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TMUS.OQ - Q2 2026 T-Mobile US Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

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

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

Good morning. Welcome to T-Mobile's second-quarter 2026 earnings call. Joining me on our call today are Srini 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, investors' factbook 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.

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

Thanks, Cathy, and good morning, everyone. We're here in New York City today, excited to discuss our results. Q2 was another extraordinary quarter of executing on our strategy and delivering against the ambitious goals we set out at our February Capital Markets Day update.

Our strategy is simple, but truly powerful: give customers the best network, the best value, and the best experience, all in one place. That's how we eliminate trade-offs for our customers, and that's what truly sets us apart. Nothing demonstrates this better than our NPS, a record high 46 this quarter.

Let me pause on that for a second, because that 46 represents the highest NPS in wireless ever across the big three carriers. And it is, of course, well ahead of the competition. This differentiation is why we outgrow the industry time and time again, and we did it again in Q2.

In the wireless space, we continue to see a substantial opportunity. Of more than 20 million families and businesses who are network seekers and not yet with T-Mobile. With the best network in America, we have an unparalleled right to win with these customers.

This quarter, the highest percentage ever of network seeking prospects ranked T-Mobile number one on having an extremely reliable network and as a completely trusted brand. This is why we grew our postpaid share of households yet again across every single cohort within the top 100 markets and also in smaller markets and rural areas.

Let me double-click on smaller markets and rural areas. These markets represent 40% approximately of the population, and we have lots of room to run at this opportunity with just 24% total share of households. This opportunity is supercharged by our acquisition of UScellular last year, and the integration is going great.

Our share in T-Mobile for Business gives us that same kind of runway. This quarter, we continue to take share with a network superiority-led value proposition. Our nationwide 5G advanced network continue to drive new TAM creation through advanced network solutions, subsequently leading to traditional voice and broadband sales.

And I'm also really excited to welcome Chris Sambar to T-Mobile as our Chief Enterprise Officer, who will help further supercharge growth here. Chris will be joining us in August.

Turning now to broadband. It wasn't that long ago some competitors were calling 5G broadband cellphone internet. Today, it's the most exciting evolution in broadband technology in a long, long time. It has consistently produced industry-leading growth, and we have so much more runway left here.

5G broadband has rapidly become a premium broadband offering in the marketplace. In fact, with our latest generation router coupled with our network, we're delivering download speeds roughly equivalent to fiber to the home when both are used over Wi-Fi, which is how the vast majority of customers experience broadband. That is truly impressive.

And both the network and CPE technology continue to rapidly evolve. It's no wonder our 5G broadband offering leads the industry in customer experience, including winning J.D. Power's number one in Customer Satisfaction. That's also why we've consistently been the fastest-growing ISP in the country, including in Q2. And this industry-leading growth has come with very healthy ARPUs.

As we approach 2027 and '28, there will be even more spectrum availability, reflecting the stewardship of Chairman Carr and his commitment to American 6G leadership. This will unlock even greater capacity that will be deployed under our fallow capacity model.

Putting it all together, our unmatched value proposition drove post-paid net account additions of 277,000 in Q2, alongside 2% ARPA growth year-over-year, a really strong result. We continued to bring new families and businesses to T-Mobile in a durable and profitable way, with CLVs in Q2 up healthy double-digits over last year.

In addition, port and ARPAs continue to exceed port-out ARPAs by approximately 20%. This is another highlight of our unrivaled value proposition, with over 60% of customers on new accounts selecting our premium plans.

Our adjacencies, T-Ads and Financial Services, continue to add incremental growth, leveraging our brand and ecosystem. I'm really excited to share that our T-Mobile Visa credit card launch was one of the most successful co-branded launches for Capital One, and we're on track to rank amongst Capital One's leading co-brand programs in terms of new accounts.

Most importantly, we will not stop. We're not standing still. Our network keeps winning accolades from third-party providers even as we continue to invest in it. Let me double-click into both. For the third straight time, we won the Best Mobile Network by Ookla.

We also swept every single subcategory across Opensignal's Quality of Experience and Network Performance awards, making us their most awarded mobile network over the last five years. In addition, P3, a global crowdsourced data benchmarking company using real people and real devices, awarded us the US Test Champion, sweeping the national benchmark for all 13 categories tested, including AI Services Champion.

Turning now to our ongoing investments into our network, we continue to push the envelope of what's possible. In Q2, we rolled out live translation on beta. This is our first network-native AI application, embedding AI models directly into our core.

Longer-term, we believe our network will become the connective tissue for physical AI with inferencing at the edge. I am so excited by the opportunity here, highlighting what a low-latency, high-capacity network can deliver. We continue to partner with key industry leaders here, including Figure AI.

Now on value, something we guard zealously, we continue to lead the industry while ensuring that customers are able to take advantage of America's best network. Our back-book pricing remains a clear advantage to our differentiated growth strategy.

We continue to abide by the more-for-more philosophy. One example of this is our recent initiative where we modernize legacy rate plans to ensure all of our customers can benefit from our great nationwide 5G advanced network.

On customer experience, we're continuing to meet the customer where they want, while driving digital transformation to further enhance the experience. 10 years ago, we launched T-Mobile Tuesdays because we deeply believe that here at T-Mobile, we don't think customers should have to prove loyalty but rather receive thankings from us just by being a customer.

