have a business we're really excited by fiber. T-Fiber, everything we've done to date has only confirmed our expectations in terms of the power of our brand, the relevance of our distribution our ability to convince customers that this is the next stage in their journey. We've also been super thoughtful about the capital intensity of this and we pick partners who we can trust where they bring expertise that we don't have.

We expect, just based on our current assets to scale the 12 million to 15 million homes passed and 3 million to 4 million customers by 2030, which would leave us with the broadband business of 18 million to 19 million customers largely built over a seven-year period, which is again testament to the value of that NPS chart, what we can do with our relationships, the power of our brand and the power of this team.

I'll spend my last few minutes now on new growth opportunities. As I said, the vast majority of these are not built into the numbers that Peter showed you. Let me just back up and tell you how we think about new growth opportunities. For us to do something other than consumer wireless, business wireless and broadband.

We start with kind of three questions. How large is the TAM or the target market and the business we want to be in? Is it big enough for us to play? Like when we ask the question on broadband, the answer is clearly yes.

Second, -- can we use our existing strengths, our network, our customer relationships? Do they make a difference in this industry? Does it help us win?

And third, can we disrupt the industry. Because, again, we believe producing me-too product in a new industry is not what T-Mobile is about.

When the answer to those three questions is yes, then we double down and focus on that. Three areas that we're excited by. Advertising, T-Ads, we acquired Bliss and Vista, that business is tracking. It's in line with all of the things we talked to you about at the last Capital Markets Day. It's a business that we think has a lot of upside, and we're continuing to drive that. Financial services, we're working with Capital One. We launched our credit card in November. That's gone really well.

We're excited about all of the stuff we're seeing in our first results. And we think there's a lot more to do in financial services because it picks those three boxes. We believe that we can meaningfully reinvent. It's clearly a large enough TAM. We have a huge amount of credit information and our existing customer base is massive in our ability to leverage that a substantial.

So again, that's a business we're excited by. And last but not least, physical and edge AI and everything that a world that becomes increasingly connected brings to us as an opportunity, both in terms of -- I mean, the way I think of this is in an AI ran, we will be using we will be using a lot more compute.

And if you were to think about this, what 6G will be is a network that not just processes bits and bites but also tokens. And effectively, what physical and edge AI will do a bit like FWA, where we landed up using fallow capacity, here, you will end up having fallow compute that we could then put to use both in physical and I. But I'm rapidly getting to kind of out of my depth on physical and I. So we thought we'd invite a close friend of T-Mobile and man who probably knows more about physical and AGI than anyone else, Jensen Huang, to share his thoughts on 6G and physical AI.

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**Jensen Huang** - NVIDIA Corp - President, Chief Executive Officer, Director

Hello, Srini. It's great to join your Capital Markets Day. T-Mobile is the world leader in telecommunications networks. You did it by rethinking innovation and how networks are engineered. A year ago, T-Mobile and Nvidia announced the opening of the AI RAN innovation center.

Together, we quickly moved from idea to making live calls over Nvidia's aerial AI RAN computer. AI continues to transform every industry and will also revolutionize telecommunications like electricity, the Internet, AI is essential infrastructure. Every consumer will use it, every company will be powered by it, and every country will build it.

Now intelligence is moving into the physical world with robots, autonomous vehicles and cities, 1 billion cars, billions of robots in the future, millions of factories and hundreds of millions of farms will all be connected to intelligence. AI will be distributed at the edge present at the location and understand the logic of the physical world. This is where AI Ran and 6G change everything. The radio network becomes a distributed AI. T-Mobile has recognized this shift.

Every base station with Nvidia aerial becomes an AI computer and 6G is the connective fabric. Computing, sensing and connectivity converge. This creates entirely new opportunities for the telecommunications industry. That's why this moment matters. I'm thrilled to see our vision of AI RAN taking shape in T-Mobile's Seattle Labs.

Together, we're demonstrating how telecommunications is an essential platform for AI. And together, T-Mobile and Nvidia are building this future.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

All right. Thank you, Jensen. So let me just pull this all together. The foundation of everything that we've built, the foundation of everything we're building is our NPS. It is our ability to continuously differentiate.

You can see that gap widening and we've only just got started. Our fundamental capabilities across network, value and experience is something we're working at every day to make that gap widen even further. And what that gives us is the plethora, the unparalleled set of growth opportunities that you can see above. And we're only scratching at the surface here. One of the big advantages is you get all of those growth opportunities with no drag of legacy.

And that combination of huge differentiation that will only widen with time. unleashing a set of growth opportunities is the heart of our story. That, in combination with this team in front of you, who have constantly set really big goals, gone out, smashed them and strive every day to exceed every number we give you is the heart of the T-Mobile story, and that's what drives outsized financial performance.

And talking of outsized financial performance, I'd like to invite Peter Osvaldik on stage to talk to us. Thank you.

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**Operator**

Please welcome Peter Osvaldik.

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

You can tell we're just a little bit excited, and it's not just because the Seahawks won the Super Bowl. Well, I thought that would be a little dangerous or close, but that's good. All right. Well, let's get into it. I thought I'd start a little bit with a look at Q4 and 2025. And as Srini and said, as Srini said, it's a little hard to click this clicker. Anyway, what is that strong differentiation deliver? It delivered industry-leading results yet again. 261,000 postpaid net account additions in Q4. Think about that.

That's 10 times what the other competitor who reports this delivered in Q4. And that's important because as Srini said, this is the center of value creation for the industry. And this proves consistently and scale that customers are choosing T-Mobile.

Combined with that growth in postpaid net accounts, we delivered postpaid ARPA growth of 2.7% on a year over year basis. And importantly, the organic growth was 3.6%. If you recall, as we had talked about before, our acquisitions of both Metronet and US Cellular came with a base that had lower ARPU allowing us to run our playbook of ARPA expansion that we did so successfully both with Sprint as well as our base over time. That momentum between growth and ARPA expansion led to service revenue that was up 10% year over year on a reported basis and 5% year over year on an organic basis.

That's 10 times and 5 times the next highest competitor for those keeping score. And I am. So that strength flowed through to adjusted EBITDA, which grew 7% year over year or 4% on an organic basis. And of course, the most defining metric for us is our ability to convert service revenue into free cash flow, which we did at 22% in Q4, topping off a year where we delivered it 25%. And that's important because it highlights a lot of the things that Srini was mentioning, the structural advantage of T-Mobile as expressed in terms of the best metric for value creation, provided, of course, you're not cutting CapEx and going backwards.

If you're investing in the core business appropriately like we are for expansion and you're delivering 25% of free cash flow margin. That's the best measure are you able to create value for shareholders. All right. So let's look ahead. What does this all mean? How does this formula

this growing differentiation going to result an updated '26 and 2027 figures. So for '26, we now expect approximately \$77 billion in service revenue, representing 8% top line growth – that includes about \$3.6 billion of contribution from M&A.

So we have 6% organic growth and acceleration from what we just delivered in 2025. In '27, we now expect between \$80.5 billion and \$81.5 billion in reported service revenue, 5% top line growth and includes \$4 billion in contribution from M&A, so delivering 5% organic growth significantly ahead where we gave you just in September of 2024, our projections at Capital Markets Day. I think it's important if you step back, think about what we're delivering here at the high end of this guidance from 2025 to 2027, we're going to deliver more than \$10 billion of service revenue growth.

