CHANGING WIRELESS FOR GOOD

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Q3 2018

Financial Results, Supplementary Data, Non-GAAP Reconciliations, Reconciliation of Operating Measures

T-Mobile US, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions, except share and per share amounts)	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 329	$ 1,219
Accounts receivable, net of allowances of $70 and $86	1,652	1,915
Equipment installment plan receivables, net	2,366	2,290
Accounts receivable from affiliates	12	22
Inventories	958	1,566
Other current assets	1,969	1,903
Total current assets	7,286	8,915
Property and equipment, net	22,502	22,196
Goodwill	1,901	1,683
Spectrum licenses	35,553	35,366
Other intangible assets, net	229	217
Equipment installment plan receivables due after one year, net	1,223	1,274
Other assets	1,488	912
Total assets	$ 70,182	$ 70,563
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,500	$ 8,528
Payables to affiliates	226	182
Short-term debt	783	1,612
Deferred revenue	696	779
Other current liabilities	367	414
Total current liabilities	8,572	11,515
Long-term debt	11,993	12,121
Long-term debt to affiliates	14,581	14,586
Tower obligations	2,565	2,590
Deferred tax liabilities	4,370	3,537
Deferred rent expense	2,761	2,720
Other long-term liabilities	985	935
Total long-term liabilities	37,255	36,489
Commitments and contingencies		
Stockholders' equity		
Common Stock, par value $0.00001 per share, 1,000,000,000 shares authorized; 849,890,566 and 860,861,998 shares issued, 848,380,679 and 859,406,651 shares outstanding	—	—
Additional paid-in capital	37,956	38,629
Treasury stock, at cost, 1,509,887 and 1,455,347 shares issued	(7)	(4)
Accumulated other comprehensive income	—	8
Accumulated deficit	(13,594)	(16,074)
Total stockholders' equity	24,355	22,559
Total liabilities and stockholders' equity	$ 70,182	$ 70,563

T-Mobile US, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended			Nine Months Ended September 30,	
(in millions, except share and per share amounts)	September 30, 2018	June 30, 2018	September 30, 2017	2018	2017
Revenues					
Branded postpaid revenues	$ 5,244	$ 5,164	$ 4,920	$ 15,478	$ 14,465
Branded prepaid revenues	2,395	2,402	2,376	7,199	7,009
Wholesale revenues	338	275	274	879	778
Roaming and other service revenues	89	90	59	247	151
Total service revenues	8,066	7,931	7,629	23,803	22,403
Equipment revenues	2,391	2,325	2,118	7,069	6,667
Other revenues	382	315	272	993	775
Total revenues	10,839	10,571	10,019	31,865	29,845
Operating expenses					
Cost of services, exclusive of depreciation and amortization shown separately below	1,586	1,530	1,594	4,705	4,520
Cost of equipment sales	2,862	2,772	2,617	8,479	8,149
Selling, general and administrative	3,314	3,185	3,098	9,663	8,968
Depreciation and amortization	1,637	1,634	1,416	4,846	4,499
Gains on disposal of spectrum licenses	—	—	(29)	—	(67)
Total operating expense	9,399	9,121	8,696	27,693	26,069
Operating income	1,440	1,450	1,323	4,172	3,776
Other income (expense)					
Interest expense	(194)	(196)	(253)	(641)	(857)
Interest expense to affiliates	(124)	(128)	(167)	(418)	(398)
Interest income	5	6	2	17	15
Other income (expense), net	3	(64)	1	(51)	(89)
Total other expense, net	(310)	(382)	(417)	(1,093)	(1,329)
Income before income taxes	1,130	1,068	906	3,079	2,447
Income tax expense	(335)	(286)	(356)	(831)	(618)
Net income	795	782	550	2,248	1,829
Dividends on preferred stock	—	—	(13)	—	(41)
Net income attributable to common stockholders	$ 795	$ 782	$ 537	$ 2,248	$ 1,788
Net income	$ 795	$ 782	$ 550	$ 2,248	$ 1,829
Other comprehensive income, net of tax					
Unrealized gain (loss) on available-for-sale securities, net of tax effect of $0, $1, $0, $0 and $2	—	3	1	—	3
Other comprehensive income	—	3	1	—	3
Total comprehensive income	$ 795	$ 785	$ 551	$ 2,248	$ 1,832
Earnings per share					
Basic	$ 0.94	$ 0.92	$ 0.65	$ 2.65	$ 2.15
Diluted	$ 0.93	$ 0.92	$ 0.63	$ 2.62	$ 2.10
Weighted average shares outstanding					
Basic	847,087,120	847,660,488	831,189,779	849,960,290	829,974,146
Diluted	853,852,764	852,040,670	871,420,065	858,248,568	871,735,511