In June, we celebrated that milestone with Member Month, which was a tremendous success that truly underscored the spirit of the un-carrier. We rolled out many new member benefits and brought back old favorites from the Delta Premium in-flight beverage on us to free DashPass for a year to gas for $1.99 per gallon at select Shell gas stations. This drove record momentum in T-Life usage and we ended the quarter with over 30 million monthly active users.

Pulling it all together, this differentiation is what drives industry-leading financial growth, and we delivered again across every key metric in Q2. Postpaid service revenue, up 13%, total service revenue, up 9%, both at multiples to our competition. Core adjusted EBITDA, up 12%, with industry-leading free cash flow margin of 25%.

This is what this team does, deliver day in and day out. Our results speak for themselves, as you can see with our industry-leading NPS. What fuels that differentiation is the incredible future-proofed asset base we've built and our willingness to continue to invest to build it. And this is only just the beginning.

Peter, over to you.

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

All right. Thank you, Srini. As you can see, we had a fabulous Q2, which reinforces our strong guidance for the remainder of the year, so let me add some additional color, starting with accounts, where we continue to expect postpaid account net additions to be between $950,000 and $1,050,000 on the strength of the underlying momentum in the business.

As part of our full-year plan and guidance, we anticipated our Q3 rate plan modernization would result in a temporary elevated account churn profile and expect Q3 net postpaid account additions to be approximately $250,000. It should be noted that the impact to postpaid phone churn is lower as the modernization impact is concentrated more in accounts with fewer lines.

In the first half of the year, we have delivered almost 500,000 net postpaid account additions, so we are well on our way to delivering within our guidance range. This modernization also creates strong value both for customers and T-Mobile and sets us up to deliver against our 2027 guidance ambitions.

So turning to service revenues, we continue to expect to deliver full-year service revenues of approximately $77 billion this year, representing 8% growth, with Q3 expectations of approximately $19.3 billion, or up 6% year-over-year. As part of that service revenue guide, we continue to set back strong postpaid ARPA growth of between 2.5% and 3% this year.

We continue to expect core adjusted EBITDA to be between $37.1 billion and $37.5 billion for the full year, representing 10% growth year-over-year at the midpoint. As part of that, we expect Q3 core adjusted EBITDA of approximately $9.4 billion or up 8% year-over-year.

Our expectation for full-year 2026 cash CapEx remains unchanged at approximately $10 billion. And finally, we are increasing our adjusted free cash flow guidance to now be between $18.4 billion and $18.8 billion, an increase of $200 million at the midpoint, primarily driven by lower cash income taxes.

Our philosophical approach to guidance, as you are seeing play out, is to begin the year with an ambitious and industry-leading guidance range based on our best view at the time, targeting to land at the midpoint of that strong guidance range and providing updates throughout the year as warranted.

Turning to shareholder returns. In addition to our dividend, we're also excited to have repurchased an incremental $2.5 billion in Q2 and through July 17. If you step back, since beginning our share buyback program in late 2022, we have repurchased 253 million shares and reduced total shares outstanding to $1.07 billion.

While we continue to execute share buybacks this year, including with our previously increased authorization, we are also thoughtfully maintaining a capital envelope that is considerate of upcoming spectrum opportunities in both 2027 and 2028, including C-Band 2.0 and 2.7 gigahertz, which represents an opportunity to further cement our network leadership position and provide increased value creation through, for example, additional 5G broadband capacity unlock.

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

QUESTIONS AND ANSWERS

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

Thanks, Peter. Okay, let's get to your questions. (Event Instructions) We will start with a question on the phone, operator. First question, please.

Operator

Sean Diffley, Morgan Stanley.

Sean Diffley - *Morgan Stanley - Analyst*

I was hoping you could discuss how you're thinking about volume versus price growth this year and any comments on the competitive backdrop. Obviously, a bit less volume growth for you guys this year, obviously pushing price a little bit harder, but how should we think about the balance through the rest of the year? Thank you for the 3Q update there.

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

Thanks so much, Sean. It's not just a question of this year. I mean, the way we've historically thought about price versus volume really centers around CLV and the opportunity to maximize the total amount of value creation that we bring through differentiated propositions.

And that balance, we titrate that balance very carefully to make sure that we're generating both the right volume as well as the right CLV. The exciting piece for us is the double-digit growth we've seen in CLVs. And I think it's fair to reflect on the fact that that's not kind of some independent variable. That's very closely linked to the fact that the perception of our network is at an all-time high.

And so we're attracting more network seekers than we ever have before. Again, our port-in versus port-out ARPA ratios, you can see that our port-in ARPAs are 20% higher than our port-out. So it's a careful titration of where we want to maximize volume versus where we want to maximize value, all bought together with CLV.

Peter, do you want to add?

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

Yeah, I think you're seeing, if you double-click a little bit in there, obviously, we have aspirations for both the P and the Q with what you've seen with our now raised guidance since the beginning of the year aspirations. But also what's interesting is, yes, we delivered 2% year-over-year postpaid ARPA growth.