Supporting that growth, as we've talked about, is strong postpaid net account growth. And our expectations for 2026, as we enter the year, are to generate between 900,000 and 1 million postpaid net account additions. And for those of you who are curious, and I know you are, implicit in that guide is an expectation of about 2.5 million postpaid phone net additions. Combined with that growth in postpaid net account additions, we anticipate postpaid ARPA growth of between 2.5% to 3%. And that's from all of the elements and ability to expand that Srinivas mentioned, it's new account inflow, taking our premium plans at 60% plus.

It's our base as they interact with T Life and our experience stores taking on premium plans. It's continued expansion of connections per account and introducing new products and services into the account, which you can only do when you have a trust of customers, and that's evidenced from MPS.

And I'm pleased to share that we're now going to raise the bar on ourselves once again. You've heard a lot today about how we believe and we've long discussed and reported that postpaid account net additions and postpaid ARPA are the real correlation to value creation in this industry. Think about that. You have another competitor who delivered 600-some thousand postpaid phone net additions, but only 26,000 postpaid net account additions. The way you correlate how we're growing the service revenue and the translation into profitability is how we're actually able to attract and expand customer relationships.

And that's best expressed by accounts and ARPA. As we said, over 90% of our postpaid phone lines are actually on a multiline account and a vast or a substantial portion of our 34 million plus postpaid accounts actually have products beyond just postpaid phone. So when you think about it that way, that's really the unit at which you create value as Srinivas has long said.

And beginning in Q1, long-standing, we've been focused on postpaid accounts and postpaid ARPA, and that will be our sole focus going forward. So we'll no longer be reporting subscriber level elements. Again, I've given you the underlying assumption, 2.5 million postpaid phones and that very strong 900,000 to 1 million postpaid net account additions, but this is what you should expect from us. This is the bar you should hold us to. This is the bar you should hold the rest of the industry to who can attract customers switch full relationships and who can grow those relationships in ARPA, that's how you get service revenue growth like we're delivering here.

What does that mean for adjusted EBITDA? So in 2026, we now expect between \$37 billion and \$37.5 billion, that includes about \$1.3 billion from M&A contribution. So 10% reported growth and 7% organic growth, an expansion again from what we delivered in 2025.

In 2027, including \$1.7 billion from M&A contribution, we expect 9% reported growth and 8% organic growth at the midpoint, again, further expanding on the growth that we're delivering in 2026, which is further expanding on the growth that we just delivered in 2025. And again, if I step back at the high end of the guidance, this means from '25 to 2027, we'll have delivered more than \$7 billion of incremental core adjusted EBITDA getting us to between \$40 billion and \$41 billion.

This is, of course, driven by a number of things. One, continued profitable service revenue growth and operating leverage, as you've seen from the ability to attract customers generate postpaid account net additions and continue to expand ARPA. But it also comes from contributions of our unique approach to how we put the customer at the center of everything digitalize, create efficiencies, utilize AI, not for cost cutting as the primary focus, but for customer experience as the primary focus which generates significant efficiencies as a benefit, while at the same time, enhancing their experience, continuing to increase their NPS scores continuing to allow us to deliver customer switching.

We now expect between 2026 and '27 -- relative to 2025, these initiatives are going to deliver \$1.3 billion of incremental savings in 2026. And \$2.7 billion in 2027. But we're not done there. It's just the beginning of the journey. There's a lot more expansion beyond 2027. And those come from a lot of the things you've been hearing from us our progress on digitalization and enhancement of the customer experience through as experience through T Life, beginning with upgrades, what we've been able to do with first assisted and then unassisted upgrades, now at a lines and prospects that allows a whole new world of how do you approach retail and approach retail with a focus on creating experienced stores, a rationalized retail structures more in-sourced more focused on customer experience that at the same time, drives efficiencies and value.

You heard Srin, our incredible frontline and how they've reduced inbound customer contacts, but there's more to be done powered with intent CX now that frontline will be able to further reduce inbound customer contacts on the way to the goal that Jon Freier shared with you at our Capital Markets Day in 2024.

Customer-driven coverage. We've been talking about this since Capital Markets Day in 2024, a proprietary AI-infused model that allowed us to begin focusing CapEx dollars on where they matter most to customers. And if you put the CapEx dollars where they enhance customer value and experience the most, you get the most efficient deployment of CapEx. We've now been able to apply that model to the existing entirety of the network base and we'll be able to start generating OpEx savings to allow for reinvestment.

And the way we're doing that is we apply the same view to every one of our towers, every one of our small cells and said, which of these are driving the most customer value and concurrently, which are not driving the most customer value and we can streamline and optimize the network to reduce those and reinvest in those that are driving the most value. And of course, as you'd expect, like everybody else, but probably in a leadership fashion, there's a lot of efficiencies in the back office, in IT through utilization of simplicity, efficiency and AI. But if you do it from a customer centricity lens first, you get differentiated results.

Now 2026 is going to have a slightly different phasing to core adjusted EBITDA than 2025 had, which you'd expect because we're both delivering on synergies in the US Cellular, and those will expand as we go through the year, but we're also going to harvest more of these AI and digitalization and simplicity savings as we go through the course of the year. So we expect Q1 core adjusted EBITDA to be between \$9 billion to \$9.1 billion.

There's a few below-the-line items in 2026, I wanted to highlight as well. beginning with we expect approximately \$1.2 billion in merger-related costs primarily related to US Cellular. As you recall, we had an exciting announcement around our acceleration of the time line to integrate US Cellular at two years. network optimization that I just mentioned, this CDC-based network optimization to generate value is going to result in a network optimization cost of approximately \$450 million will be done through that primarily in Q1 and Q2, and we'll harvest those savings and reinvest into the network.

And we'll have workforce restructuring charges of approximately \$150 million in Q1 as we go through our simplification initiatives and conclude what we began in Q4. CapEx. No big surprises here. We've mentioned to you before. We expect CapEx of \$10 billion in 2026, and that includes all of the overlays around the US cellular retained sites, all of the upgrades to those sites to bring all of the spectrum goodness there and start delivering even more better experiences to customers faster.

In 2027, we anticipate CapEx to return to the normalized range of between \$9 billion to \$10 billion. And again, all of this from a network perspective will be deployed through the customer-driven coverage lens which means that every single dollar we put into the network goes to accrue to the highest customer experience improvements and hence, the best value delivery for us, while simultaneously expanding the network leadership and allowing for long-term growth.

Let's tumble down to adjusted free cash flow. And the short story here is we continue to deliver a cash generation profile and margin that is industry-leading. Free cash flow is expected to be between \$18 billion to \$18.7 billion in 2026, growing to between \$19.5 billion to \$20.5 billion in 2027. Now there's a number of things as you go through an integration that I want to highlight for 2026. We anticipate approximately \$1.3 billion of merger-related cash outlays, again, primarily associated with that acceleration of the US cellular integration.

We also expect approximately \$1.2 billion of cash outlays for the network optimization and workforce restructuring cost. That includes the workforce restructuring charges that we took in Q4 where the cash outflows will happen in 2026. And because we're accelerating that integration so dramatically, we now expect those costs to drop down significantly in 2027 to \$1 billion. Cash taxes are expected to be \$1.5 billion for 2026 and \$3.5 billion in 2027, fully integrating the benefits we anticipate from the one big beautiful bill.

