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TMUS.OQ - Q1 2026 T-Mobile US Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

(Operator Instructions) After today's presentation, there will be an opportunity to ask questions. (Operator Instructions) You may also submit a question via X by sending a post to @T-MobileIR or @Srinigopalan using cashtag TMUS.

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

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

Good afternoon, and welcome to T-Mobile's First Quarter 2026 Earnings Call. Joining me on our call today are Srinivasan Gopalan, our President and CEO; Peter Osvaldik, our CFO; as well as other members of the leadership team.

During this call, we will make forward-looking statements, which involve risks and uncertainties that may cause actual results to differ materially. We encourage you to review the risk factors set forth in our SEC filings. Our earnings release, investor fact book, and other documents related to our results, as well as reconciliations between GAAP and non-GAAP results discussed on this call, can be found on our Investor Relations website. With that, let me now turn it over to Srini.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Thanks, Cathy, and good afternoon, everyone. We're here in Bellevue today, ready to discuss another extraordinary quarter for T-Mobile. This quarter is a powerful demonstration that the strategy we outlined for you in February is working.

Our strategy is driven by widening differentiation—providing customers with the best network, best value, and best experience all in the same place so that they don't need to make trade-offs anymore. We made strong progress on this strategy this quarter, and nothing demonstrates this more succinctly than our NPS score, an industry-leading 45, over 20% higher than that of our next closest competitor.

This widening differentiation gives us access to unprecedented growth opportunities, and our industry-leading growth this quarter is a testament to this. One of the largest of these growth opportunities is the 20 million-plus families and businesses who are network seekers not currently with T-Mobile.

This is an opportunity with a lot of runway and one where we're making great progress. In fact, this quarter, amongst recent switchers who chose to come to T-Mobile from another carrier, the highest percentage ever said they chose us for one reason: network quality. Similarly, across multiple third-party surveys like HarrisX and feedback from the analyst community, we've seen a strong improvement in the perception of our network. That's what led us once again to grow our share of postpaid households in each of our cohorts in the top 100 cities. In smaller markets and rural areas, where we have only 24% share of households, we continue to accelerate and capture more switching share, with word-of-mouth driving strong momentum.

In addition to our tremendous momentum in consumer across network seekers and other underpenetrated cohorts, our low share in T-Mobile for Business also continues to give us substantial growth runway. This quarter, we continued to capture share with our network superiority-led value proposition in T-Mobile for Business.

Our industry-leading nationwide 5G Advanced network continues to allow us to drive TAM creation with advanced network solutions and leverage that as a thoughtful cross-sell opportunity into traditional voice and broadband offerings. One example of our innovation in action is Major League Baseball's recent rollout of our automated ball-strike system, which uses the T-Mobile network to allow challenges to umpire calls.

Let's now turn to broadband. For yet another quarter, we were the fastest-growing ISP in America, adding over 0.5 million total broadband net additions, with 5G broadband net adds accelerating year-over-year. 5G broadband continues to lead the industry in terms of customer experience, topping J.D. Power, Forbes, CNET Consumer Reports, and OpenSignal, just to name a few.

Our 5G broadband speeds also continue to lead the peer group at over 50% faster than the next closest competitor. Fiber is tracking great, leveraging the T-Mobile brand to draw strong interest. I'm excited about our announcement earlier today that we're entering into two additional JVs with leading infrastructure partners to acquire GoNetspeed, Greenlight Networks, and i3 Broadband as part of our returns-focused, capital-efficient approach.

Every piece of the business I've talked about so far helped drive our tremendous postpaid net account additions of 217,000 in Q1, which was up 6% year-over-year. But in addition to volume growth, as I said in February, we also have a double-digit advantage in back-book pricing over our leading competitors.

In Q1, that translated to a really strong postpaid ARPA growth of 3.9%, a powerful proof point that our unique and durable value proposition is resonating as we deepen relationships with customers. T-Ads and financial services—smart and thoughtful adjacencies that piggyback off the success and scale of our brand and ecosystem—are also delivering strong incremental growth.

Now, even as we capitalize on our differentiation to drive growth, we consciously double down on the sources of this differentiation across best network, best value, and best customer experience. Let's start with the network. We're continuing to push the envelope of what's possible. We're excited to be rolling out live translation on beta soon, our first network-native AI application that we demoed for you at our February event.

Live translation uses language learning models embedded into our core to translate your voice into one of 80 different languages anywhere in the world. All you need is one connected T-Mobile phone. Importantly, this is just the initial step in building AI capabilities directly into our network core. Longer term, we see a world where our network becomes the connective tissue for physical AI and accommodates inferencing at the edge.

As a step toward this, we're delighted to share today that we're connecting our 5G Advanced network to Figure AI's F3 humanoid robots, enabling seamless and reliable connectivity from the moment they power on. This partnership, among others, will allow us to explore how the T-Mobile 5G Advanced network and its capabilities, including assets like the network edge, can support the broader evolution of physical AI.

This is an important stepping stone toward building an even more capable network of the future with 6G. On value leadership, which we guard zealously, we further strengthened our credentials with the rollout of our Better Value plan earlier this year, which offers access to our premium wireless experience to even more customers at a great value.