T-Mobile US, Inc.
Condensed Consolidated Statements of Cash Flows [(1)]
(Unaudited)

(in millions)	Three Months Ended September 30, 2018	Three Months Ended June 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating activities					
Net income	$ 795	$ 782	$ 550	$ 2,248	$ 1,829
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	1,637	1,634	1,416	4,846	4,499
Stock-based compensation expense	115	112	82	324	221
Deferred income tax expense	284	272	347	762	595
Bad debt expense	80	75	123	209	298
Losses from sales of receivables	48	27	67	127	242
Deferred rent expense	10	7	21	21	61
Losses on redemption of debt	—	90	—	122	86
Gains on disposal of spectrum licenses	—	—	(29)	—	(67)
Changes in operating assets and liabilities					
Accounts receivable	(1,238)	(1,136)	(1,022)	(3,247)	(2,676)
Equipment installment plan receivables	(335)	(286)	(355)	(843)	(1,148)
Inventories	(115)	125	113	43	(28)
Other current and long-term assets	(193)	(248)	(184)	(309)	(330)
Accounts payable and accrued liabilities	(265)	(79)	(12)	(1,372)	(607)
Other current and long-term liabilities	39	(105)	60	(21)	(84)
Other, net	52	(9)	75	35	75
Net cash provided by operating activities	914	1,261	1,252	2,945	2,966
Investing activities					
Purchases of property and equipment, including capitalized interest of $101, $102, $29, $246 and $111	(1,362)	(1,629)	(1,441)	(4,357)	(4,316)
Purchases of spectrum licenses and other intangible assets	(22)	(28)	(15)	(101)	(5,820)
Proceeds related to beneficial interests in securitization transactions	1,338	1,323	1,110	3,956	3,126
Acquisition of companies, net of cash acquired	—	(5)	—	(338)	—
Other, net	4	33	1	30	(2)
Net cash used in investing activities	(42)	(306)	(345)	(810)	(7,012)
Financing activities					
Proceeds from issuance of long-term debt	—	—	500	2,494	10,480
Payments of consent fees related to long-term debt	—	(38)	—	(38)	—
Proceeds from borrowing on revolving credit facility	1,810	2,070	1,055	6,050	2,910
Repayments of revolving credit facility	(2,130)	(2,195)	(1,735)	(6,050)	(2,910)
Repayments of capital lease obligations	(181)	(155)	(141)	(508)	(350)
Repayments of short-term debt for purchases of inventory, property and equipment, net	(246)	—	(4)	(246)	(296)
Repayments of long-term debt	—	(2,350)	—	(3,349)	(10,230)
Repurchases of common stock	—	(405)	—	(1,071)	—
Tax withholdings on share-based awards	(5)	(10)	(6)	(89)	(101)
Dividends on preferred stock	—	—	(13)	—	(41)
Cash payments for debt prepayment or debt extinguishment costs	—	(181)	—	(212)	(188)
Other, net	(6)	(3)	(5)	(6)	11
Net cash (used in) provided by financing activities	(758)	(3,267)	(349)	(3,025)	(715)
Change in cash and cash equivalents	114	(2,312)	558	(890)	(4,761)
Cash and cash equivalents					
Beginning of period	215	2,527	181	1,219	5,500
End of period	$ 329	$ 215	$ 739	$ 329	$ 739
Supplemental disclosure of cash flow information					
Interest payments, net of amounts capitalized	$ 366	$ 559	$ 343	$ 1,303	$ 1,565
Income tax payments	29	10	2	40	23
Noncash beneficial interest obtained in exchange for securitized	1,263	1,205	972	3,596	2,980
Noncash investing and financing activities					
Changes in accounts payable for purchases of property and equipment	$ 78	$ (386)	$ (141)	$ (672)	$ (458)
Leased devices transferred from inventory to property and equipment	229	280	262	813	775
Returned leased devices transferred from property and equipment to inventory	(74)	(90)	(165)	(246)	(635)
Issuance of short-term debt for financing of property and equipment	—	54	1	291	291
Assets acquired under capital lease obligations	133	176	138	451	735