Now one important note is around cash interest. And I know a lot of you in this room like to model rapid deleveraging for us. So I wanted to just highlight that we take a very prudent approach in our guidance assumptions that we're delivering to you. And what we do is we assume leverage at 2.5 times, which means we assume utilization of the entire strategic capacity envelope. We don't put any benefits into service revenue or core adjusted EBITDA for that.

But for purposes of cash interest modeling as we give a free cash flow guide, we assume full utilization of that. And so that results in an assumption of \$4.3 billion in cash interest outlays in 2026, stepping up to \$5 billion in 2027. Just for perspective, on an apples to oranges in terms of what you're seeing in consensus because of that desire to deleverage us rapidly. And that means relative to consensus, this is about \$500 million higher in 2026. And \$1.1 billion higher in 2027.

So if you're trying to get an apples-to-apples comparison and understand what the underlying business expansion is doing that's something to look at, given how we prudently and I think, conservatively guide and assume the full utilization of the envelope.

And again, the most important part here is our ability to convert service revenue into free cash flow at industry-leading pace and that's a key differentiator for T-Mobile. And as I mentioned before, highlights the structural advantage that this business has and the ability to create shareholder value. Well, certainly, that growth in core adjusted EBITDA and a delivery of free cash flow and industry-leading service revenue margin means that there's a lot of capacity. And so how do we think about it? Well, we think about it very consistently with how we've shared it with you before, our capital allocation philosophy hasn't changed.

It's disciplined, it's consistent and it's focused on maximizing value creation for shareholders. Begins with always setting a prudent leverage target, which we continually reassess both on our belief of the internal forecast of the business as well as what's happening from a macroeconomic perspective. We then prioritize investment in the core business.

As you see, not only can we deliver in the short term, but our ability to enhance and expand this network leadership by investing in the business prudently, it's what's going to generate continued differentiation for customers even beyond 2027. We focus on high ROI strategic investments, and I'll get into some of the ones that we've done there. And then our focus is to deliver with excess stockholder returns in a very balanced approach between dividends and share repurchases. And all of this is done with an eye on maximizing both midterm, short term, but just as importantly, long-term value creation. So with my last Super Bowl pun, let's do our own halftime show of what have we done?

Since our Capital Markets Day in 2024, we funded strategic investments of approximately \$12 billion. That included our acquisition of US Cellular, included establishing the JVs with Metronet, Lumos, Bliss, Vistar as well as investing in spectrum for the long-term continued network leadership. We returned over \$20 billion to shareholders balanced between dividends as well as share buybacks, which puts our total now since the program inception in Q3 of 2022 to over \$45 billion.

Now as we look forward for the balance of 2026 and 2027, we have a remaining envelope of over \$52 billion, driven again by that core EBITDA expansion and a free cash flow delivery. Our initial view of this is allocating up to \$30 billion towards shareholder returns. That currently includes an assumption of approximately up to \$10 billion in share repurchases per year. And I'm excited to announce today that we are accelerating our Q1 share buybacks to \$5 billion or double our run rate.

And you might have seen Deutsche Telekom's announcement this morning, given the strength of the business and their belief in where we're going, as we've laid out for you today, they are not planning currently to sell any T-Mobile US shares in 2026. And in fact, we're looking at strategic alternatives to further deepen their investment. I think between the acceleration of share buybacks in Q1 that you're seeing from

us as well as DT statement that you can see the conviction in the business. And most importantly, we're always guided with respect to share buybacks and as to where our belief of the intrinsic value of this company is and where the trading dynamics are today.

Well, what does that leave? That leaves over \$22 billion in a flexible envelope and we'll deploy that much as we've done in the past. It can be deployed for strategic ROI investments. It can be deployed potentially for further stockholder returns. And this all assumes a prudent 2.5 times leverage assumption.

And we're focused, again, on all of this, the focus remains on ensuring that we have the healthiest and the most strategically flexible balance sheet in the industry allowing us to capture opportunities for shareholder value creation as they come. I know you're very curious to get to Q&A. So let me just summarize quickly. I think as Srinu mentioned, we have a tremendously growing differentiation not only has our current differentiation and where we've arrived with best network, best value and best experience is continue to deliver industry-leading results, both from customers selecting T-Mobile and our ability to translate that into outsized financial growth, top line, bottom line free cash flow. But we see the ability to grow this differentiation and continue to deliver outsized results in '26, '27 and beyond.

So with that, we're going to get to Q&A. So if you can give us just a second to set up here, we'll get the team up and get to your questions. But thank you.

(video playing)

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## QUESTIONS AND ANSWERS

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

Let's get to Q&A. We'll have mic runners across the room. Please raise your hands. If you've got a question, and please also introduce yourselves once you have the mic.

I'll start with Peter since he's right there.

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**Peter Supino** - *Wolfe Research - Analyst*

I wanted to ask about the change in your disclosure about the elimination of postpaid on subscriber reporting and, I guess, ARPA. If you could just expand on your thoughts behind that and how you think it allows you to run the business better and ultimately benefit shareholders.

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**Srinu Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Absolutely. Maybe I'll kick off and then hand off to you, Peter. So the change in reporting to me is actually comes from a conviction of what do we want to focus on? What do we want to double down on accounts, and I think of them as relationships because these are really families and businesses.

That's the fundamental way in which consumers buy. 90% of our postpaid lines belong to a multiline account. It's how consumers buy and it's where value gets created. It's the thing that's most correlated with CLB. And from our perspective, this team and everyone on the front line is incentivized on accounts, is incentivized on relationships.

We want that alignment to exist between how consumers buy, what creates value, how this team is incentivized. And that, in our minds, raises the bar in the industry because it drives this conversation on how many relationships have you actually bought it, right? And that's, to us, the fundamental unlock and the most transparent way of thinking about the P-times-Q equation.

**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

Yeah. I mean, as I mentioned, and fundamentally, what underpins that is the fact that the vast majority of our customer accounts have deep relationships. So you need to think about both as you're approaching new accounts coming in, but also as you're thinking about the base and expansion of ARPA, now over 90% of our postpaid phone lines are multiline accounts. A significant portion of our accounts have products beyond phone lines, whether that's tablets, watches, our very successful broadband offering where we're the most bundled player in that space, and we can get into that. I'm sure there'll be questions around that later.

So when you think about how do I, one, think about the customer relationships. Customers don't think about their relationship with T-Mobile is I have three different relationships or 3.5 different relationships. They think about it as one. And when you win that trust over as demonstrated by NPS, that allows you to expand and give them new products, whether it's connectivity products or more importantly, as we demonstrated, when you have a platform like T-Life, with 24 million monthly active users, meaning they're using, I think, 4 times a month it allows you a completely differentiated experience.

It's not just I interact with my customer base once every couple of years when they come into the store. Now I can interact with them on a multi monthly basis to introduce them one into new products like T-Mobile, Visa but also help them understand how we can expand in a win-win, a more-for-more construct the relationship with them, and that's what gives us the confidence to think about ARPA expansion the way we are. So it's really fundamentally how the customer buys. It's how we're thinking about the relationships.

And honestly, when you think about it, just focusing on postpaid phones and postpaid phone ARPU is one small portion of the postpaid service revenue line and doesn't really correlate as well as accounts in ARPA to what you've been able to do with service revenue growth over time. That's why you see such different -- how can you be 600,000 and 900,000 and suddenly have such different -- wildly different expectations for 2026 service revenue delivery? It's because we're focused on the actual unit of value creation and how customers think.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

And even when you restricted to postpaid phone, very few people go out and buy one line, right? Phones shopped as a family, as a business, and that's what drives consumer behavior. And that's what our North Star should be --

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

Okay. Let's go over to Sebastiano.