However, if you look underneath, remember, last year, we also had the acquisitions of UScellular and entered into our fiber JV with the customers coming on board having lower ARPA. So you have an interesting comp period here in Q2.

And if you look ex M&A, postpaid ARPA actually grew 3.7% on a year-over-year basis. So that shows you the underlying strength of the business. And so we have absolutely aspirations to continue to take volume and continue to see ARPA growth and reiterated what we expect to be very strong 2.5% to 3% on that ARPA growth for this year.

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

Thanks so much, Sean. Operator, let's go with the next question, please.

Operator

Michael Funk, Bank of America.

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

So I want to touch on device subsidies. Srini, earlier in the year, you talked about less appetite for device subsidies, expectation with the increase in device prices back half the year, in addition to a new iconic device potentially released. So what is your view on device subsidies heading into the holiday season, end of the year? And how do you balance that versus the net add guidance that you have?

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

Thanks for that question, Michael. So when we talked earlier in the year, just to be clear, what I talked about at that point was not moving away completely from device subsidies, but more rounding off the value proposition, which is -- now that we're in a place where we have so many elements to our value proposition, how do we make sure that we have a balanced articulation of the 250 reasons why someone should be choosing T-Mobile?

Now, we started off with a big network campaign articulating the network reasons why. Over the year, we've had Member Month, which brings together all of the benefit reasons why. We're now running the 250 reasons to choose T-Mobile campaign.

So our effort really is to broaden out the reasons why people should choose T-Mobile rather than purely a free phone. Of course, we'll be competitive on things like subsidy, but that's not kind of what we're leaning in on. And that was really the articulation of what I did in February.

Now as we look forward, what we're seeing is clearly the memory price increases are resulting in higher prices for smartphones across the board. Our intention, consistent with what we've said, is not to increase our subsidy levels. Now, that's going to mean that customers will have to pay more. And that's just the resultant of that dynamic. So that's kind of where we are right now.

Peter, do you want to add any color to that?

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

I think that's absolutely it. You're seeing the differentiation, as Srini explained, come through here. So the ability for us to attract customers beyond a subsidy-driven promotional environment, it's that flow of the current, as you mentioned, because customers see the totality of the value that they're getting, inclusive of more and more so, as Srini commented in the prepared remarks, the network, the significant reliability, the significant network experience and starting to see a flow of network seekers coming our way.

So that's what's driving a lot of the flow into T-Mobile. That's what's driving the postpaid ARPAs being a lot higher than port-out ARPAs. That's what's driving double-digit CLV increases on a year-over-year basis. So we're very excited, and you're going to see us continue to demonstrate to customers the broader base of value that we provide.

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

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

Operator

Craig Moffett, MoffettNathanson.

Craig Moffett - *Moffettnathanson LLC - Analyst*

So Peter, you talked about interest in upper C-Band, and it makes me wonder, your FWA business, by our calculations, is now consuming most of the capacity or at least most of the usage on your network. And it is ostensibly a fallow capacity strategy. Can you just talk about how you see traffic growth over the next few years?

AT&T talked yesterday about a huge, expected increase due to AI workloads. Do you expect the same thing? And if you think about the upper C-Band, is that to support FWA or is it to support AI workloads? And I'm just wondering how FWA fits into that future and particularly in the context of a sort of fallow capacity model.

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

Thanks for that question, Craig. Let me kick off and then Peter and John can add to that. So let's start with wireless as a whole and the evolution of wireless technology. We couldn't be more excited by how much innovation and how much new capacity is being created by all of the innovation and wireless.

And when we talk about the spectrum auctions, it's not just the upper C-Band, which clearly was a big announcement yesterday, but also 2.7 gigahertz that Chairman Carr talked about. And where we sit, given the rapid evolution in wireless technology, especially in comparison with other forms of tech that are being used for broadband, we believe this is a time to double down on wireless tech and really build out our network superiority, not just in 5G, but also 6G.

Knocking off a couple of other things that you talked about, yes, FWA does consume a fair amount of our capacity, but this is where the numerator-denominator issue comes in, right? It consumes a fair amount of our traffic today, which is not the same thing as a fair amount of our capacity, because our capacity is several times multiple of the traffic that we hold today. So we feel very comfortable with where we are with FWA today.

One other piece, I think you said ostensibly fallow capacity model. Just to be clear, it is actually a complete fallow capacity model. The way we think about capacity to go through something I think we've talked about before is at a hex bin level, and there's 36 million hex bins. We sit down and forecast the growth of wireless traffic, and then we put a cap on the market share that we're going to be able to get on FWA, and the rest of the capacity is then the fallow capacity. And all of this is done at peak hour.

And all of this was done excluding any new spectrum coming in or technology innovation, that's what took us to our guidance of 15 million customers. We feel incredibly good and very positive about that. In fact, all of the announcements of yesterday in terms of more spectrum coming online only makes us more positive about that because our guidance didn't build any of that in. And that spectrum coming in actually creates more fallow capacity as well apart from improving the quality of our core product.

In terms of expected increase in traffic and the impact of AI, I'm going to hand off to Dr. John Saw. John.

John Saw - *T-Mobile US Inc - Chief Technology Officer*

Yeah. Hey, thank you, Srini. And hi, Craig. Just to build on Srini's point, I think we are very comfortable with our capacity situation, especially with fallow capacity. We have an awesome model that actually allows us to forecast how much runway we have.

