The New T-Mobile Business Plan
Summary September 2018
Overview of the Business Plan & Model
Today’s Discussion

**Vision**

- New T-Mobile business profile
- Key functional business assumptions
- Synergies
New T-Mobile Vision

**UNPRECEDENTED NATIONWIDE 5G NETWORK**
- Unprecedented **capacity, speed and latency** to drive revolutionary consumer experience unlocking significant economic value
- Accelerate **U.S. position in 5G** as the only company able to quickly deploy a broad and deep nationwide 5G network
- Use early leadership in 5G to capture wave of **innovation and disruption**, benefiting customers and the nation’s economy

**SUPERCHARGE UN-CARRIER STRATEGY AT PIVOTAL TIME**
- Network capabilities and capacity will lead to **better service and lower prices**
- Continuation of proven **pro-consumer strategy** that is fundamentally built around **more value and higher consumer satisfaction**
- Proactively create **new competition and disruption in adjacent markets**
- Bring real **mobile broadband competition to rural Americans** for the first time and new competition for businesses of all sizes

**JOB CREATOR FROM DAY ONE UNLOCKING ECONOMIC VALUE**
- Creating **new jobs day one** with investment to expand customer service, retail footprint and 5G buildout
- Driving **rapid investment** nationwide in 5G, ensuring **American leadership in 5G eco-system**
- Forcing converged industry leaders to **invest more and faster**
- Accelerating the growth of **millions of U.S. jobs and substantial economic value**

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1Based on CTIA estimates from “The Global Race to 5G” April 2018.

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HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN WT DOCKET NO. 18-197 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
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Highlights of New T-Mobile

THE SUPERCHARGED UN-CARRIER WILL BE AN AGGRESSIVE SHARE TAKER CREATING SUBSTANTIAL VALUE FOR SHAREHOLDERS & CONSUMERS

BY 2024

ARPU POSTPAID PHONE

SoGA POSTPAID PHONE

BRANDED SUBSCRIBERS

TOTAL REVENUE

EBITDA MARGIN

vs. TMUS FY/ EoY 2017

1. Adjusted EBITDA. Margins calculated based on Service Revenue.
New T-Mobile Business Profile Assumptions

**Overarching**

- **Aggressive share taking company** putting continued pressured on competitors through *lower prices, better quality & new services*

**Postpaid**

- Grow postpaid phone SoGA from *blank* through *Rural & Enterprise expansion* while *existing core urban consumer segment* – Cables entry into wireless expected to take *blank* SoGA over the forecast period
- Migrate Sprint customers to *blank*; handset migration costs assumed at *blank*
- Pass New T-Mobile scale benefits onto the consumer in the form of *blank* reduction in phone ARPU (*blank* to *blank* by 2026) – *highlighted*
- Phone churn lowers from *blank* to *blank* over next 4 yrs - aggressive pricing, network and Care improvements partially offset by increased competition from Cable & others
- MINT growth from rural, Enterprise, consumer IoT; *blank* in migration costs

**Prepaid**

- *highlighted*
- ARPU: *highlighted* reduction in Boost & Virgin ARPU to provide differentiation from Metro, Metro *blank* – *highlighted*
- Churn: *blank* spike during integration, incremental *blank* improvement over time

1) 2019 Sprint standalone + T-Mobile standalone, net of structural impact 2) 2018 weighted-average Sprint Standalone + T-Mobile Standalone

**OPERATIONAL CONSIDERATIONS**

(NOT EXHAUSTIVE)

- **Brand Portfolio Strategy**
  Postpaid + Prepaid

- **Customer Migration Strategy**
  How many? When? With what incentives?

- **Handset portfolio**
  Compatibility with T-Mobile (Sprint and MVNOs)
New T-Mobile Postpaid Phone SOGA

1. Does not include Sprintional affiliate by-sub

Note: Numbers may not add up due to rounding
New T-Mobile Postpaid Phone Churn

1. Assume 75% of those who would switch between Sprint and T-Mobile, continue with NewCo.
2. NewCo churn profile includes assumption of increased industry competition due to inclusion of cable entry into wireless.
NewCo Postpaid – Voice ARPU

1. Impact of migrating Sprint and T-Mobile customers to New T-Mobile plans + aggressive go-forward acquisition offers to new customers

Note: Numbers may not add up due to rounding.
New T-Mobile Prepaid “Brand 1” (Boost, Virgin, T-Mobile prepaid)

- Blending of 3 prepaid products
- Increased churn during integration
- Network benefits (run-rate compared to A+B)
- Assumes

SOA

CHURN

ARPU

2018 2019 2020 2021 2022 2023 2024 2025 2026
New T-Mobile Prepaid “Brand 2” (Metro)