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**Sebastiano Petti** - *JPMorgan - Analyst*

Can you just help us think about the long-term penetration rate implied within your broadband guidance of 12 million to 15 million passings is how you've at least discussed it in the past. And so it would imply penetration below 30%. And so -- just help us maybe contextualize that what you're seeing in the market today as well with the type 2 fiber launch?

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Yeah. The fiber is tracking all of the things that we set out to do with it. and we're tracking well on plan. When you think about long-term penetration though, the thing you need to remember is we'll still be building, right? And so what you're looking at is what is cohort level penetration, then it will be higher than that number you're looking at purely because we'll still be building. You want to?

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**Andre Almeida** - *T-Mobile US Inc - President - Growth and Emerging Businesses*

No, I think what we're seeing in terms of how the brand translates, how channel translates, we're seeing everything we expected to see, and we're very happy with the progress. As Srini said, we need to look at this in a prospect of we're still going to be building at a relatively fast pace as we go to '27, '28, '29 30. So for a lot of the cohort we will have, we won't be a terminal penetration, which usually happens more towards year three, year four. So that's why you have these numbers that look to be below 30%, but they won't be on a terminal cohort perspective. They will be significantly higher than that.

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

John Hodulik and then Walt up there.

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**John Hodulik** - *UBS AG - Analyst*

First, a follow-up to that. How many homes passed do you guys have now? So what's the build rate going forward? And did you guys talk about the cost per build -- and then just maybe a broader question on the wireless market. Just what are you seeing in terms of competition?

Do you still think that the business has pricing power? I know we're trying to get away from ARPU here. But just sort of the drivers are clearly churn and ARPU, how do you see ARPU trending and your ability to price? And then maybe just for Cathy, are we going to get churn account churn going forward be able to sort of assess the health of the business.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Maybe I'll start with the phone competition and the wireless market, then you can talk about account churn and Andre, you can pick up broadband question there in one question. So let's start with the first one. What are we seeing in the wireless market? Look, as always in this market, you kind of go through cycles of promotions. You kind of go through periods in time when there are lots of free phones. We saw that happen in Q4. We're feeling very good about where we are. Now in Q4, specifically, like Peter said, in a very competitive cycle, we outgrew the only other person who reports accounts 10 to 1, right?

So we're feeling really good about the strength of this business. The momentum that it's driving. And I've said this before, look, promotions are things we over-rotate on. There's a direction of travel, and that direction of travel is driven by differentiation. That's why you get this exceptional performance -- this was our highest postpaid phone lines if the we don't talk about much since the merger, right, in the context of record beating accounts, right?

And when you're talking about pricing power and kind of our ability to grow the relationship, it's a composite of three different things. It's the fact that our POS naturally tend up because of our back book, front book dynamic and the premium plan loading, which is why we're guiding to 2.5% to 3% on ARPA. Our back book also means that there are opportunities for us to look at pricing. Underlying our guide of where -- and Peter unpacked the 2.5 million is also an ARPU of 1% to 1.5%. So we do see ARPU growth happening in '26, even though that's not the primary thing that we're focused on.

And the last bit is expanding our relationship, which is through fixed wireless, which is through fiber, which is through everything else we do. So we see a lot of ability to grow both volume and value in this market. I'll leave you with one final piece, which kind of reflects our value-oriented view of the world, when you look at just the month of December, and this is something we track very closely -- and Mike and I were talking yesterday, the value of our port-ins was 15% higher than our port outs. So when you think of what drives value creation in this business, even in an intensely competitive month like December, we saw significantly higher values in than out.

Do you want to pick up the account churn?

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

Yeah. I have to give transparency around this metric, we'll absolutely be reporting account-based churn.

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**Andre Almeida** - *T-Mobile US Inc - President - Growth and Emerging Businesses*

And on homes passed, we don't disclose it. These are joint ventures. The only thing we can say is we're tracking to where we want it to be tracking, and we will hit the 12 million to 15 million homes passed by 2030. So that's something we are very confident about.

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**Walt Piecyk** - *LightShed Ventures - Analyst*

Just on the 6% service and 5% service and '26, '27, respectively, any -- is that mostly core, right? So can you give us a sense of like the size today of the advertising business? You talked about T Life, 24 million, it seems like monetization there. edge compute, maybe some monetization there. Are any of these things, maybe you can rank order them stuff that could add 50, 100 basis points to service revenue growth. So maybe like size what you got now in advertising and then anything that material, not even can go beyond '27, '28, '29, anything that can give you 50, 100 basis points?

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

Yeah. I would say, as you're absolutely right, Walt, it's -- majority of it is core growth. I think as Srinu mentioned earlier on, there's actually nothing in the plan with respect to edge or AI RAN or any of that opportunity. Now we see it and we're in a leadership position. I think it's going to drive fundamental growth whether any of it comes in, in a meaningful manner by '27, I don't know, that's potential upside.

I think you've seen us talk about a lot of other new business opportunities, including the very successful early but tremendously successful launch of the first foray into financial services with T-Mobile Visa, that's potential upside to the plan. That's not incorporated into it. And T Ads has very prudent but small growth assumptions in it. It's going tremendously well.

But that's a business that we think could certainly in our belief, not all in the plan, only a little bit of that is in the plan could be a significant growth driver, not in just 2027, but beyond. So we're trying to be very prudent in terms of the new growth opportunities and how much of that is actually in the plan versus how much of that is potential outperformance.

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**Michael Ng** - *Bank of America - Analyst*

I wanted to ask about the comments around potentially moving away from device subsidies. Is that something that you see happening industry-wide potentially? And what are the implications of that just given where we are in the product upgrade cycle and how you see that impacting the gross adds or drop opportunity for next year?

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**Srinu Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Thanks, Mike. I'll keep this brief, and I'll hand off to my cats to talk a little more about it. There's not that much we're going to be able to say about this right now. for obvious reasons. But I think there's -- the principle for us is really important. We think when the industry starts moving away from win-win economics for investors and customers. We need to step in and change the direction of it. And our sense is this is a point in time where we're beginning to see some of that drift, right? I'll let Katz talk about that in more detail. Mike, do you want to?

**Michael Katz** - *T-Mobile US Inc - Chief Business & Product Officer*

Yeah. Sri talked a lot about differentiation and how important differentiation is for us and for customers. And I think that's a great example of it. Like you can't make the iPhones any freer than they are today. And the truth is, is customers phone purchases a point in time.

It happens once every couple, three years. And between those times, they're living with their wireless service every single day. And we think customers expect and demand more from us than just a free phone deal every three years. And that's why what the value that we've built into the plan is so important because it's a reminder to customers every single day of these incredible benefits that they're getting -- incredible benefits. T-Mobile customers save \$1,000 a year relative to competitors, both because of the core rate plan savings, the front book, back book dynamics that Srini talked about, but incredible not niche benefits, incredible benefits that our customers use at scale.

In fact, T-Mobile customers of these Magenta status and T-Mobile Tuesdays benefits. On average, most of our customers use multiple of those every single month. So that's where we think we can create the real differentiation. And phones, everybody does great deals on phones. It's what happens in between the phone purchases, I think where T-Mobile really stands out.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

And 2 point on subsidies and kind of what that means for jump balls and the rest were. And when we plan the year, when we plan ahead, we look at jump balls, we look at competitive intensity, and our guide incorporates all of that, both the 900,000 to 1 million and underlying that order of magnitude, 2.5 million debt, which is kind of where we're positioned right now. And on subsidies, we will always be competitive with phones. It's really changing the center of gravity of the conversation, to stuff that creates sustained value, which is all the stuff Mike is talking about because also from an economics perspective, that's where we believe real CLVs are.