And remember, every megabit per second of capacity not used is wasted, so that's where fallow capacity come in. And a reliable proxy for capacity speeds, and if you look at all the benchmarks that you have seen, including the latest wins we have, our speeds continue to go up. So we're not concerned about capacity at all.

With regards to AI traffic, I think it's important to understand where these AI workloads actually live. The current growth in AI is focused on model training, large-scale agentic automations and heavy back-end automations. A lot of them actually are confined to wireline transport networks and massive data centers.

So this type of compute, we have not seen putting a material strain on mobile networks. So we have not seen any surge in mobile traffic due to AI, even though every year, we see mobile traffic going up, regardless of AI or not, to support our mobility tonnage as well as fixed wireless.

I think if AI traffic continues to grow, especially with the growth of physical AI, I think we are more than prepared and we have sufficient runway to continue to invest in our capacity, both in terms of existing spectrum and we haven't even looked at the impact of getting new spectrum yet that Srini was so excited about.

Remember, we rolled out 5G Advanced recently and the only operator to do that. And one of the reasons why we do that is that we want to improve the uplink performance especially with the potential surge in AI mobile traffic soon. And with 5G Advanced, we have been able to improve uplink performance with uplink carrier aggregation, uplink MIMO, transmit switching, all that is actually in preparation for not just giving our customers with phones a better experience, but also better uplink for future AI traffic that we expect to be seeing soon.

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

Thanks, John. So we haven't seen it as yet, but we look forward to seeing it because our network's more prepared than anyone else. Yes. Peter, did you want to add to that?

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

Yeah, and just, Craig, I think you asked some great questions. Just to be clear, what he said is that utilization of the network traffic is completely by design from the fallow capacity model, and capacity is way in excess of current utilization.

In terms of the comments around 5G broadband and both C-Band 2.0 and 2.7, just to be clear, all that would be incremental to the 15 million, should there be anything there, and we will not be looking to purchase spectrum strictly for fixed wireless. We're still under the fallow capacity model.

What I want to really highlight is just our excitement around an opportunity. If you look back over the last three, four, five years, I think one of the main reasons that we've been so successful in continually outperforming the competitive environment and delivering both growth and financial results that are multiples of our competitive set and see a future where that is going to be the case for a long runway ahead of us, is diligent application of our capital allocation framework.

You've seen us be very diligent, for example, with spectrum purchases. And remember, that framework, as you all know, begins with setting the right leverage and then making sure we're investing the right amount in the business, then looking at accretive M&A opportunities. Certainly, spectrum is one of those investments in the business and then returning to shareholders.

And we see such an exciting opportunity here, both in '27 and '28 with Chairman Carr's announcement yesterday that 2.7 will be in the 2028 timeline, to take this network leadership position that is now beginning to pay dividends in terms of network seekers coming to T-Mobile, in terms of the technology evolution that Dr. Saw has driven and what that's opening up from new TAM environments, both in the enterprise space, physical AI in the future, and take that same diligent approach and apply it to C-Band 2.0 and 2.7.

And so we're definitely thoughtfully thinking about our capital envelope and its deployment against those two. It's too early to tell, of course, exactly what those opportunities will look like next year and in 2028. But it's one of the most exciting things upcoming for us to cement network leadership far into the future and have all the ingredients to continue to outperform in this industry and deliver value for shareholders.

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

Thanks, Craig. Let's move on to the next question, please.

Operator

John Hodulik, UBS.

John Hodulik - *UBS AG - Analyst*

A couple, if I could. First, I guess for Peter, it looks like the EBITDA guidance sort of suggests growth is going to slow from about 12% in the first half to sort of high single digits in the second half. Any sort of additional color you can provide on one of the drivers there?

And then do you guys have any other detail you can provide on either postpaid phone volumes or FWA or fiber? It sounds like FWA was yet another strong quarter. So if you have any additional details, it would be great.

And then lastly, I guess, does the commentary around the upcoming auction suggest that the buybacks going forward are going to stay closer to this $2 billion level from what we've seen in previous quarters?

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

Yeah, happy. On EBITDA, it's really, you have to recall, it's a function of when we had acquisitions in the prior year. So you have Q1 and Q2 of this year, of course, that are comping a different environment in the prior year that were pre-acquisition.

So we're very confident in what we gave, which is, at the midpoint, we're still driving 10% core adjusted EBITDA growth. And of course, within quarters versus what we had at the beginning of the year, from an assumption, there's some timing differences on the edges here and there that's allowed us to overperform. But from an overall perspective, that's exactly what's driving it; it's simply timing of when acquisitions occurred but continue to see that strong 10% growth.

From a fixed wireless perspective, we saw another very strong quarter, total broadband right in the upper [400,000] range yet again, strong ARPUs yet again. Postpaid phone, we're not going to give you the whole spreadsheet, but one thing I can tell you is we had a tremendously successful churn quarter. We had postpaid phone churn of 0.85, so down year-over-year significantly, and that's again the representation of this differentiated formula working for customers, as you can kind of see manifest in the NPS score.