Our other key differentiator is our customer experience. T-Life continues to drive digital interactions, with about 25 million monthly active users engaging with the app multiple times a month. T-Life will also serve as the unified platform to support growth into considered adjacencies like financial services and advertising.

In retail, we're well underway in our journey toward more experience-led stores, with several hundred already up and running. Our experience stores see higher premium mix and higher NPS scores than our traditional outlets. Over time, our mix shift will lead to fewer doors but more meaningful customer experiences.

So even as our differentiation drives industry-leading growth, we continue to feed and strengthen it so that the gap to the competition only widens further. Pulling all this together, this is what drives the industry-leading financial growth we've delivered yet again across all key metrics in Q1.

Our postpaid service revenue grew 15% year-over-year. Total service revenue grew 11%, a rate that's more than four times that of our next closest competitor. Our core adjusted EBITDA grew an industry-leading 12% year-over-year, all while continuing to deliver industry-leading free cash flow margins of 24%. Alongside this incredible financial growth, we returned $6 billion to shareholders in the form of dividends and share buybacks.

I'll end by saying our results speak for themselves. The unique differentiation we have as a carrier continues to lead to best-in-class results. Just look at our NPS scores. The best part of all of this is this team's hunger and the incredible passion our people have to truly delight customers, which means we're only at the beginning.

Okay, Peter, over to you to provide an exciting update on our guidance.

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

Thanks, Srini. As you can see, our growing differentiation not only drove a strong start to the year, but also gives us the confidence to increase our guidance across multiple fronts.

Starting with accounts, we are raising our expectation for total postpaid net account additions to be between 950,000 and 1.05 million on the strength of the underlying momentum in the business.

Turning to service revenues, we continue to expect to deliver full-year service revenue of approximately $77 billion, representing 8% growth, with Q2 expectations of approximately $19 billion, or up 9% year-over-year. As part of that service revenue growth, we continue to expect strong postpaid ARPA growth of between 2.5% and 3% for the full year.

We are also raising our full-year core adjusted EBITDA guidance, which is now expected to be between $37.1 billion and $37.5 billion, an increase of $100 million at the lower end of the range. As part of that, we expect Q2 core adjusted EBITDA of approximately $9.4 billion, up 10% year-over-year.

Our expectation for full-year 2026 cash CapEx remains unchanged at approximately $10 billion as we continue to invest to further differentiate the network. We now expect adjusted free cash flow to be between $18.1 billion and $18.7 billion for the full year, also an increase of $100 million at the lower end of the range.

Finally, last week we announced that we are increasing our 2026 stockholder return authorization by up to $3.6 billion to a total authorization of up to $18.2 billion. As always, we will continue to follow our disciplined capital allocation philosophy.

To sum it all up, we continue to see strong momentum in the business and cannot be more excited for the future. With that, I'll now turn the call back to Cathy to begin the Q&A.

QUESTIONS AND ANSWERS

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

Thanks, Peter. All right, let's get to your questions. (Operator Instructions) We will start with a question on the phone. Operator, first question, please.

Operator

Craig Moffett, MoffettNathanson.

Craig Moffett - *Moffettnathanson LLC - Analyst*

Hi, thank you. Let me start with the reports that you're considering a merger with Deutsche Telekom. Can you talk about the logic behind that and the logistics? Would that require a vote of the majority of the minority among Board members as independents, and exactly how would that work? And would there be any premium for U.S. shareholders?

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Thanks, Craig. Let me pick that up. As a matter of policy, we don't comment on market rumors or speculation, nor is there anything specific to comment on anyway. However, the article has raised a lot of questions inbound on governance.

We've looked into the governance, and what I've been told is that, hypothetically, if someone were ever to consider such a transaction reported in the article, that would specifically require a separate approval process by disinterested shareholders, what many of you refer to as a majority of the minority.

Operator

Sam McHugh, BNP.

Samuel McHugh - *Exane Bnp Paribas - Analyst*

Yes, afternoon, guys. On the fiber JV you announced today, I just wonder if you've seen much movement in the bid-ask spread on fiber assets as we start to see fiber ARPUs come under pressure. I don't know if some of the commentary around broadband growth and pricing impacts your appetite for more fiber JVs going forward.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Thanks, Sam. As you well know, and as I've read in all of your surveys, the reason we're doing fiber is much more because we see an equity value creation opportunity rather than the myth of convergence. That drives the way we think about these assets.

When you think about bid-ask spreads, multiples, compression, and the rest, each of these assets is a unique case. The way we think about it is whether we believe that an asset has a strong likelihood of giving us our target IRRs, which are in the double-digit range. We evaluate each asset very specifically because each operates in a distinct geography, competitive environment, and pricing environment.

It's hard to give a broad statement on bid-ask spreads, multiple compression, or pricing. What we do know is that the fiber JVs we've launched so far are well on track and delivering exactly what we expected. The lift from the T-Mobile brand and our distribution is completely in line with expectations. For the new JVs, we're very confident in their double-digit IRRs.

There's no magic number we're chasing for homes passed. We're looking for opportunities where we can create true equity value. That will drive our appetite going forward. Are we going to chase a homes-passed number? Absolutely not.

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

Thank you. Okay. Thanks. Operator, next question, please.

Operator

Sean Diffley, Morgan Stanley.