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

Great. Let's go over to Kannan, please.

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**Kannan Venkateshwar** - *Barclays - Analyst*

So I guess a couple of questions on the broadband business. The first is when you look at the service revenue mix going forward, I mean, the guidance that you guys have provided -- how much of that growth comes from the broadband business specifically and more in general, the newer businesses? If you can help us understand that. And then from a margin perspective, I mean, there's a lot of things you mentioned today like focus on ARPA, less subsidies potentially more focus on the back book price and so on.

All of this would imply that your core organic wireless margins should step up at a faster pace going forward than it's been so far because there's less focus potentially on volumes. So if you could just help us parse through some of these details to understand what's in the mix of EBITDA and revenues, that would be helpful.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Let me take the first -- thanks, Kannan. So the question really on wireless you're asking is an operating leverage question, right? And you are seeing, as we move from '26 -- '25 to '26 to '27, really strong improvement in operating leverage at the EBITDA level. So you're going from 5 and change because you shared the ex-M&A numbers as well to 7 to 7 and change almost on -- and that's a reflection of the fundamental operating leverage improvement, both in terms of our focus on ARPA the ARPA growth as well as some of the cost reductions that Peter talked about. In terms of the broadband piece, Peter, do you want to pick that up?

**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

Yeah. It's all -- we don't report segments because we don't run the company that way. We run the company as you heard today, in terms of customer relationships and ARPA expansion. So broadband is an important element of how we get to ARPA expansion. In fact, again, we're the most bundled in terms of successful ability to take customers and either customers and then sell our broadband product into it or have broadband-only customers get introduced to the power of the T-Mobile network and then expand their product set there. So it's all implicit within the ARPA guide in there.

And then when you run the business, inclusive of synergies and integration and all of that, we're really thinking about it as one business and one operating leverage. Even for example, on new businesses, ability to utilize T Life, as I was speaking about earlier, to not only self-serve or help improve the experience with our amazing frontline and customer owned retail stores and our experienced stores but it also then provides a platform for new business growth, cross-sell, all that.

So that's why we think about it in totality. And I think when you step back, what I'd look at is you're driving, again, at the high end from \$25 million to \$27 million, \$10 billion of service revenue growth, and you're going to drop \$7 billion of EBITDA growth as part of that. That's the all-in number that we're looking at as well as are we actually able to deliver in an industry-defining way free cash flow margins on service revenue?

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

Let's go over to Greg Williams.

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**Gregory Williams** - *Cowen and Company LLC - Equity Analyst*

Greg Williams, TD Cowen. Just wanted to get your updated view on your appetite for additional spectrum. There's presumably more spectrum out in the marketplace today as we think about your M&A flexibility envelope?

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Great. Well, thanks for that. The way we've thought about Spectrum historically will be consistent with that is every piece of spectrum that comes up, we look at it on a build versus buy basis, right? What would it cost to densify versus buying the spectrum. And that's why we walked away from things like the EchoStar spectrum. We fundamentally believed it was too expensive. Now that said, we're incredibly committed to maintaining spectrum leadership and network leadership. And we're looking forward to how this plays out in the auctions.

Our view on that, again, is we'll do the same there's kind of three things, right? One, the build versus buy, two, looking at the spectrum that comes up in terms of consistency with our existing spectrum holding, and three, a commitment to maintaining our spectrum leadership. Those three things together will drive what we do with spectrum acquisitions. And you've seen where needed, we've been incredibly disciplined about the valuation of that spectrum and where it makes sense. The good news is there's a lot of new spectrum coming with the one big beautiful bill, which will drive valuations of that spectrum as well, just from a supply perspective.

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

Yeah. And the beauty of it is, of course, we only guided through '27 today. But obviously, we have aspirations of growing beyond '27, both from a core EBITDA perspective and a free cash flow perspective. And so you just see how much capacity this business is creating. And because we're so prudent and strategic with how we allocate capital, that creates capacity for all of the things, so to speak. And when you think about run this out to '28 to '29 '30, when who knows the timing of all the potential spectrum opportunities, but you're creating a lot of meaningful capacity to think about wisely in terms of investment.

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

Frank and then two down from Frank.

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**Frank Louthan** - *Raymond James - Analyst*

So can you walk us through the economics of the financial services business with the credit cards? What is sort of the opportunity there in terms of revenue and EBITDA? And is that something that would get folded into ARPA?

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

Yeah. We're not -- we haven't broken that out separately. It's early days. But just think about -- what -- as we mentioned, the way we look at new businesses, and this is very consistent with how Mike Katz laid it out at the Capital Markets Day in 2024. Where can we bring significant scale and the assets that we have, meaning we have trusted customer relationships. We have our network assets. We have our distribution assets.

We have now an app that has 24 million multiple times a month, monthly active users, which means you can and we have data, particularly on our base, meaning we can do advantaged credit decisioning. -- there's a reason. I mean, we've been really tremendously strong and the capabilities we've delivered some by necessity from where the Un-carrier began in terms of being able to deal with subprime and near-prime populations. Q4 was another quarter we delivered much lower bad debt as a percentage of total revenue than AT&T or Verizon. It's because of the capabilities and the data sets -- and making sure that we create better customer value, better customer experiences. So think about financial services. There's a lot of great ideas out there. And I think we have them too.

One of the big barriers to great ideas getting in the hands of customers and changing and improving the customer experience in financial services is honestly CAC, right? I mean a lot of these business ideas get killed because of customer acquisition costs. We can change that whole paradigm. We have T Life. You have trusted relationships with 34 million accounts.

If you're thinking about postpaid phone, that's 85 million postpaid phone users out there, and they're using T Life. And now you can bring them a better product, perhaps even something that can't even get in the financial service space because of our advantaged credit decisioning and data opportunities. And you can do it at a customer acquisition cost that nobody else can touch. So that's the -- that's one way to think about that opportunity. That's how we're thinking about the financial service opportunity. There's very little in the plan from a financial service perspective.

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**Andre Almeida** - *T-Mobile US Inc - President - Growth and Emerging Businesses*

When the CFO is the biggest proponent of this, I don't have to say much. But listen, fully aligned, I think, as Peter said, we always look at this as a win-win for the customers. And what we're seeing today is the ability to not have some of these industry legacy either revenues in the backlog, like you see it in FWA, right? There's a great advantage of being able to flow through all this growth, greenfield because we don't have a back book to protect. Now in new -- in some of these industries, like financial services, we have no backlog.

The second thing is our clear advantage in terms of access to customers leveraging our NPS scores that are leading -- industry-leading and the fact that we have acquisition capabilities, both on retail and on digital with Life allows us to create these win-win relationships that we were talking about when we were talking about wireless, the same approach to this industry, right? And you think about the credit card industry, financial services or advertisement. These are all industries that have opportunities to create a lot more win-win with customers, and that's what we're focused on. That's what's going to guarantee us growth beyond what we're putting in the targets we have today.

**Avi Greengart** - *Techspontential - Analyst*

Avi Greengart, Techspontential. So we've been talking mostly about consumer. I was curious how your expectations of business or enterprise growth play into your guidance going forward?