So outside of that, we see continued growth and opportunity and across all those segments, Srini mentioned, we had growth across the top 100 as well as our smaller markets and rural areas, so everything is on fire here. We're very excited about the future.

On buybacks, I think what you're going to see every single quarter, again, is application of this capital allocation framework. So we haven't before, and I'm not here to guide it's going to be exactly this amount for every single quarter because that's really going to be dependent on what the opportunity set is looking in front of us at that point in time, and we have a little bit more clarity around when spectrum auctions come, et cetera, et cetera. So it's just continued application of that very judicious, and I think demonstrably value-creating allocation framework for shareholders.

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

Thanks, John. Operator, let's move on to our next question.

Operator

Peter Supino, Wolfe Research.

Peter Supino - *Wolfe Research LLC - Equity Analyst*

A question for all of you on fixed wireless. Since you launched the product before the rest of the industry, you've, I think, always achieved superior net add growth, and that's despite launches by your two largest fixed wireless competitors subsequently.

I wonder if you could talk about, in the last six months during the most promotional periods of low Earth orbit satellite pricing, if you could talk about whether that product, priced at lower levels, appealed to your target market and home Internet? And if that product does become much more available in 2027, how you might see it impacting your FWA strategy?

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

Thanks for that. Let me pick off and then, Andre, if you can come in. So the way we think about FWA versus LEO at a very high level, firstly, is there's a big enough market for both of us to go after because there's a large incumbent pool of inferior product with inferior pricing, whether it's in urban or rural.

Now, Andre will lean into this a little more in terms of the differences on where we are on urban versus rural and our perspective on LEO, but the one thing I'll leave you with is ultimately, our product superiority, driven by our network superiority, has really been the heart of our success. Our median download speeds have consistently grown over the last two years.

Even as our wireless speeds have grown, our routers are becoming better and better. We fundamentally offer a significantly better product than our FWA competitors or LEO. And it isn't much more complex than that in terms of what's driving success.

But Andrei, if you want lead into it?

Andre Almeida - *T-Mobile US Inc - Chief Broadband, Enterprise & Emerging Business Officer*

Thanks, Srini, and thank you for the question, Peter. So I think, so first let me break it into two pieces. One is why are we outperforming everyone else and why are we doing so well? And it's not, curiously enough, it's not because we went first. It's just because our product is significantly better.

This is where our network also shines in terms of the amount of capacity we have and the amount of development we've put into our network. John talked about what we've done with 5G SA, then what we've done with 5G Advanced. We just have a better product.

And I think it was highlighted in the beginning of the call that when you measure speeds over Wi-Fi, our product is delivering fiber-like speeds over Wi-Fi. That means that, us, unlike our competitors in some of this space, have graduated from being what was, in the beginning, perceived as just a discount product towards being a great premium technology product to deliver broadband service.

And that, if you want to encapsulate that into one statistic, is our Net Promoter Score on broadband is higher than the Net Promoter Score of all the other broadband categories in the country, including fiber. So it's just that we have a better product, the product performs well, and it performs -- it's continuing to improve its performance over time.

The second thing when we talk about LEO and satellite, just two or three things I think are important to keep in mind. One is two-thirds of our customers are in the top 100 markets. That's exactly the markets where capacity will be significantly constrained for satellite broadband because of the beam sizes. And so we don't see concerns there.

And as Srini said, there's a lot of space and a lot of room to grow. And so I think we're not concerned with that. Our performance -- you talked about the last six months, the last six months have been extremely strong in terms of revenue generation, and they've been extremely strong in terms of net add.

So again, we have a premium product. We're mainly, today, urban. And if the last six months are any evidence of what's to come, then the last six months have been great.

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

And just one, just to add on what Andrei said, two-thirds of our customers are in the top 100 and our shares are lowest in the top 100. So there's a lot of runway ahead of us on FWA.

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

Yeah, and I'd probably finish, Peter, I think we mentioned this when we were giving the 15 million target, but not only is it a fallow capacity model, but it also included very conservative rational market share caps. And so that's another mechanism by which why we think it's a very rational 15 million subscriber target by 2030.

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

Great. Thanks, Peter. Operator, let's do another queue on the earnings queue.

Operator

Kannan Venkateshwar, Barclays.

Kannan Venkateshwar - *Barclays Services Corp - Equity Analyst*

So, Srini, strategically, when you think about LEOs, why isn't this a bigger opportunity for you to lean into even more? I mean, just taking the other side of this in the sense that your peers have plans to build out 50 million to 60 million fiber packings around the country. And building that takes time, costs a lot of money. You have fixed wireless capacity, but obviously, it eats up some degree of spectrum.

And if you were to partner with a satellite company and offer broadband nationally along with wireless, it not only opens up spectrum for you, but it suddenly gives you a nationwide footprint to take on your peers without really putting in a lot of capital. So why not lean into satellite even more instead of just using it to backfill some of the less served areas? Thanks.

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

Thanks, Kannan. The heart of this -- well, let me split this into two pieces, one kind of FWA versus LEO. As the technology stands today, uniformly across the country, FWA is a far superior product. And so there is really no value in us beyond kind of backup, which we've used for some of our B2B products to be partnering, right?