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

Let's move on to the next one.

Operator

John Hodulik, UBS.

John Hodulik - *UBS AG - Analyst*

Great. Thank you. Srini, could you comment on the competition you're seeing in the sort of postpaid market. I think both of your competitors have talked about sort of less handset subsidies going forward and ride when you do what they saw as a sort of less competitive market as they look out.

So just any thoughts on that side. And then on the broadband, the greater than 500,000 was a great number. And sounds like you got some real strength in fixed wireless. How does the runway look there? Do you expect similar growth this year as we saw last year, and any issues sort of constraining the network in terms of your ability to grow that bid?

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Thanks for that question, John. So first on competition and the broader way we think about competing in this market. I think sometimes we tend to over-rotate on promotions and specific subsidies and how all of that is playing out. In the end, the direction of flow gets driven by differentiation. And this is where our unique position of kind of best network, best value, best experience and therefore, no trade-offs for the customer really drives traffic in our direction.

And that's what drove not just the 6% growth in accounts year-on-year, but also the near 4% growth in ARPA. That's the fundamental way we think of competing. Now all of that happened in a quarter where I'd say January was particularly competitive and particularly heavy in one dimensional competition based on subsidies.

I think Feb and March and going into April, we've seen some cooling down of that environment. But through that quarter, we focused very much on what differentiates us, and that differentiator is a much broader set of things than purely subsidy.

And the way we think of it, and you saw a lot of our advertising, it was about savings you make every day rather than savings, you simply make at the point you get a phone. It was about our network. It was about that more rounded broad proposition. And then we decide how hard and heavy we go based on CLVs, right? That ultimately is the test of how much volume we want in any quarter in the context of our overall guidance.

That should give you some sense of the competitive dynamic. But Mike, I don't know if you wanted to add anything specifically on the subsidy section.

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

Yes. No, I think you've got exactly right, Srini. I mean the way that we think about this is customers -- we're providing customers the most important technology in their lives that they use every single day. And so how through both best network, best experience and best value, can we prove that to customers every single day. Not once every 1,000 days when they're replacing their phone.

And so that's where you've really seen us focus is having a great overall value message for our customers where they can save more with T-Mobile than anywhere else. In fact, $3,800 T-Mobile customers save relative to competitors over the last 5 years. And they can get a suite of benefits that they only get because they're T-Mobile customers. And these are benefits that really matter. They're not throwaway benefits, free Netflix subscription et cetera.

So I think the results that you saw in Q4 as well as in Q1 really demonstrate that, that's important to customers, and that's why they're choosing us at the rate that they are right.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Your question on broadband, let me just touch on the big picture, and be great if you can talk about some of the stats we're seeing in terms of how many more users and usage. We're very confident on the runway on fixed wireless access. Just to give you a sense of this, right? We said we would get to 15 million customers by 2030, a couple of months ago. Now how do we get to that 15 million?

We basically divide the country to almost 36 million hexbins order of magnitude, -- and we look at a hexbin level, we forecast the level of wireless traffic and what is left is really fallow capacity. And then we subject that fallow capacity to saying, yes, we've got that fallow capacity, but let's put a reasonable market share on how much we can get to in fixed wireless access.

And then we commit to a number. And that calculation we did for 2030, remember, assumes we buy no further spectrum. It doesn't assume 6G. It doesn't assume any further spectral efficiency improvement. That's the basis on which we got to the 15 million. We're tracking strong to that. And this quarter was another demonstration of it. So we feel very good at it, but about it, but Andre.

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

No. As Srini said, I think, one, we're very confident about the 2030 number. I think one of the reasons that makes us very comfortable is what we're seeing today in reality. So not just the outstanding commercial performance we've had for many quarters in a row. But also the fact that all the leading indicators in terms of capacity and customer satisfaction continue to go up.

We continue to increase our NPS, the average speeds our customers have on our product continue to go up quarter-over-quarter. -- the new routers we just launched, as we mentioned in February, have even higher speed than the existing routers. And all of this, we've done while increasing 80% the number of customers we have on the network in three years.

So -- as Srini said, we plan very carefully. We have a very detailed plan for the next four to five years in terms of the capacity of the business and beyond that time frame to make sure that this is completely sustainable long, long term, and we're seeing it come through every day, every quarter for our customers.

So very, very confident on the runway we have.

John Hodulik - *UBS AG - Analyst*

Thanks, Andre.

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

Thanks, John.

All right, operator, let's go with the next one.

Operator

Michael Rollins, Citi.

Michael Rollins - *Citibank Cameroon SA (Douala Branch) - Analyst*

Thanks, and good afternoon. Two topics, please. The first one, I was curious if you could unpack the contributors to the ARPA growth of about 4% year-over-year in terms of price actions of curing, lines per account, the broadband update, just some color on what you're seeing there.

And then second, just curious if you can share what was happening with the postpaid account churn on a year-over-year basis. And given the comments of what you're just describing competitively in the answer to an earlier question, is that something that actually started to get better maybe through the quarter and into the second quarter?

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Great. Thanks, Mike. Let me pick up the postpaid account churn piece, and I'll hand off to Peter for the ARPA piece. So postpaid account churn is doing exactly what we expected. The -- when you look at the underlying postpaid phone churn, that was pretty stable.