(1) In Q1 2018, the adoption of the new cash flow accounting standard resulted in a reclassification of cash flows related to the deferred purchase price from securitization transactions from operating activities to investing activities. In addition, cash flows related to debt prepayment and extinguishment costs were reclassified from operating activities to financing activities. The effects of this change are applied retrospectively and are provided in the Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures tables.

T-Mobile US, Inc. Supplementary Operating and Financial Data

(in thousands)	Quarter Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Nine Months Ended September 30, 2017	2018
Customers, end of period									
Branded postpaid phone customers (1) (2)	32,095	32,628	33,223	34,114	34,744	35,430	36,204	33,223	36,204
Branded postpaid other customers (2)	3,246	3,530	3,752	3,933	4,321	4,652	4,957	3,752	4,957
Total branded postpaid customers	35,341	36,158	36,975	38,047	39,065	40,082	41,161	36,975	41,161
Branded prepaid customers (1)	20,199	20,293	20,519	20,668	20,876	20,967	21,002	20,519	21,002
Total branded customers	55,540	56,451	57,494	58,715	59,941	61,049	62,163	57,494	62,163
Wholesale customers (3)	17,057	13,111	13,237	13,870	14,099	14,570	15,086	13,237	15,086
Total customers, end of period	72,597	69,562	70,731	72,585	74,040	75,619	77,249	70,731	77,249
Adjustments to wholesale customers (3)	—	(4,368)	(160)	—	—	—	—	(4,528)	—

(1) As a result of the acquisition of Iowa Wireless Services, LLC (IWS), we included an adjustment of 13,000 branded postpaid phone and 4,000 branded prepaid IWS customers in our reported subscriber base as of January 1, 2018. Additionally, as a result of the acquisition of Layer3 TV, we included an adjustment of 5,000 branded prepaid customers in our reported subscriber base as of January 22, 2018.

(2) During the third quarter of 2017, we retitled our “Branded postpaid mobile broadband customers” category to “Branded postpaid other customers” and reclassified 253,000 DIGITS customers from our “Branded postpaid phone customers” category for the second quarter of 2017, when the DIGITS product was released.

(3) We believe current and future regulatory changes have made the Lifeline program offered by our wholesale partners uneconomical. We will continue to support our wholesale partners offering the Lifeline program, but have excluded the Lifeline customers from our reported wholesale subscriber base resulting in the removal of 4,368,000 and 160,000 reported wholesale customers as of the beginning of Q2 2017 and Q3 2017, respectively.