And that's where the technology is today. And as we see this evolving, we believe that's likely to continue to be true, especially because of beam size restrictions, which John can talk about more eloquently, so that's -- the way we think about partnerships or any of that is it needs to bring incremental value to us, and that incremental value is typically in some sort of differentiation, either in terms of product or in terms of new channels or in terms of new customer bases.

And having worked closely with satellite over the last four years, we're just not seeing that incremental differentiation. And our product itself more than serves the purposes, especially when you think about even in rural areas today, where some of the -- where our fallow capacity model actually works incredibly well. So we're just not seeing the upside of doing any of that in terms of partnering, either in terms of differentiation or customer base.

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

Thanks, Srini. Thanks, Kannan. Operator, let's do one more question in the queue, and then we'll move over to social.

Operator

Kutgun Maral, Evercore ISI.

Kutgun Maral - *Evercore Inc - Equity Analyst*

I want to follow-up on broadband. You shared a lot of helpful details on fixed wireless. Maybe shifting gears a bit, is there any more color you can provide on the fiber side? How are the fiber JVs performing? Are there any updates you could provide on how you see the footprints evolving? And as the competitive backdrop shifts to potentially accommodate more competition, is there any difference in your appetite to expand on those fiber partnerships going forward?

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

Thanks, Kutgun. We just cover off overall philosophically where we are and hand off to Andre to talk about where the JVs are in our future plans. On fiber, I think we've been very clear, but it's worth reiterating, we're not chasing some vanity number of number of homes passed. We think that's irrelevant.

We're in this game to create equity value. And that's how we've thought about all of our fiber JVs and that's how we'll think about things going forward. Andre?

Andre Almeida - *T-Mobile US Inc - Chief Broadband, Enterprise & Emerging Business Officer*

Yeah. So on fiber, and I think we've mentioned before, I think we're seeing everything we expected to see, which is that our brand, our frontline, our ability to provide excellent service and excellent products is translating into fiber very well. So we're very happy with the way the JVs are performing.

We're getting to close to 20% penetration over the first 12 months of deploying fiber in each area, and we need to take those 20% into consideration of -- we're not overbuilding copper or overbuilding cable. So in a lot of these markets, we start with zero customers. So all the customer additions we have is actually all incremental in terms of revenue and margin for us.

As Srini mentioned, in terms of appetite for JVs or appetite for rollout, we've always been clear that we're doing fiber because of -- we believe it can create significant shareholder value for us. So we're not chasing any particular number.

And we're very careful on making sure that where we build or where we acquire, that we use conservative estimates to make sure that we can create that value. So this has not changed and every area we roll out, every JV we look at, we're always very conservative and considering what's happening in the market today.

I think the other piece on fiber, which is different for us than it is for other players, is because of our fallow capacity model, every time we win a customer in fiber, we're creating actually fallow capacity -- when those customers are in HSI, we're actually creating fallow capacity that we can sell elsewhere.

So actually, this is not, for us, in a lot of these areas, it's not a competition between fiber and FWA. These are actually complementary products, because when we can sell a fiber customer, we're actually freeing up fallow capacity to be able to sell in a broader area because the cell radiuses of mobile are actually very large, where we can sell that slot to another customer elsewhere.

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

Thanks, Kutgun. All right. So going to social, we have a post from Chetan Sharma. What proved to be the most effective tools in your toolbox in dealing with the surge in traffic during the sports-heavy summer this year?

John Saw - *T-Mobile US Inc - Chief Technology Officer*

Hey, Chetan. Good question. You're right. It's a sports-filled summary indeed. And I think the one network that really stood up and shined through all these sports events is the T-Mobile network. Not only do we just have our names on the posters as sponsors, but we actually did the work to disrupt and change the way how sports events are managed, whether it's using network slicing for live broadcasts for the PGA and the US open golf events or to use slicing for wireless terminals and ticket entry.

And of course, the big event, Chetan, is the World Cup. And if you look at the Opensignal report in terms of who has the fastest network in all 11 locations where the US hosted a World Cup, it's a T-Mobile network. So coming to your questions on tools, we have a lot of arrows, quiver and tools in our toolbox.

Starting from the tried-and-true small sales and seller on wheels, colts on wheels, we do that. Obviously, I talk about slicing. By the way, including T-Priority, which is in every one of these events, we provide a very good prioritization and pre-emption service for our first responders with a product called T-Priority.

But the one thing that I'm excited about that is fairly new is using AI for a product called Dynamic CX, where it actually works with our self-organizing network to figure out signal conditions, channel conditions when there's crowd search coming and making network adjustments so that everybody has a good experience.

In fact, Dynamics CX is so autonomous that we don't even have to tell it what events to look at. It looks into the calendar and figure out where the crowds are going to be and actually makes adjustments to sell sites nearby into higher capacity mode.

So we have seen some amazing results when we use that for all the World Cup events, especially at the watch parties, including the big one here in New York and Central Park, and we're very impressed with it. So to your question, a lot of tools we continue to innovate, and now, bringing in AI and self-organizing network is changing the game for us.

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

Thanks, Dr. Saw. Let's go back to the queue, please.

Operator

Michael Ng, Goldman Sachs.