It was up about 3 bps. Now there's 2 things that are worth explaining, given this is the first time we're reporting this metric.

One, why is account churn higher than line churn? And two, why has account churn gone up more than line churn. The simple answer is basically math. Now there's kind of two groups of customers who churn more than the average. One is new customers; and the second is broadband-only customers.

Now the reality is the weighting of these customers in accounts is higher than the weighting in lines. Now that's obvious when you look at broadband alone customers, but also with newer customers, we just haven't had enough time to grow that relationship.

So the lines per account with newer customers tends to be less. So the two groups that churn quicker than the average have a higher weighting in accounts than they do in lines. That's why account churn is higher than line churn. Why is it increased more than line churn? Again, it's pure math.

It's simply that our fastest-growing business by a long distance is broadband, which structurally, and we've talked about this before, has higher churn than wireless. So those -- it's really a math that explains the postpaid account churn. Line churn looks great. We're really happy with where we are. Account churn is doing exactly what we thought it would do. Peter?

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

Yes. Probably just to add to that. I think one of your questions, Mike, was, did it get better in March? Well, I think you've heard some of our competitors kind of cherry pick the, well, March is better than December. Well, that's every single year.

So yes, of course, we saw churn improvement in March -- in the last week -- and 2:34 AM, on Tuesday, was even better. . In terms of ARPA growth, it was all the factors, and that's the beauty of this model. Certainly, if you recall back last year, we did a round of rate plan optimizations that impacted particularly Q2 of last year.

So you see a little bit of year-over-year impact on the comparatives in Q1 of this year from that. But it's also continually deepening the relationships, so an increase in lines per account, and that's across all product categories, the continued success that we're having with rate plan self election up the tiers continues to be at over 60% of new account lines are on our premium tier rate plans.

Value-add service attached. So it's really every element of the equation that we've been talking about before that's driving the ARPA increase.

So again, Q2 will be a little bit different because Q1 didn't have the impact of the rate plan optimizations, but continually for the full year, we're seeing strength of 2.5% to 3% growth. Remember, that includes the anticipated dilutive impacts of U.S. Cellular and the acquisitions of Metronet and Lumos. So the underlying organic growth of ARPA is even stronger than that 2.5% to 3%.

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

Thanks, Mike. All right. We're going to try Sean Diffley again in the queue. Sean, are you on this time?

Sean Diffley - *Morgan Stanley - Analyst*

Can you guys hear me?

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

Yes, you're on.

Sean Diffley - *Morgan Stanley - Analyst*

Hi, sorry for the delay. Thank you very much. Was hoping you could further elaborate on the inference at the edge opportunity, which you referenced. I think you said you signed a figure AI deal. But maybe just flesh out, T-Mobile is better positioned than peers to capture this? Is it your network architecture, AI RAN, your spectrum position? And how should we think about the business model?

Is this something where you'd have to buy GPUs. And how big could this revenue opportunity be?

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Yes. So let me deal with the second part of the question, and then I'll hand over to Dr. John Saw. We might be here for a while. So just on the -- here's the vision of this, right, for me, do we need to buy GPUs, et cetera.

So we're going to be -- we've already started introducing large amounts of AI into our network. And as we move closer towards AI-RAN, in fact, even doing things like winter storm fan, you saw AI in our network being a big reason why things like antenna tilt being done automatically, things like optimizing our network, a self-healing network in many ways, is not kind of science fiction, it's reality. It's the way our network runs every day.

Now as we do more and more AI in our network and as we build for more and more AI in our network, we will be building compute into our network. And just as in FWA, we have the concept of fallow capacity. As we build more AI into our network, we will generate a bunch of fallow compute, especially at the edge. Now the fallow compute plus low latency creates an incredible opportunity because if you're thinking of scale, automation -- it's impossible to do that without low latency.

Just think of robots running into each other or even we're still somebody trying to do remote heart surgery without low latency, right? Low latency has to be essential to any form of robotics or automation that you do. So the combination of low latency as well as fallow compute, is what makes us excited about the opportunity.

It's too early to size TAM. It depends on who you're listening to at any point in time, but all estimates of this market are very large. But John, do you want to talk about architecture and how we're different.

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

Sure, Sean. And by the way, we are highly optimistic with the prospects of physical AI just because I think when intelligence moves into the rail world, right, you're going to start seeing a shift from generative AI to physical AI. And when objects move that has built an intelligence, we believe that we have a big role to play. So we are more than prepared to take this on and we saw this coming a while back.

So the big advantage we have is our 5G advanced network that we have built. And we are the only ones that have rolled out 5G advantage nationwide. And with that, we have a bunch of innovations that we have developed with 5G advance to increase spectral efficiencies and capacity like especially for the uplink, which is really needed for physical AI, like things like uplink transmit switching, higher transmit power and uplink MIMO, right?

This is why the latest iPhones and the latest Samsung phones actually perform best on our network. Now we didn't build a 5G advanced network just for faster phones. We actually built it for physical AI and with an eye to the future, right? And now that we have a 5G advanced network we can take on the extra capabilities that is needed to support etch inferencing for physical AI better than anybody else. And we believe that we have a multiyear advantage over the competition for this.

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

Thanks, John.