- SOGA
- CHURN: Increased churn during integration
- ARPU
Today’s Discussion

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Key Sales / Retail assumptions

Number of Doors
- [Redacted] of PoP/store leads to branded doors by 2021
- Eliminate [Redacted] overlapping doors, Coro, TPR
- Redistribute 600+ of remaining stores to rural areas

Type & Location
- [Redacted] stores to be T-Mobile branded; conversion of Sprint stores occur over 2 years
- “Keep stores” prioritized on performance, Corp/TPR mix, lease details, and rebranding cost
- Increase in avg. lease cost/store to account for premium location of keep-sites

In Store & Labor
- Increase in kits sold per remaining store (same/more sales, less stores)
- Kit velocity handled by a [Redacted] increase in labor hours / store

Dealer
- Remaining dealers see increase in overall commissions - [Redacted]
- [Redacted]
- [Redacted]
Key Customer Care assumptions

- New T-Mobile will maintain industry leading and award winning customer care
- Assume □□□□ annual investment starting in 2020 to migrate Sprint customers to T-Mobile TEX model and match quality of service. T-Mobile significantly ahead today...
  - 10X higher NPS score vs. Sprint¹
  - 20 pts higher Customer Satisfaction score vs. Sprint¹
- Anticipate □□□□□□□ in 2020 to bring best-in-class care to Sprint customers
- Assume best practice sharing will contribute to a □□ decrease in cost/call, realized immediately

¹ Harris (formerly Nielsen) Mobile Survey NPS Scores for March 2018 were 87 for T-Mobile and 4 for Sprint. Customer Service Satisfaction scores were 78% for T-Mobile and 58% for Sprint.
Key Advertising, Equip, Repair and Logistics assumptions

- Marketing spend will be combined under T-Mobile team, with the integration of unique Sprint assets (e.g., in-house agency)
- Phased [redacted] in combined New T-Mobile advertising spend levels [redacted] levels today (from [redacted] to [redacted] by 2024)
- [redacted] in spend [redacted] during customer integration
- New T-Mobile’s increased scale leads to purchasing power and efficiency savings
- [redacted]

- Create [redacted] efficiency savings annually by adopting best practices and vendor alignment for handset warranty, insurance, and reverse logistics

Operational Considerations (not exhaustive)

- Brand Positioning & Messaging
  Reflecting expanded portfolio; brand transition
- Marketing spend effectiveness
  Optimal working spend allocation (including decisions on branded sponsorships), non-working efficiencies
- Integration of unique assets
  e.g., in-house agency, CLM
- Handset supply chain integration
  What? How? When?
Key Back Office assumptions

- Anticipate [run-rate] in annual savings on fixed costs ([%] of combined spend)
- Adoption of best practices may lead to additional variable rate savings
- Cost to achieve expected to be [x] of combined T-Mobile and Sprint IT spend (capex + opex)
- Cost to achieve assumed to be [x] between opex and capex, [x]
- [run-rate] IT capex savings from scale and efficiencies

OPERATIONAL CONSIDERATIONS
(NOT EXHAUSTIVE)

- Systems Integration
  - ID integrate vs. keep separate?
  - Upgrade/replace?
- Purchasing efficiencies
  - Scale benefits
- Org Design
  - New org, functions in KC
- Culture
  - Uni-Carrier onboarding
- Retention Plan
  - Maintain business momentum in both T-Mobile & Sprint
- Comp / benefits
  - Harmonizing into single plan
New T-Mobile unlocks significant business growth opportunity

**INJECTING TRUE COMPETITION INTO NEW SEGMENTS**

The best 5G network fundamentally changes whom the New T-Mobile is able to serve

**RURAL AMERICA**
Bringing new competition – not only to wireless, but broadband & video

**ENTERPRISE CUSTOMERS**
Establishing a viable 3rd option to the Verizon and AT&T duopoly

**GROWING BEYOND THE MOBILE WIRELESS CORE**

With 5G technology, New T-Mobile is able to enter and disrupt new industries, with Un-carrier products, pricing & philosophy

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**5G**

**FIXED BROADBAND WIRELESS**

**VIDEO**

**CONSUMER IoT**

**COMMERCIAL IoT / Services**
Growth opportunities: Home Broadband Replacement

NEW T-MOBILE VISION

Bringing the Un-carrier revolution to broadband...at scale
A nationwide home broadband replacement product delivering industry-leading value to consumers

CUSTOMER BENEFITS

A new challenger, uniquely positioned to fix a broken industry:

- 9% of US HHs do not have access to home broadband (25 Mbps+)
- 48% of US HHs lack a choice for home broadband (0 or 1 options)\(^2\)
- 79% of US HHs lack a choice for high speed broadband (0 or 1 options)\(^1,2\)
- FCC has found that areas with multiple providers have lower prices than those with only a single provider\(^3\) (e.g., 100+ Mbps broadband prices drop by 25%+ when a second, faster competitor enters a market\(^4\))