(in thousands)	Quarter Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Nine Months Ended September 30, 2017	2018
Net customer additions (losses)									
Branded postpaid phone customers (1) (2)	798	533	595	891	617	686	774	1,926	2,077
Branded postpaid other customers (2)	116	284	222	181	388	331	305	622	1,024
Total branded postpaid customers	914	817	817	1,072	1,005	1,017	1,079	2,548	3,101
Branded prepaid customers (1)	386	94	226	149	199	91	35	706	325
Total branded customers	1,300	911	1,043	1,221	1,204	1,108	1,114	3,254	3,426
Wholesale customers (3)	(158)	422	286	633	229	471	516	550	1,216
Total net customer additions	1,142	1,333	1,329	1,854	1,433	1,579	1,630	3,804	4,642
Adjustments to branded postpaid phone customers (2)	—	(253)	—	—	—	—	—	(253)	—
Adjustments to branded postpaid other customers (2)	—	253	—	—	—	—	—	253	—

(1) As a result of the acquisition of IWS and Layer3 TV, customer activity post acquisition was included in our net customer additions beginning in the first quarter of 2018.

(2) During the third quarter of 2017, we retitled our “Branded postpaid mobile broadband customers” category to “Branded postpaid other customers” and reclassified 253,000 DIGITS customer net additions from our “Branded postpaid phone customers” category for the second quarter of 2017, when the DIGITS product was released.

(3) Net customer activity for Lifeline was excluded beginning in the second quarter of 2017 due to our determination based upon changes in the applicable government regulations that the Lifeline program offered by our wholesale partners is uneconomical.

	Quarter Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Nine Months Ended September 30, 2017	2018
Branded postpaid phone churn	1.18%	1.10%	1.23%	1.18%	1.07%	0.95%	1.02%	1.18%	1.02%
Branded prepaid churn	4.01%	3.91%	4.25%	4.00%	3.94%	3.81%	4.12%	4.06%	3.95%

T-Mobile US, Inc. Supplementary Operating and Financial Data (continued)

	Quarter							Nine Months Ended September 30,	
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	2017	2018
Financial Metrics									
Service revenues (in millions)	$7,329	$7,445	$7,629	$7,757	$7,806	$7,931	$8,066	$22,403	$23,803
Total revenues (in millions)	$9,613	$10,213	$10,019	$10,759	$10,455	$10,571	$10,839	$29,845	$31,865
Net income (in millions)	$698	$581	$550	$2,707	$671	$782	$795	$1,829	$2,248
Net income margin	10%	8%	7%	35%	9%	10%	10%	8%	9%
Adjusted EBITDA (in millions)	$2,668	$3,012	$2,822	$2,711	$2,956	$3,233	$3,239	$8,502	$9,428
Adjusted EBITDA margin	36%	40%	37%	35%	38%	41%	40%	38%	40%
Cash purchases of property and equipment including capitalized interest (in millions)	$1,528	$1,347	$1,441	$921	$1,366	$1,629	$1,362	$4,316	$4,357
Capitalized Interest (in millions)	$48	$34	$29	$25	$43	$102	$101	$111	$246
Cash purchases of property and equipment excluding capitalized interest (in millions)	$1,480	$1,313	$1,412	$896	$1,323	$1,527	$1,261	$4,205	$4,111
Net cash provided by operating activities (in millions) (1)	$608	$1,106	$1,252	$865	$770	$1,261	$914	$2,966	$2,945
Net cash provided by (used in) investing activities (in millions) (1)	$(416)	$(6,251)	$(345)	$267	$(462)	$(306)	$(42)	$(7,012)	$(810)
Net cash provided by (used in) financing activities (in millions) (1)	$1,809	$(2,175)	$(349)	$(652)	$1,000	$(3,267)	$(758)	$(715)	$(3,025)
Free Cash Flow (in millions) (1)	$185	$482	$921	$1,137	$668	$774	$890	$1,588	$2,332
Net cash proceeds from securitization	$(144)	$66	$11	$95	$(150)	$25	$(18)	$(67)	$(143)
Operating Metrics									
Branded postpaid phone ARPU (2)	$47.53	$47.07	$46.93	$46.38	$46.66	$46.52	$46.17	$47.17	$46.44
Branded postpaid ABPU	$61.89	$60.40	$59.89	$59.88	$60.14	$58.37	$57.69	$60.71	$58.71
Branded prepaid ARPU	$38.53	$38.65	$38.93	$38.63	$38.90	$38.48	$38.34	$38.71	$38.57
Branded postpaid accounts, end of period (in thousands)	12,275	12,432	12,668	12,990	13,237	13,498	13,753	12,668	13,753
Branded postpaid customers per account	2.88	2.91	2.92	2.93	2.95	2.97	2.99	2.92	2.99
Device Sales and Leased Devices									
Phones (in millions)	8.6	8.3	8.7	9.7	8.7	7.9	8.1	25.6	24.7
Branded postpaid handset upgrade rate	7%	7%	6%	7%	5%	6%	6%	20%	18%
Device Financing									
Gross EIP financed (in millions)	$1,339	$1,657	$1,487	$2,090	$1,572	$1,705	$1,762	$4,483	$5,039
EIP billings (in millions)	$1,402	$1,402	$1,481	$1,581	$1,698	$1,585	$1,601	$4,285	$4,884
EIP receivables, net (in millions)	$2,855	$3,162	$3,236	$3,564	$3,515	$3,530	$3,589	$3,236	$3,589
Lease revenues (in millions)	$324	$234	$159	$160	$171	$177	$176	$717	$524
Leased devices transferred from inventory to property and equipment (in millions)	$243	$270	$262	$356	$304	$280	$229	$775	$813
Returned leased devices transferred from property and equipment to inventory (in millions)	$(197)	$(273)	$(165)	$(107)	$(82)	$(90)	$(74)	$(635)	$(246)
Customer Quality									
EIP receivables classified as prime	43%	43%	43%	44%	43%	42%	42%	43%	42%
EIP receivables classified as prime (including EIP receivables sold)	53%	52%	52%	54%	53%	52%	52%	52%	52%
Total bad debt expense and losses from sales of receivables (in millions)	$188	$162	$190	$147	$106	$102	$128	$540	$336