Operator, let's go to the next question in the queue, and then we'll probably flip over to social.

Operator

Kannan Venkateshwar, Barclays.

Kannan Venkateshwar - *Barclays Services Corp - Equity Analyst*

So make in the broadband business, when we think about the model you guys seem to be adopting. It's obviously a capital-efficient model of joint ventures combined with fixed wireless -- but the trade of, I guess, is there's also some embedded inefficiencies of managing all these JVs, and it's not clear what the economics are, if it's symmetrical, but would be great to get some sense of that as well. But the bigger question is -- is there a path here where maybe you look at more scaled deals instead of trying to scale this in bits and pieces across multiple JVs. Thank you.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Yes. Let me pick that up and Andre, you can add on to it. -- so I think it's important to understand scale in the context of fiber. Scale in the context of fiber comes from two things. a national brand and local scale.

Because scale and fiber is about local zoning, local permitting, local expertise in terms of digging trenches -- the fact that you have it in one geography means nothing for the next geography you go into because quite often zoning and permitting are completely different things.

The important thing for us is local scale. We are not chasing a random number of x million spread all over. We're very focused on where we are creating that local scale so that we're meaningful in that community so that we can drive the right economics. To your point on scale deals, I think there's kind of two or three different cuts to it, right?

Are we interested in a scale deal purely for homes passed on fiber? -- no? Are we interested in mixed ILEC and different deals, no, we want to be first to fiber, and there would be exceptions where we'd look at it where some part of the footprint potentially has some has some nonfirst to fiber. But on the whole, we want to focus on first of fiber and driving the economics out of that. And that's really the coherent strategy that we're executing. FWA, of course, is a national product. Andre, do you want to add anything to that in terms of --

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

Yes. I think to just to underpin a couple of things you said, Srini. One, as we said before, we look at all of these partnerships, all of these JVs from a creation of shareholder value perspective. And that also includes making sure we have partners that are experts in deploying fiber, experts in managing this deployment business but also have strong, as Srini said, local footprint and the ability to build in an efficient manner in each of these geographies.

So we're not looking at master plan on having fiber everywhere. We're looking at geographically with each of the partners, where does it make sense to build, where we can create value out of these builds. And the second thing, as Srini said, which is very important for us is also partners that bring the right technology. So when we look at each of these assets, it's very important for us that these are pure-play fiber assets.

We've done it with the first 2 deals with Lumos and Metronet and we've done it now with these 2 JVs that we set up. On your other question on just addressing it on inefficiencies, the way we've built this is to make sure that we can take the advantages of scale where that scale is meaningful. And that scale is meaningful in distribution. That scale is meaningful one brand. That's why T-Mobile has taken over all of the retail consumer operations for these assets.

That scale is also important in terms of, for example, the way we look at internal processes and IT. And the way we've integrated the JVs is we have a common IT platform that runs across all of the JVs that allows us, from the perspective of our customers, our front line and our processes that these JVs all look like one single operation from our perspective and from our customers' perspective.

So we take scale where scale matters, where it's more important to have local knowledge and local scale, we will take that. Thank you.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Kannan just struck me that your reference to large deals potentially was you asking the question I get quite asked quite often, which is the cable story. And I think I've said this at least a couple of times before, we're not going to go do scale for scale sake. Specifically, cable is not something we're interested in. We see our strength as attacking incumbents rather than becoming an incumbent. We see a huge opportunity to attack incumbents across fiber and FWA. That will be our key play.

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

Thank you, Kannan.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Thanks, both.

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

We're going to go over to X from Walt Paycheck. T-Mobile is packaging Starlink as a backup for businesses using 5G Internet branding at super broadband good sign for T-Mobile SpaceX relationship, MVNO Next?

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Thanks, Walt. Let me deal with some of that and then hand over to Andre on some of the pieces on super broadband. So first, I think it's -- I know everyone around this call gets it, but this is something that gets confused quite often, which is SpaceX, Starlink, -- are we talking broadband? Are we talking direct to sell? We see them as two completely different businesses. we see the broadband business as actually a substitution to broadband, especially in the rural areas.

We see direct to sell very much as a complementary product -- and I think if you listen carefully to some of the things, SpaceX talked about at MWC as well, they were very clear in positioning it as a complementary product. Let me deal with the MVNO question, and then I can pass on to Andre on super broadband.

So first on direct to sell as a whole. Look, our partnership with SpaceX is very strong. We've worked closely with them to really invent an entire category. And that's been putting an end to dead zones. We're pleased with that.

Most of the usage we're seeing is in national parks -- and if anything, courtesy of the great network that Dr. Saw has built, we're seeing a lot less usage than we were originally thinking. But it's a great complementary product.

And as you look at the future, -- we're seeing multiple other space providers show up. And the way this will evolve, we think is as a complementary product, it will become more and more of a standard feature of a whole set of offerings.

So in some sense, less differentiated. And we're good with that at the Un-carrier, because this is our history. We go out there, innovate, create a breakthrough, solve a customer problem and then the others follow.And while they're following, we're on to our next big thing. So that's how we see DTC as a whole.