Michael Ng - *Goldman Sachs Group Inc - Analyst*

I just had one on the service revenue outlook. It implies, I think, just over $300 million of sequential growth in 3Q and closer to $600 million in 4Q, so in terms of sequential growth. So I was just wondering if you could talk about the drivers of the acceleration in sequential service revenue growth in the fourth quarter?

And also, given some of the moving parts around postpaid, prepaid and wholesale service revenue, I was just wondering if you could please comment on that and talk about where you see that going for the quarter and the rest of the year?

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

Absolutely. Great questions. Michael, I'll send you my spreadsheet with all the details a little bit later. But I won't do that. (laughter) But certainly, you're going to see two things. And you're right, the sequential growth from Q2 to Q3 is excitingly even more than what we just delivered from Q1 to Q2.

And that's going to come on the back of certainly volume as we're continuing to see not only postpaid account volume, a whole new net account switching, but also continued success with 5G broadband into existing accounts. So it will come from ARPA expansion in the postpaid base.

Remember, we just delivered 13% year-over-year postpaid service revenue growth, and we continue to see great trajectory in postpaid, the heart of the core business, both in Q3 as well as Q4. And of course, the ARPA growth is supported by all the things that historically it has been, including self-selection up the rate plan, new accounts coming on at -- continually coming on at 60%-plus of new lines on new accounts coming in our premium rate plan tiers. So that's fabulously accretive for us, 5G broadband success, et cetera.

From a prepaid perspective, I think we'll continue to see exactly what we've been seeing and have been talking about the full year, and maybe I'll hand that over to Jon Freier in a second. And let me just touch on wholesale before we do that.

On wholesale and other, at the beginning of the year, we said it'd be probably flat to slightly up. I probably see it being roughly flat for the full year now. And that's from exactly what we expected, which is the roll-off of DISH and Tracfone that's been planned for.

But now that we have six months under our belt, almost seven months, we can see that slope a little bit better than we could at the beginning of the year. So wholesale -- and that always means wholesale and other tends to be a little bit higher in Q4, and you'll probably see that relative to Q3 this quarter as well.

But maybe on prepaid, Jon, I'll hand it over to you.

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

Yeah, so on prepaid, Michael, it's really interesting what's happening. First of all, as most of you know, we have an incredible portfolio of prepaid brands, the flagship prepaid brand, Metro by T-Mobile. Of course, we have T-Mobile prepaid, Mint Mobile, Ultra. We have a great portfolio of prepaid brands that's really still really resonating in the market and attracting a lot of customers.

But there's also a phenomenon that's happening, which is really kind of the higher, more premium customers within prepaid are being more attracted to postpaid brands. And that's a good thing for us because we're seeing higher CLVs and overall value accretion as a result of that.

And like what Peter mentioned just a few moments ago on postpaid phone churn for Q2 was 0.85. So we're seeing really good stability and performance and overall value creation when we're seeing that segment of customers that are migrating. So that's a good phenomenon for us.

Also, for us, we've always had a long-held practice of pre- to post-migrations, which is attracting customers into the portfolio of brands, graduating them up to prepaid brands, and that continues to be a very strong dynamic in the marketplace.

The other thing, too, is that we see an opportunity within prepaid to further kind of cultivate and grow the segment. When you think about our portfolio of brands, distribution capability, potential distribution expansion in a variety of ways, we see a lot of opportunity that we can really kind of get after prepaid to not only drive the overall prepaid business, but to really have more fuel for the postpaid business over time with those migrations and graduations that I spoke to.

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

Yeah, and I think, Michael, if you're -- because you're probably doing the P&Q math there a little bit. And the reality is you've kind of got me here. We're probably going to be more towards the 3% ARPA growth for the full year than the 2.5% side of the house because we're really seeing strength in the core business.

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

Thanks, Mike. Operator, next question, please.

Operator

Sebastiano Petti, JPMorgan.

Sebastiano Petti - *JPMorgan Chase & Co - Analyst*

Just maybe sticking with broadband for a second here, AT&T says 45% of their Internet customers bundle with wireless. Can you help us think about what is your percent? Why isn't it higher? What are you doing to try to drive incremental bundling to your base?

And then thinking about the direct-to-device ecosystem, any update on the JV timing of a definitive agreement there? How you're thinking about your exclusivity agreement with Starlink and maybe leaning into the JV opportunity? Thank you.

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

Yeah, let me pick up the JV piece and Andre can pick up the bundling piece. I'm just glad we're all calling it bundling rather than something called convergence now, so that bit's working. So on the JV piece, the conversations are going really well. And we're progressing rapidly towards the long-form agreement, we should have an update for you shortly on that.

Andre, do you want to pick up bundling and where we are on it?

Andre Almeida - *T-Mobile US Inc - Chief Broadband, Enterprise & Emerging Business Officer*

As Srini said, I think it's a great moment where everybody is calling it bundling, and we're very happy for that. That being said, so if you were to do the same math of how many of our broadband customers also have mobile within the bundle, for us, that's closer to 70% than it's closer to 45% so.

But again, we've always taken the approach that this is one of the formats of bundling. We have a lot of just mobile customers that have multiple lines in their bundles, multiple customers that have device and mobile. But if you want to take that stat as like one of the stats of one of the bundling cuts, that's, for us, it would be about closer to 70% than 45%.