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

So we see a huge opportunity in business. We've talked about double-digit revenue growth for the next 3 years. It will probably run for the next five, the reality. The reason we see that huge opportunity comes back to the position we've put ourselves in from a network perspective. A lot of our growth today is coming from differentiated things only our network can offer from the most obvious example of that key priority where our ability to slice and our ability to build that network creates a clear win with TFB customers.

But it also goes through things like when people do RFPs based on large-scale testing of networks. We clearly win in those cases. So we see a lot of upside across everything from SMB to enterprise to government.

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

Okay, let's go over to Dave Barden.

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**David Barden** - *New Street Research LLP - Analyst*

Dave Barden from New Street Research. I guess my first question would be Srini. Could you elaborate a little bit on your understanding with DT about how long they will cease to contribute their shares into the stock buyback program and kind of the framework that we should expect that, that will operate under as we forecast? And I guess the second question would be, with respect to presumably any incremental ambition for fiber expansion is the best way for fiber expansion for T-Mobile to use the existing Lumos and Metronet partnerships to let them do the expansion? Or do you want to create -- or would you be willing to create new partnerships go and take advantage of other opportunities to kind of create a portfolio of fiber companies.

So thanks for the question.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

I'll pick up the fiber piece and Peter, maybe you can talk about the share buyback stuff. So on fiber, our view on this has been clear. We see fiber as a real opportunity to create customer and equity value. We're not targeting a number. We're certainly not targeting a number of homes passed.

So we're not kind of keen on how much fiber lays outside multiple buildings, right? We're keen on building a business that creates equity value and creates value for customers. Today, everything you saw was based on the Lumos Metronet expansion. So all the numbers we presented today is the assets we have currently. Are we open to looking at more assets?

Yeah, at the right price. Because we're not going to sit here with a gun to our head on, hey, we're going to cover this many streets forget customers and then work back from that while people inflate their prices when they have a discussion with us.

Are we open to more assets? Yes, they need to be at the right price. Just from our -- the way we think of the way this market works are 15 million customers that we've now announced till 2030, if you were to equate that to fiber homes passed -- that's above 40 million already. You take 12 plus 15 of fiber homes passed. We're going to be in 50-plus million from a homes-passed count perspective.

It's a count we think is actually precisely irrelevant. But if that's the count you want to do, that's order of magnitude where we are. So my view on fiber is absolutely interested in looking at other assets and other scalable platforms, but they need to be at the right price to create value.

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

Yeah. Look, as our majority investor, I can't really speak to their intentions, right? I mean we're focused on running and creating value creation for T-Mobile US shareholders, and Deutsche Telekom as an investor, obviously, has their own motivation. So I can't speak to their long-run thought process or their decision-making around it. That really is something you have to ask DT. What I'd step back and say is, what they laid out and what they disclosed this morning, I think it's driven by what we laid out here and shared with you is we created a great vision for outsized growth in our September 2024 Capital Markets Day and today increase that vision.

I think give you all the kind of pieces around how we believe this growth can continue way beyond 2027 and deliver industry-leading results beyond. And we're not sharing that guidance here today. We're focused on '26 and '27 and then our own conviction. Again, we are always guided by how the plan that we've put together, including our internal views of it informs us around the intrinsic value range of this company? And where are the shares trading today?

And if we believe there's a significant discount to that, that informs our approach to what we recommend to the Board from a share buyback perspective. And I imagine since obviously, Deutsche Telekom has the ability to see all of this in their roles on our Board, they're also convicted with the plan. In fact, they said so to be able to say we're not actually going to sell any of our shares in 2026, whether that's into the share buyback or on the open marketplace.

And in fact, we're going to look at strategic opportunities to potentially enhance our shareholder holdings. So it's our long-run belief in this business, that's what convicted us to actually double the pace of Q1 share buybacks to \$5 billion. And I think those statements will have to speak for their own. But I think it's a similar mindset.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

For a minute there, I thought Peter was going to guide for '28.

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**Michael Funk** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Mike Funk from Bank of America. So I think the last Capital Markets Day, there was a slide where you showed the drivers of switching activity in wireless. And the primary drivers, I believe, were network quality, customer experience and then kind of price and value were lower down. So based on the K-shape economy that we're in, have those drivers changed? And how does that inform your comments about device subsidy?

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Everything we see suggests those are still the big drivers. I want to double-click on a couple of them, right? So network quality, we spent a lot of time on. On value, just to be clear, we will zealously guard our value position. And one of our -- one of the reasons Mike and I talked about how value is being interpreted in this market that reflects our focus on continuing to guard that value position.

What's important to us though is to guard it where it matters for customers, not to guard it in places which destroy value, right, either for customers or us. Like -- and that's part of the debate on the whole subsidy piece in terms of if phones are lasting longer, if they're becoming more expensive, what you're finding is more freer but then baked into price and there's a gotcha somewhere.

How do we move this industry to a place where we truly deliver value because we think value is always important irrespective of the state of the industry, and we will stay at the forefront of it. It's how we do it that really matters and doing it in a manner that resonates with customers. I still see those as the big drivers, and we will be the best at all three.

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

Chettan, did you have a question?

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**Chetan Sharma** - *Chetan Sharma Consulting - CEO*

A couple of questions around AI RAN. How are you thinking about AI going and connect the dots for us going into 6G? And can we expect in 2026? And then a question around T satellite, the impact you have seen of satellite in the last 6 months.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Okay. So let me do the T satellite piece and then hand over to John Saw. It depends on how long you have because you get them started talking about AI RAN and 6G, we could be here for a while. Let's talk about T satellite. Look, T satellite, from our perspective has been a huge success.

It was a world first when we worked with StarLink to create a functioning direct-to-sell, service. It's hard to do. We're actually making a satellite going at high speed talking to a moving mobile phone is not easy to do. It is fundamentally a complementary product. And the physics and the economics of that business will make it stay that way.

I mean, it's great for the 500,000 square miles of uncovered America to have an alternative, but let's be realistic. Manhattan. I want my wireless network. And that's our understanding, and that's, I think, the emerging understanding across the industry that this is a great complementary service. We love the work we've done.

We like our partnership very much with StarLink. So that's kind of where I am on satellite. And now over to Dr. Saw for 6G and AI RAN.

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**John Saw** - *T-Mobile US Inc - President - Technology*

So Chetan, AI RAN, we think, has a tremendous potential to transform the future of mobile networks, especially at our last Capital Markets Day, we announced the creation of the AI and innovation center with some of our key partners I Nokia and Ericsson to develop and test a new architecture. We really wanted to push the industry to think about a new architecture with more powerful compute that allows us to actually not just process telco workloads, but also AI workloads at the same time. And like Srini said up earlier, we see a future network where you were able to not just process bits but also tokens. And why is that important? I think you heard Jensen and Srini talked about the emergence of physical AI right?

Today, as big as AI is, it's focused on generative AI. TAM is about \$4 billion to \$5 billion, which is huge. But it's really a digital space enhancement. It's focused on the IT economy. And wait until you see physical -- basically AI moving into the physical world and start interacting with it. And that's physical AI. And that's why we see the potential there. If you talk about tokens the basic compute unit for AI is tokens, right? And with information -- with generative AI, tokens are usually just information tokens. They can be processed in a few seconds. It basically gives you good analytics of the world. But with physical AI, tokens are going to be moving.