On MVNOs, we've got a very clear philosophy or approach to MVNOs. MVNOs make sense for us when it's a TAM expansion. A TAM expansion happens because it's a new customer base that we couldn't target earlier. It's a new channel. I mean an example of this is what we did with cable focused on SMB. It's not obvious to me how an MVNO with SpaceX or any other LEO operator fulfills those conditions.

Andre, on Super broadband?

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

Thanks, Srini. On super broadband, as Srini said, one, just a grounding element. I know as Srini said that most people -- or all of the people on the call understand this, but just as a grounding element -- this is a broadband product. So it's not a direct to sell product, and it's B2B only.

So we see an explain a little bit why we see that this is an opportunity in B2B, but we don't see any translation of this into the consumer space.

First, two things. One, this product is only possible because it's anchored on our 5G FWA product and the best network in America. And that's the core, core anchor of the product. Second thing is what we're bringing to the market today and we announced this morning is anchored on an innovation by T-Mobile, which is our ability to within one single device.

And within one single network policy to be able to aggregate and coordinate between 5G FWA, for businesses and the second connection, which in this case is satellite. And that allows customers to solve three problems that businesses feel today.

Number 1 is reliability and redundancy, which this product has incorporated by default. Second thing is coverage. Obviously, the reason why we're using satellite and StarLink is that allows us to provide the service nationwide in every single ZIP code in America, which is a challenge we see some of our customers facing.

And third is that it's very simple from a customer perspective, because this means that to cover all your locations with primary and redundancy, you only need one contract, one provider and one management platform.

And so we're very excited about this. If you remember, when we talked in February, I said that business Internet was one of the areas where we were looking into where we thought and believe there was opportunity and that we were going to announce something in a couple of months, and we did so today. Thank you.

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

Thanks, Andre. Operator, let's go back to the queue.

Operator

Michael Ng, Goldman Sachs

Michael Ng - *Goldman Sachs Group Inc - Analyst*

Just two, if I could. First, just on cost synergies. How are you progressing against the $3 billion target exiting 2027? And -- how much have you kind of realized to date in 2026? And where are the key sources of those cost savings come from?

And then just as a housekeeping item on the JVs. Anything you could share as it relates to how much you're contributing to the JVs or how much they should contribute to EBITDA on a run rate basis once it closes?

Thank you.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Peter, do you want to.

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

Yes, happy to take it. Let me start with the JVs. Much like we did with the last ones. From an investment perspective, we laid out in the press release that it's about $2.7 billion of investment across the JVs when they close.

And at the time that they close, we'll certainly give you a more wholesome update as appropriate then around -- or what does it mean from a subscriber perspective, increase in our target fiber households past figures and all of those things.

But it's a little early because they haven't closed -- so please hold on that. In terms of the cost synergies, I'm glad you asked just two months after we laid it out for you on, how is the progress going and what are you doing out there? And frankly, it's going really well. And remember what we laid out at Capital Markets Day, is the source of synergies are across a number of fronts, inclusive of customer care, retail, but you also have back-office efficiencies from AI and transfer formation -- and we're seeing great progress.

I would say, the $2.7 billion that we laid out for you exiting 2027, certainly is on track. I would say most of that will come towards the last part of 2026 and then fully into 2027 and beyond. And by the way, there's a lot more runway and opportunity than $2.7 billion. It's just that's what we see our way to phasing through to '27, leaving more runway into 2028.

Probably not a lot of metrics I'll give you in the intervening two months that have created a lot of updates. But we are seeing great progress on many of them. And one, for example, is just the use of the Chatbot, an AI-powered Chatbot that is actually capturing a lot of customer questions and addressing them in a great uncarrier fashion that you'd expect and actually containing about 60% of those already. So just another proof point on the way as we're going.

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

Great. Thanks, Peter. Thanks, Mike. All right, operator, next question, please.

Operator

Peter Supino, Wolfe Research.

Peter Supino - *Wolfe Research LLC - Equity Analyst*

Hello. A question on the cost of getting new customers. Just running some simple math in your income statement, the cost of equipment sales versus equipment revenue produced a greater loss than a year ago by a few hundred million dollars.

And if I look at sort of a rolling four-quarter average, that number for the last couple of years, it's gradually climbing. So wondering what the underlying trend in the businesses that's driving up that equipment loss? And if it's positive or are growth, I wonder if we should expect that to to continue.

Thank you.

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

Yes. There's a number of things there. If you just focus on that one line item, and then I'll step back and kind of give you a view of the business. And that is a few things. One, you just have a larger base.

So you'll notice that our upgrade rate was similar -- and of course, our acquisitions were even higher as we see more share switching to T-Mobile. And so in a world where you do have device centric promotionality that is driving switching as well as upgrades on a smart value-accretive CLV basis one, you have a larger base, kind of doing the same upgrades you're capturing more acquisitions.

So naturally, you're just going to have a higher dollar amount there that's associated with that. To your point, though, there is an element of we are able -- because remember, we very smartly tend to design. Our most premium device promotions to be associated with our most premium device plans.

And customers see that as a great trade-off, inclusive of all the other value that is incorporated in those premium rate plans. And so you do see ARPA increases as a result of that. In fact, we mentioned that we continue to see over 60% of lines on new accounts, taking our premium plans.

So you really have to step back and say, okay, not just that one line item, which I think this same dynamic will continue to play out on that one line item. But what is it doing to totality of the business? And how is that doing? And I know, Peter, you've looked at this more deeply.