DISTINCTLY DIFFERENT VS. STANDALONE

Note: Home Broadband Replacement opportunity does not include Home Broadband Substitution (wireless subscribers that use mobile wireless as home broadband)

HOME BROADBAND REPLACEMENT: VALUE TO NEW T-MOBILE

CUSTOMERS (by 2024)
9.5M HHs (7% of US HHs)

FINANCIAL IMPACT (by 2024)
- [ ] revenue
- [ ] EBITDA

STRATEGIC VALUE

(\(^1\) From Fiommyaks' Un-carried report, June 2017; \(^2\) Assessing the impact of removing Regulatory Barriers on Next Generation Wireless and Wireline Broadband Infrastructure Investment, based on FCC Form 477 data from 2016; \(^3\) High-speed broadband internet, defined as Do/J of 100 Mbps/10 Mbps fixed broadband service; \(^4\) 2016 Broadband Progress Report, FCC report from Jan 2016; \(^5\) Fiber to Home Council study, 2016 “Broadband Competition Helps to Drive Lower Prices and Faster Download Speeds for U.S. Residential Consumers” study finds that presence of a gigabit service in a market decreases prices of 100+ Mbps plans by 26%; \(^6\) Based on internal TMD findings for Project Oaylight)
Growth opportunities: Rural

NEW T-MOBILE VISION

Be primary driver of closing not only today’s digital divide, but tomorrow’s as well, with “5G for all”
Bring rural America along for next generation of mobile, broadband, and video technology roll outs

CUSTOMER BENEFITS

Bring Un-carrier value proposition and next-generation services to rural America, including the:
- ~60M rural Americans at risk of being left behind (again) as 5G wireless technologies come online
- 36% rural Americans lack access to mid-speed broadband
- 16% rural Americans dependent on satellite TV only

DISTINCTLY DIFFERENT VS. STANDALONE

Breadth and depth of network broadens scope of impact
Only New T-Mobile positioned to bring real benefits of 5G to rural America, and extend Un-carrier reach to broadband & TV

RURAL AMERICA:
NEW VALUE TO T-MOBILE

CUSTOMERS (by 2024)
- Incremental postpaid GAs from rural markets (higher than A+B forecast) in addition to Video & Broadband subs. growth

FINANCIAL IMPACT (by 2024)
Incremental EBITDA impact of for core (voice) business, with additional potential from fixed wireless & video services

STRATEGIC VALUE

Source: FCC 2015 Broadband Deployment Report. (1) Total US POPs + AON = identified as rural. (2) Mid-speed broadband defined as min. 50 Mbps DL speed. (3) Satellite TV dependent POPs derived from POPs with access to 1.5Mbps or slower wireline internet in rural geos.
**Growth opportunities: Enterprise**

**NEW T-MOBILE VISION**

**Disrupt the Enterprise Market**

Break the duopoly and free enterprises from outdated pricing schemes and poor service

- Offers 3rd viable option in wireless with
  - ...the network reliability enterprise customers demand
  - ...enterprise customers need
  - ...enterprise-grade IoT platforms / products
- Lower, more transparent pricing enabled by scale
  - Elimination of VZ/T outdated pricing plans (e.g., data pools) and expensive international roaming
  - New T-Mobile to offer unlimited plans, transparent roaming
- Better service from the carrier with #1 customer satisfaction

**CUSTOMER BENEFITS**

- Scale to accelerate expansion of sales force to challenge Verizon and AT&T’s large teams
- Faster deployment of nationwide 5G, establishing T-Mobile as the enterprise carrier of choice for wireless and IoT

**FINANCIAL IMPACT (by 2024)**

- Incremental service revenue
- Incremental EBITDA

**CUSTOMERS (by 2024)**

New T-Mobile will grow share to ~ 20%, up from <5% pre-deal

**STRATEGIC VALUE**

Accelerate growth in a segment traditionally dominated by AT&T and VZ
Growth Opportunities: Video

**NEW T-MOBILE VISION**

**CUTOMER BENEFITS**

- Bring Un-carrier to TV
  Leverage benefits of scale in network, costs, and financial resources to disrupt TV with best-in-market TV packages and completely wireless offers.