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

Thanks, Sebastiano. Next question, please.

Operator

Bryan Kraft, Deutsche Bank.

Bryan Kraft - *Deutsche Bank AG - Analyst*

I guess I wanted to follow-up on prepaid. Can you, Peter, maybe elaborate on how much of the prepaid revenue decline is being driven by sub declines versus ARPU declines at this point? And maybe just give us some sense for how much of that subscriber decline is being recaptured by T-Mobile through prepaid to postpaid migration versus going to a competitor? Just trying to understand those dynamics a little bit better.

And I guess I also wanted to follow-up on the D2D question. It's been a year, obviously, since you launched the exclusive D2D offering with Starlink. Just wondering how you're thinking about exclusivity at this point, and whether you want to go with primarily through the JV going forward and just how you're handling that sort of exclusivity expiration as it comes up? Thank you.

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

I'll pick up the D2D piece and then hand it off to Peter. Direct-to-cell is really a technology that in many ways we worked with Starlink to invent. It's the first scale deployment of that. And what we've learned over the last four years is it is a complementary category.

If you look at our usage, the last time I talked about 0.0002% of our network usage, that's three zeros and a two, being on satellite. And in our busiest summer months, that went to 0.0003%. So it's a really small point -- a small percentage of the usage on our network, and it is a complementary service.

You know what we always do, right, which was we future cast the direction of this industry and then work back from that to figure out the right strategy for us. For us, it's clear that with time, this is no longer going to be a differentiation. It's going to be table stakes as a complementary service to have satellite along with your cellular service.

And that's what drove a lot of our thinking. We think what's at stake now is to make the experience of the customer agnostic of which provider you are, agnostic of which device you are, and to pool spectrum so that we can actually make this a significantly better customer experience. And that's what drove the JV.

So looking forward, the JV does allow for individual operators to have conversations and agreements with other parties, but our expectation is the vast majority will be sourced through the JV. And the other question was on prepaid, yeah.

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

Yeah, on prepaid, it's a little bit of both. But it's also a little bit. I mean, this, as John mentioned, continues to be a tremendously healthy business for us. And it's been one that we've been very successful in taking customers, bringing them through our prepaid brands and ultimately engaging with our postpaid brands.

Some are choosing to directly engage with postpaid brands versus us, I think, you can see from the total postpaid volume and the ARPA delivery and the quality of customers there that we're getting, that we're attracting very high-quality postpaid customers in totality.

And on prepaid, what I'd expect from a service revenue perspective is probably a similar trend, Q2 to Q3 to Q4, as we've seen, Q1 to Q2. So you're talking about minimal trends here, and it's more reflective of the overall dynamics. But all the more important that we're delivering really tremendous growth on the postpaid side and still maintaining what is, again, industry-defining multiples of the industry from a total service revenue growth perspective.

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

Yeah, because the proof of the pudding, the way we think of it is what is total service revenue growth? And at 9% service revenue growth, clearly, it's working.

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

Great. Thanks so much, Bryan. Operator, let's take our next question, please.

Operator

Sam McHugh, BNP.

Samuel McHugh - *Exane Bnp Paribas - Analyst*

Just wanted to follow-up on the 2.7 spectrum. I guess I don't know if you have any early indications on how much might be available and whether that's more attractive to you than upper C-Band and how much line of sight you think you'll have on that auction by the time you go into that upper C-Band auction?

And then just one small follow-up on the Starlink JV deal you have today. Is the exclusivity period over now or you're still in the exclusivity period with the X?

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

Cathy, I don't know if we comment on our exclusivity, Cathy.

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

We have said in the past that it does not end this year. So I'll confirm that.

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

Yeah, I'll confirm that it does not end this year. But you've also heard me talk about kind of where I believe this is going and where kind of differentiation plays versus a complementary service. On 2.7 versus C-Band 2.0, look, it's too early to tell on 2.7. We're excited by both of them because when you step right back, we think we're approaching one of those moments.

And the thing T-Mobile has been incredible at is waiting for those moments where we think this is the time for us to step in and really take a big lead versus competition. The last time we can remember something like this was around the 5G rollout, where we made a conscious decision to go and drive 5G Standalone, where we made a conscious decision to say, we're going to be the 5G leader, right?

We think we're approaching a similar moment here where wireless technology is evolving so rapidly. 6G is not going to just be 5G on steroids, but it's also going to give us all sorts of opportunities like Edge AI and physical AI.

And we're in a place where we're looking at this and going, look, this is a time for us to drive this differentiation even further. Because the last time we stepped in and drove differentiation through 5G, the results clear for everyone to see. We've dramatically transformed our network. That's driving all the goodness around network seekers. That's driving all the goodness around sustained growth.

So we'll get into the specifics of, how much C-Band, how much 2.7? What's the sequencing of those auctions? How do we want to think of playing one against the other? But the intent for us is we see this as a big point in time for us to step in and drive further differentiation and cement our network leadership.

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

Great. Thanks, Srini. And thanks, everybody, for joining. That's all the time we have for questions. We're looking forward to connecting again with you soon. Please contact us if you have any additional follow-ups. Thanks so much. Bye.

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

Thank you.

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