And I don't think Q1 could have been a better demonstration of the things we've been talking about for a long time now, which is if you invest in what is your product, I've heard others in the industry say you don't need to invest in your network. It's not important.

And I just -- I mean kudos to them if that's what they believe. -- it's our product. It's what we sell to customers. And the differentiation that we're starting to see with consumer sentiment now following what the actual network progress is, the value that we embed in our plans as well as the experiences mean that it's not just devices that make customers come here.

You see us be very thoughtful around the promotions around devices that we do, inclusive of linking up to our top-tier rate plans in most instances. But you see the flow of customers coming to us, because it's not the devices. It's these three other elements.

And not only did you see that in top line KPIs in terms of service revenue of 11%, 4 times the next nearest competitor, core EBITDA of 12% and the all-important free cash flow generation. But if you double-click down like you do so often into the next level of KPIs you see a tremendously stark difference developing in Q1.

And it's one of those that is as a result of all this investment and differentiation that we've done mean if you take a look at what we delivered, 217,000 postpaid account net additions up year-over-year and ARPA growth of 3.9%.

That's what delivers the top line service revenue that's so differentiated. If you look at Verizon, for example, they lost 127,000 postpaid net accounts and their ARPU was almost down 2% year over year. And so if you -- I know they didn't do this for you, but if you somehow back out what you believe the frontier service revenue contribution was from M&A, their business -- the core business ex frontier actually declined in service revenue mean that's fascinatingly start to show you, by the way, why accounts and ARPA such an important metric to focus on in terms of value creation.

Similarly, when you look at AT&T, they just delivered the highest yet again, the highest year-overyear postpaid phone churn increase in the industry, proving that all the convergence talk is just that, it's talk, but also more importantly, they had declines in postpaid phone ARPU sequentially and year-over-year.

And if you look at what they just did with contract assets in Q1, where -- that was a $300 million increase in terms of pulling costs off the P&L and putting them on the balance sheet.

If you adjust for that, EBITDA was down year-over-year there. So it just shows you, if you step one level down, you see the formula here that's way more than a device promotionality formula is that best network, best value, best experience means customers are choosing to change their whole relationship coming to T-Mobile, deepening that relationship vis-a-vis ARPA and our ability then because of the efficient way that we run, to translate that not only into core EBITDA leadership growth, but also that all-important free cash flow growth.

It just -- I think Q1 started showing you a lot more of what we've promised with this differentiation would come and that is historically different in terms of financial performance as well. So sorry, letting me let me go off that because it was just not equipment revenue and COGS, you really have to step back and see the broad picture of value creation here.

So I appreciate you letting me go on, Peter.

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

Thank you, operator. Let's move on to our next question, please.

Operator

Sebastiano Petti, JPMorgan.

Sebastiano Petti - *JPMorgan Chase & Co - Analyst*

Thanks for taking the question. Either Peter or Srini, I guess, for either you, could you see the increase in the capital allocation for the year of $3.6 billion, $18.2 billion. You had the accelerated share repurchase in the first quarter that you announced, I guess, help us think shares have come in here a little bit, how are you thinking about perhaps the appetite for additional share repurchases or an accelerated buyback program here?

And then related to the postpaid phone account -- postpaid account metric, -- great to see the upgrade. Maybe help us think about where you are in the process of integration on the US cellular base and whether that perhaps, but to maybe some of that churn increase that you talked about earlier on, the math, Trine, whether or not -- where are you in that migration or integration in that basin, when should we anticipate churn perhaps converges with the legacy based.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Peter, maybe you pick up the first bit and John do an update on your --

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

Absolutely. So on shareholder returns, you just saw us execute in Q1 an acceleration and delivered $4.9 billion in share buybacks for a significant cumulative amount of share buyback and dividends that have been returned to date under the program. And you saw us more excitingly just recently announced that the Board authorized us to increase up to the $3.6 billion.

And the way we're going to approach it is the way we've always approached this, which is I'm not going to talk about the daily trading dynamics and what we're thinking about and all of that for obvious reasons. But really importantly, it's -- we're focused on where do we see this company and its discount relative to intrinsic value.

And of course, we'll follow our capital allocation philosophy, investing in the core business, investing in value-accretive M&A and then its shareholder returns consisting of this very balanced dividend and share buyback approach.

But that's how we're going to approach it. And so I'm not going to be able to say more in terms of what we're thinking about and how and when and trading dynamics there. But I think you saw us execute in Q1 and very smartly and thoughtfully based on where we believe the intrinsic value of the company is and the discount relative to that is going to guide us in a lot of these instances.

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

Yes. Then I'll pick up on Sebastino. I'll pick up on the US Cellular integration piece. As you guys know, we closed the U.S. Cellular transaction on August 1 of last year. And we stopped promoting US Cellular to new customers right before the holidays last year. So we unified everything behind the T-Mobile brand, even in US Cellular branded stores we're acquiring all new accounts under the T-Mobile brand.

And to the premise of your question, we're now just now beginning into the final kind of big throws of the customer migration. We've done a lot of the network-oriented migration that's behind us. now we're handling the customer migration. It's a relatively small base, 4 million customers or so. And we've got recent experience with this, given that we integrated the Sprint base back in 2020 to 2023.