They're going to take action, right? We called it kinetic move, right? When tokens move, when things move with AI, I think it gives telecom operators a license to play in a big opportunity with physical AI. It could be worth if you believe some experts, hundreds of trillions of dollars, that's a total 10, right? And we believe that is the connective tissue for physical AI, right?

And it is going to be the intelligent fabric that connects data centers, network edge as well as AI devices itself. So 6G is not just the connecting pipe, but really the nervous system for physical AI. That is why we are focused on AI RAN. We wanted to change the way compute is done in telco for generations now and bringing a more powerful compute model that does tokens and this. So we're making good progress.

Since then, we have got both Nokia and Ericsson now being able to make full voice calls through the NVIDIA platforms. And towards the end of 2026, we expect to start some field trials.

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

Jonathan Kees and then I think Ben Swiber.

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**Jonathan Kees** - *Daiwa Securities Group Inc - Analyst*

Jonathan Kees from Daiwa Capital Markets. Great presentation. Wanted to ask specifically, I guess, follow up on a question earlier about churn. Q4 churn was pretty elevated for both postpaid and prepaid for 2025, in for 2024. And that's with your NPS scores going up with leveraging your differentiation of the value add that you provide, I guess, how do you see churn going forward?

And from what I heard earlier, sounds like you're just going to be giving churn of accounts versus per phone going forward? And then the second thing I wanted to ask is how much are you going to leverage price increases, especially legacy plans in terms of the service revenue growth?

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

So let me start with churn. So clearly, NPS and churn are hugely correlated. What I think we saw in was also a normalization of churn as an industry as a whole because you went through these years with 36-month contracts and suppression of churn. Now when you look at '25 as a whole, our increase in churn, which is 7 bps on is the lowest amongst the three players, right, which is just an indication of the NDS stuff playing through. Even in Q4, when you talked about elevated, I think we went up 10 bps and everyone else went up for 10 to 14 bps.

And -- but importantly, if you look at full year '25, I think what you saw was a normalization of overall churn rates. They went back to what they were effectively before the suppression of the 36-month contract. -- right?

And our view on account churn again is that's the big number to look at because again, when you look at the value loss that happens when an entire account leaves you, that's truly -- that truly hurt versus you take an inactive account which somebody suddenly realizes this line, I'm not using and decides to move away from it, that actually doesn't cause any value loss. That's why we're focused on account churn rather than online share. The other question?

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**Jonathan Kees** - *Daiwa Securities Group Inc - Analyst*

Rate increases.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

As yes. So on -- look, our view on this is what will drive ARPA is a composite of three things. The biggest two will be the fact that we have this front book back book dynamic, which means as your premium plan lowered in the front book, you naturally see a growth in ARPA. The second is expanding our relationships from time to time, we will look at specific cases, and we did one in January, where we think there is a case with the legacy book to look for price changes, and these are really rate plan optimizations.

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**Michael Katz** - *T-Mobile US Inc - Chief Business & Product Officer*

One other thing I'd say is this really underscores the importance of the strategy that we have about the included services and differentiation in our premium plans because it gives reason that customers a reason to move up in rate plan by choice. And that strategy has been really successful. I mean, there's meaningful differentiation between our experience more plan and our experience beyond plan. And customers that are looking for those benefits by up themselves, both at acquisition, but also during their life cycle. And that is unique to T-Mobile. Nobody else packs these benefits inside the plan.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

And just to underscore Mike's point, that natural upgrade cycle is not purely an acquisition play and premium plan loading. It also happens in the life cycle which is why we're guiding to 2.5% to 3% ARPA, 1% to 1.5% underlying that from ARPU.

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

It's also -- there was a tidbit you dropped that I'm not sure everybody picked up, and that is the delta and the value we saw with switching. So churn isn't always unhealthy. We've been very successful in the pre reduction of churn environment and now back to the normalized churn environment, and you saw in December a 15% delta between the value of accounts coming in and the value of accounts leaving. And there's a lot of (inaudible) in the industry. We're trying to be very transparent around it.

That's how you get the growth. That's -- then when you combine it with ARPA, you get the service revenue that's completely different from a profile perspective. We just promised you service revenue growth versus one competitor who said 0% for wireless service revenue growth. This is where it comes from.

We just promised you that service revenue growth actually going into core EBITDA growth and 10% headline growth and 7% organic growth. And that's with contract assets flat. That's assumed in our guidance, unlike some others who are really loading more and more discount onto the balance sheet, another way to move around core adjusted EBITDA, which is why you need to think and look all the way through to free cash flow generation. Again, provided you're making the right investments in the business, and you think you've seen today from us, we certainly are to expand our network margin of leadership, how much free cash flow you can generate out of service revenue is probably the best predictor.

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

So we're going to Ben Swinburne and then we'll do San (inaudible) right behind that.

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**Benjamin Swinburne** - *Morgan Stanley - Analyst*

So I want to ask you about Tea Life digitization. And I think it connects to the I think Peter said \$2.7 billion of savings, I believe, is out in '27. I know that's not all to life, but that's a piece of it. What are you doing to make sure that this migration is customer led. I think pretty clear it's good for your business to move to a digital provisioning model, but your retail distribution, your frontline people are obviously core to your NPS, your strong position with the consumer.

And I guess I would imagine there might be some risk you sort of push the consumer in places that maybe impacts that NPS core. How are you guys managing all that? Because there are some big savings Peter has outlined.

**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

No, absolutely. We've been incredibly thoughtful about this. We haven't driven digital and AI from a -- we're going to lay off this 20,000 people because we need the cost from it. We started with -- and this is why this has been a 3-year journey. Step 1 was building the capabilities. Having our IT in place, having the digital in place. Step 2 was customer adoption, which is actually working with customers and then moving them to assisted digital and step 3 is now scaling. But really the person who should talk about this in the most remarkable transformation that's seen in a frontline and customer-centric way as Jon because he's driven a lot of this jump.

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**Jonathan Freier** - *T-Mobile US Inc - Chief Operating Officer*

Yeah. It's a great question and it's something that we are taking ourselves, which is really what we want to do is we want to meet customers where they are. And we need to be honest about this. That like stores open from 10 AM to 8 PM, and that's the only time you can do business or when you call 611 and you reach one of our (inaudible) that's not meeting customers where they are.

People want more power and capability right on these smart screens to be able to do things, access T-Mobile Tuesdays, all the Magenta status benefits, transacting, changing a plan, adding the feature, remove in the future, all those things, and we want to be able to do that.

At the same time, there's a lot of customers who have some anxiety about like, hey, all these promotions and the complexity, I need someone to help me with that. And what we want to also do is lean into this experienced store format. We've got hundreds of these stores up and running and then in-source more of our selling and service versus outsourcing. Strategy 101, you outsource what you're not core competent on and you in-source what you are core competent on. And what we feel just incredibly proud of is the way that we go to retail, the way that we do customer care, and we want to do more and more of that ourselves.

And I said this at the Capital Markets Day back in September 2024, that ultimately, the role of retail is changing. We don't want it to be a center of just transaction. That's 30 years ago. What we wanted to be a center of experience. How do you discover?

How do you experience new products and services. Think about everything that John talked about just a few moments ago and what's coming with 6G, and physically and understanding and learning about that in our stores. We want that to happen.

And at the same time, we want to build more and more expertise. We're proud of this 45 Net Promoter Score that we have. You saw what Srini just shared just a little while ago in terms of how that has really separated not only in the top 100 markets, but also in smaller markets and rural areas as well. We're leading in NPS versus our principal competitors versus everybody in those markets. We see an opportunity to further that gap.