- Allow customers to BREAK UP with their ISPs with the first wireless only bundle for TV + home internet

- Eliminate tradeoffs consumers make in choosing TV bundles - introduce exciting content packages enabled by cost savings derived from scale

- Deliver unmatched video quality to ALL markets, even rural (i.e., 4K), made possible only with the capacity of New T-Mobile’s 5G nationwide network

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**VIDEO: VALUE TO NEW T-MOBILE**

**CUSTOMERS (by 2024)**

- subs / market penetration
  (vs. standalone of / market penetration)

**FINANCIAL IMPACT (by 2024)**

- revenue (vs. standalone)
- EBITDA (vs. standalone)

**DISTINCTLY DIFFERENT VS. STANDALONE**

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**STRATEGIC VALUE**

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Growth opportunities: Consumer IoT

NEW T-MOBILE VISION

Inspire IoT Innovation & Drive Consumer Adoption

Drive IoT adoption in the home, with affordable SyncUp lineup that takes advantage of 5G capacity, reliability, and speed

CUSTOMER BENEFITS

- Full suite of SyncUp solutions helping customers take advantage of the latest in IoT like home security & entertainment
- Network that supports explosive growth in IoT devices, up to 100X the devices, 100X the speed and 10X improved latency
- Accelerated innovation of new IoT use cases enabled by nationwide 5G and LPWAN, such as AR/VR

WHAT IS DISTINCTLY DIFFERENT

- Network synergies to deliver lower prices for connected devices with extra capacity from 5G
- Only 5G nationwide network with breadth and depth of coverage for connected cars & other low latency applications
- Scale to deliver cheaper, more competitive IoT products
- Scale to enter new IoT markets and solution areas with the accelerated growth from selling into ~2x the base

INTERNET OF THINGS: VALUE TO NEW T-MOBILE

CUSTOMERS (by 2024)
- New T-Mobile Branded consumers¹ (+[number] incremental connections)

FINANCIAL IMPACT (by 2024)
- [revenue oppt'y to New T-Mobile from Branded IoT] (+[number] incremental)

STRATEGIC VALUE

¹ Branded IoT includes commercial fleet management (representing [number] branded customers and [number] branded IoT revenue in 2024) in addition to branded consumer products (connected car, connected home, other)
Growth opportunities: Commercial IoT and 5G Services

NEW T-MOBILE VISION

Accelerate IoT innovation in America
Maintain U.S. innovation leadership by launching the first nationwide 5G IoT network

CUSTOMER BENEFITS

- Strong 3rd option in a market dominated by the duopoly; AT&T and VZ own ~75% of M2M/IoT connections in 2017
- A new partner with fewer conflicts of interest: solution providers stuck working with T/VZ, their competitors
- An expanded suite of IoT solutions designed for businesses, accelerated by the combined talent from Sprint and T-Mobile
- Full suite of Enterprise-grade platforms/services for easy innovation and device provisioning & management

DISTINCTLY DIFFERENT VS. STANDALONE

- Faster rollout of nationwide 5G and... technologies enabling high bandwidth, low latency use cases like driverless cars & low bandwidth use cases like asset tracking
- Ability to invest in new IoT solutions, partners, and platforms necessary to compete in key verticals (e.g., smart buildings)

INTERNET OF THINGS: VALUE TO NEW T-MOBILE

MARKET SHARE (by 2024)
- [XX%] of connectivity market across: connected & autonomous vehicles, private networks, healthcare, industry, backup connectivity, asset tracking, smart cities, and smart buildings & campuses verticals

FINANCIAL IMPACT (by 2024)
- [XX%] connectivity revenue opportunity for the New T-Mobile

STRATEGIC VALUE

2. Includes Backup Connectivity and Private Network use cases, excludes branded fleet management

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Synergies
Build 7.5 total synergy NPV is $43.6B

1. Net of costs to achieve 5% discount rate, unlevered free cash flow, except Broadband replacement & Video at 18% discount rate.
Additional detail

Synergy and Financial Details
Back office

1. Net of costs to achieve, 6% discount rate, unlevered free cash flow

Note: Numbers may not add up due to rounding.
Cost synergy timing & cost to achieve, by category

Note: Numbers may not add up due to rounding.
Growth opportunity: Home Broadband replacement

1. Net of costs to achieve 15% discount rate, unlevered free cash flow

Note: Numbers may not add up due to rounding.
Growth opportunity: IoT

FROM BUILD 7.5

1. Net of costs to achieve 6% discount rate, unlevered free cash flow

Note: Numbers may not add up due to rounding
Growth opportunity: Enterprise

FROM BUILD 7.5

1. Net of costs to achieve 8% discount rate, unlevered free cash flow

Note: Numbers may not add up due to rounding
Growth opportunity: Rural expansion

1. Net of costs to achieve 5% discount rate, unlevered free cash flow

Note: Numbers may not add up due to rounding.
Growth opportunity: Video

FROM BUILD 7.5

1. Net of costs to achieve 15% discount rate, unlevered free cash flow

Note: Numbers may not add up due to rounding