So a lot of learnings that we're applying to this overall customer migration effort in terms of communications and how we're mapping customers over, making sure they're getting all the benefits and understanding the full T-Mobile value proposition. All of that is going extremely well.

I could not be more satisfied with how it's going in the US cellular marketplace. So we're going to be working through that over the spring, the summer and the fall. I think we'll substantially have it wrapped up by this year in terms of the overall integration effort. And then of course, what that's leaving with is a incredibly bolstered network advantage in smaller markets and rural areas where we're continuing to do quite well.

You heard Srini talk about where our share position is now in smaller markets, rural areas of 24%. But -- the other big thing that we're doing in smaller markets in rural areas is continuing to drive that wind share in postpaid switching. We're leading now 12 quarters in a row.

So when you think about the majority of 2023, 2024, 2025 and so far in continuing to lead that position, enormous runway ahead of us and really fortified by the overall US. cellular assets that we've incorporated into the T-Mobile network.

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Yes. Just one thing, Sebastino, just to clarify, -- the math I was laying out about account churn. US Cellular is not a contributor to that. So that behaved exactly like we expected it. This was more kind of weighted average math camp.

Sebastiano Petti - *JPMorgan Chase & Co - Analyst*

I appreciate that. Thank you so much.

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

All right. Let's move on to our next question.

Operator

Brandon Nispel, KeyBanc Capital Markets.

Brandon Nispel - *KeyBanc Capital Markets Inc - Analyst*

Great. Thanks for taking questions. I think the last couple of quarters, and it was sort of asked, but in the last couple of quarters, you guys gave an organic ARPA growth I was hoping you guys could give that organic ARPU growth this quarter. And then just looking at the guide for service revenue in 2Q, it seems like the trend on ARPA growth needs to come down something with a one -- and I was wondering if I got that right. And then it just seems like, again, going -- looking at your guidance to hit $77 billion, we need to reaccelerate that. I want to just confirm that all of that was correct and get your thoughts there. Thanks.

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

Yes. I can go on -- you're absolutely right. On the ARPA piece, but remember, it's a remnant of the fact that we had rate plan optimizations that benefited Q2 of last year, but not Q1 of last year. So you had that being an impact over the year-over-year. So yes, when you think about Q2, I think you're absolutely right in terms of the numbers, probably near 2% on a year-over-year ARPA basis there, simply because of the dynamics of you have the rate plan optimizations and you have remember the dilutive effect that was long anticipated around both US Cellular as well as MetroNet and Lumos, which were taken on and impact Q2 of this year, but not, of course, Q2 of last year.

And then we will see an acceleration for the second half of the year back. So this is all just math dynamics here. In terms of ARPA and giving you organic versus inorganic, we moved away from that primarily because I just don't have a great answer for you. It would all be subject to Art. So for example, as we brought on a US Cellular customer and they expanded their relationship with us post merger, what do I do there?

Is that organic or inorganic?

Or when we had fiber-only customers come on board, and then expand their relationship and take on phone and other products, how do I allocate that away -- and so we're not in the business of creating art here. We want to be very transparent with you. And I think at this point, because of how we've accelerated some of the US cellular elements of it, and these nuances, we're really not giving organic or inorganic ARPA for that reason.

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

Thanks, Brandon.

Brandon Nispel - *KeyBanc Capital Markets Inc - Analyst*

Appreciate you taking the question.

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

Operator, let's do one last question, please.

Operator

Timothy Horan, Oppenheimer.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Thanks, guys. With basically the highest quality service out there in almost every metric, you're at a 20% price discount, give or take, versus your peers. I mean, can you get the pricing to parity over time? I mean with the quality service, you might not even impact subscriber growth at all, but how are you thinking about pricing longer term?

Srinivasan Gopalan - *T-Mobile US Inc - President and Chief Executive Officer*

Yes. Pick that up. The way we think about pricing power and pricing as a whole is ARPA growth, right? We don't tend to fix it on one number. We love the fact that our back book is actually at a lower price than our front book.

We simply put that our existing customers pay less than you. That's rare in an annuity business, and it creates incredible dynamics. -- right? Because that means as you bring on customers you're growing ARPU as well as volume.

You're growing value as well as volume. And when you have this position of having best network, best experience and best value, that creates a position of no trade-offs. So we are going to protect our position on best value. We're not going to look at it kind of with one variable, which is what is our ARPU versus other people's ARPU or what is our ARPU with others.

We will, from time to time, do thoughtful moves on our pricing. They are typically more for more moves where what we end up doing is give our customers more because a lot of the plans, for example, would be outdated. So what we will end up doing is bringing them up to date with newer, better plans and that may or may not come with a price change.

But we don't see a world where we look at a 20% discount and go, let's go back that pricing up and create a change because we think getting titrating the volume and value making sure that we stay with this position of best network, best value, best experience is what creates long-term shareholder value, long-term customer loyalty. It's what creates the number I love the most, our NPS, 20% ahead of everyone else.

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

All right. Thanks, Tim, and thanks, everybody, for joining us today. We're looking forward to connecting with you again soon. In the meantime, if you have other questions, please contact the Investor Relations or media departments. Thank you