We're not like reading our press clean we're like, okay, that's good, but we have ambitions to push that past 50. And we are sweating everything that we can do between the digital experiences and the technology that we're building in T Life and then empowering our people and creating T Life as a platform. So no matter if you call customer care or walk into a store, or do it yourself at 11 at night after you put the kids to bed, it's the same system, the same platform. And if you need our help and you need our expertise, we're going to be there for you. And if you can do it on your own, we want to meet you where you are as well.

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**Sam McHugh** - *BNP Paribas Exane - Analyst*

Sorry, two quick questions. The first one on guidance and phones. I think we've got pretty that's, yes, we all got pretty comfortable in the last few years kind of having a good feel about what the guidance implies and then the end result on the beats on phone nets. Is there any reason to think that the way you're guiding on postpaid accounts is kind of conceptually different from how you used to guide on postpaid phones? And then the second question was on the better value plan that you launched a few weeks back. I don't know if there's any early signs on kind of upsell in the existing base or if it's having any meaningful impact yet.

**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

So to your question on phone nets versus accounts, Sam. Look, our guidance philosophy remains the same. We go out and put a tough number out there, and then this team works its socks off to beat that. That will remain the same. In terms of historic ratios, they've -- historically, we've had 2.8 phones per account.

Now you can see with our guide about 2.5 with 900 to 1 million. We're also assuming a certain amount of growth on fiber. We're assuming a certain amount of growth on fixed wireless, which may not on day one come with the bundle. So that's the way you should think about it. Nothing changes from the way we guide -- right, in terms of our philosophy of setting a number out there, which we think is the right number, given what the industry -- where the industry is at, given the number of jump-ball, given the competitive state of it and then going after and working our socks off to beat it. Better value? Mike, do you want to?

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**Michael Katz** - *T-Mobile US Inc - Chief Business & Product Officer*

Yeah. I mean I think better value is a good example of a lot of things that we've been talking about here today, where we built a plan that was really built around family savings and switching your family over to T-Mobile and how much you can save with that plan, not just not just today and not just this year, but every year relative to competition. And like we said here many, many times already, we think that's important because customers aren't just picking based off of a free phone in a point of time. It's what can we deliver for customers every day, both in value and in network. And that plan was designed to do that. So I know we're not going to get into lot of details this quarter, but so far, the plan is doing exactly what we expected to do and it's been great.

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

We'll go, Eric, and then there.

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**Eric Luebchow** - *Wells Fargo Securities LLC - Analyst*

Eric Luebchow from Wells Fargo. I wanted to dive into the 15 million fixed wireless target you have (inaudible) maybe you could talk about kind of the pacing to get here as we look out in 2026. You've been adding close to 2 million new fixed wireless subs a year. And maybe you could talk a little bit as well about the distribution of geography. I think historically, this has been a product that's been more in urban areas, it's been more consumer-led. Are you seeing any broadening of that as you move into more rural markets as you sell more into the enterprise, that would be great.

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**Srini Gopalan** - *T-Mobile US Inc - President, Chief Executive Officer, Director*

So I guess a few things. One, phasing of that move, that's -- we are where we are right now, and we've constantly outrun whatever phasing we had on this product because the demand has been so strong on the back of -- so we'll see what that phasing lands up playing out like over the next few years. We'll also see what that 15% looks like with time. That's all we can really see at this point in time. It's our -- it's our most conservative view on where we'd get to based on the assumption of no additional spectrum, based on assuming no spectral efficiency with 6G, all of those, honestly, will have a bigger impact than purely our run rate, right?

On geographies and kind of segments we're in, we're absolutely going to expand that product into business. which is great because that is the definition of fatal capacity. I think increasingly, and Andre, you might want to comment on this. I think the urban versus rural skews are less true, especially as we grow into SMRA.

**Andre Almeida** - T-Mobile US Inc - President - Growth and Emerging Businesses

Yeah. So both, as Srini said, I think one is the skew will always exist. It's a matter of density. But you saw Srini and John talk about the progress we're making in SMRA and that obviously translates with time also on our ability to compete in those markets. Again, we go back to we have the highest NPS in these markets.

and we have the strongest network position. So that is translating and will continue to translate. And again, another opportunity to -- that gets us comfortable with the 15 million number, which is we're still under index in areas where we have the best network and we have the best NPS -- in B2B, it's something that we've launched and we've been successful at, but we're still in early days of this. I think B2B in wireline is a great opportunity for fixed wireless access. And you will see us over the next couple of months innovating a lot what broadband and what Internet connection means for B2B. So stay tuned.

But there's a big opportunity. As you know, there's a big -- and you see it in -- so what other players are putting out. There's a big transition of technology happening in B2B from traditional connectivity based on Ethernet and PLS towards much more of an underlay-overlay split where you start seeing more traditional Internet connections being the baseline of connectivity and then them being complemented with SD-WAN and SASE solution. That's a huge opportunity because that allows us to get into that space. without having to carry the legacy and the complexity of having to run complex support systems, for customers.

So that is opening up. Technology is moving in a way, both on FWA capacity capabilities, but also on the way customers want to buy that technology that gives us opportunity in B2B connectivity as we go forward.

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

Matt (inaudible)

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**Matthew Harrigan** - StoneX - Analyst

Great Matt Harrigan StoneX. When you look at the simple math on the switching effects, it's much more powerful than the unit growth in the market. You've got some huge tailwinds, 24% penetration and device innovation helps you look at iPhone 17. You got the still very sticky lag in the network perception but if we did have unthinkably an economic slowdown on the low end of the K at least, probably already having that. Maybe you couldn't hit the 2.5, but do you think you could get near that number because -- and honestly, maybe your other actors would be more price rational in that environment, who knows. But do you think you can get substantial growth even if we do finally get a recession?

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**Srini Gopalan** - T-Mobile US Inc - President, Chief Executive Officer, Director

This is why -- I mean, thanks for the question. This is why we have zealously protected value over the years, right? We've always believed that we need to be resilient to any economic climate even though we understand that our category in many ways, is the most resilient to economic change, right? We are as a category where never a lot of people ask us, what's happening with bad debt what's happening? Are there any signs of a consumer slowdown.

And my response to that typically is we're never the canary in a gold mine, right? We're just -- it is such an essential that we're very, very resilient to economic cycles. That said, what this team is absolutely passionate about is not losing our value heritage. And that's why, over the years, as our competitors at various points in time have use their pricing power, quote on quote , which has put up prices on existing customers without really doing more for more. We've been very thoughtful and choiceful and we will be going forward as well on where we do any rate plan optimization.

Because staying best value is absolutely critical to our ethos and that's what, even in a world where economic times get harder. And even in the off chance that the category gets more value seeking, I think we're incredibly well cushioned and protected against that eventuality.

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**Peter Osvaldik** - *T-Mobile US Inc - Chief Financial Officer*

In fact, we're certainly not forecasting that. But if you see a world future where there might be more of a consideration and flight to value because of macroeconomic changes. Well, then T-Mobile is probably best positioned to actually capture a more meaningful share of that given where we're at, particularly as you have more consumers doing consideration of switching and they start asking around the way they do, and now you've come to the place where you have best network and still offer the best value.

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

All right. Well, that's all the time we have. Thank you all for joining us. There's light refreshments over there if you want something on the way out, and our team will be available to mingle for just a little bit. Thank you.

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