(1) In Q1 2018, the adoption of the new cash flow accounting standard resulted in a reclassification of cash flows related to the deferred purchase price from securitization transactions from operating activities to investing activities. In addition, cash flows related to debt prepayment and extinguishment costs were reclassified from operating activities to financing activities. In Q1 2018, we redefined Free Cash Flow to reflect the above changes in classification and present cash flows on a consistent basis for investor transparency. The effects of this change are applied retrospectively and are provided in the Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures tables.

(2) Branded postpaid phone ARPU includes the reclassification of 43,000 DIGITS average customers and the related revenue to the branded postpaid other customer category for the second quarter of 2017.

T-Mobile US, Inc.
Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures
(Unaudited)

This Investor Factbook includes non-GAAP financial measures. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information provided in accordance with GAAP. Reconciliations for the non-GAAP financial measures to the most directly comparable GAAP financial measures are provided below. T-Mobile is not able to forecast net income on a forward-looking basis without unreasonable efforts due to the high variability and difficulty in predicting certain items that affect GAAP net income including, but not limited to, income tax expense, stock-based compensation expense and interest expense. Adjusted EBITDA should not be used to predict net income as the difference between the two measures is variable.

Adjusted EBITDA is reconciled to net income as follows:

	Quarter							Nine Months Ended September 30,	
(in millions)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	2017	2018
Net income	$ 698	$ 581	$ 550	$ 2,707	$ 671	$ 782	$ 795	$ 1,829	$ 2,248
Adjustments:									
Interest expense	339	265	253	254	251	196	194	857	641
Interest expense to affiliates	100	131	167	162	166	128	124	398	418
Interest income	(7)	(6)	(2)	(2)	(6)	(6)	(5)	(15)	(17)
Other (income) expense, net	(2)	92	(1)	(16)	(10)	64	(3)	89	51
Income tax expense (benefit)	(91)	353	356	(1,993)	210	286	335	618	831
Operating income	1,037	1,416	1,323	1,112	1,282	1,450	1,440	3,776	4,172
Depreciation and amortization	1,564	1,519	1,416	1,485	1,575	1,634	1,637	4,499	4,846
Stock-based compensation (1)	67	72	83	85	96	106	102	222	304
Cost associated with the Transactions	—	—	—	—	—	41	53	—	94
Other, net (2)	—	5	—	29	3	2	7	5	12
Adjusted EBITDA	$ 2,668	$ 3,012	$ 2,822	$ 2,711	$ 2,956	$ 3,233	$ 3,239	$ 8,502	$ 9,428

(1) Stock-based compensation includes payroll tax impacts and may not agree to stock-based compensation expense in the condensed consolidated financial statements. Additionally, certain stock-based compensation expenses associated with the Transactions have been included in Cost associated with the Transactions.

(2) Other, net may not agree to the Condensed Consolidated Statements of Comprehensive Income primarily due to certain non-routine operating activities, such as other special items that would not be expected to reoccur, and are therefore excluded in Adjusted EBITDA.

T-Mobile US, Inc.
Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures (continued)
(Unaudited)

Net debt (excluding Tower obligations) to last twelve months Net income and Adjusted EBITDA ratios are calculated as follows:

(in millions, except net debt ratio)	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018
Short-term debt	$ 7,542	$ 522	$ 558	$ 1,612	$ 3,320	$ 1,004	$ 783
Short-term debt to affiliates	—	680	—	—	445	320	—
Long-term debt	13,105	13,206	13,163	12,121	12,127	12,065	11,993
Long-term debt to affiliates	9,600	14,086	14,586	14,586	14,586	14,581	14,581
Less: Cash and cash equivalents	(7,501)	(181)	(739)	(1,219)	(2,527)	(215)	(329)
Net debt (excluding Tower Obligations)	$ 22,746	$ 28,313	$ 27,568	$ 27,100	$ 27,951	$ 27,755	$ 27,028
Divided by: Last twelve months Net income	$ 1,679	$ 2,035	$ 2,219	$ 4,536	$ 4,509	$ 4,710	$ 4,955
Net Debt (excluding Tower Obligations) to last twelve months Net income	13.5	13.9	12.4	6.0	6.2	5.9	5.5
Divided by: Last twelve months Adjusted EBITDA	$ 10,493	$ 10,976	$ 11,109	$ 11,213	$ 11,501	$ 11,722	$ 12,139
Net Debt (excluding Tower Obligations) to last twelve months Adjusted EBITDA Ratio	2.2	2.6	2.5	2.4	2.4	2.4	2.2

Free Cash Flow [(1)] is calculated as follows:

	Quarter							Nine Months Ended September 30,	
(in millions)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	2017	2018
Net cash provided by operating activities	$ 608	$ 1,106	$ 1,252	$ 865	$ 770	$ 1,261	$ 914	$ 2,966	$ 2,945
Cash purchases of property and equipment	(1,528)	(1,347)	(1,441)	(921)	(1,366)	(1,629)	(1,362)	(4,316)	(4,357)
Proceeds related to beneficial interests in securitization transactions	1,134	882	1,110	1,193	1,295	1,323	1,338	3,126	3,956
Cash payments for debt prepayment or debt extinguishment costs	(29)	(159)	—	—	(31)	(181)	—	(188)	(212)
Free Cash Flow	$ 185	$ 482	$ 921	$ 1,137	$ 668	$ 774	$ 890	$ 1,588	$ 2,332
Net cash (used in) provided by investing activities	$ (416)	$ (6,251)	$ (345)	$ 267	$ (462)	$ (306)	$ (42)	$ (7,012)	$ (810)
Net cash provided by (used in) financing activities	$ 1,809	$ (2,175)	$ (349)	$ (652)	$ 1,000	$ (3,267)	$ (758)	$ (715)	$ (3,025)

(1) In Q1 2018, the adoption of the new cash flow accounting standard resulted in a reclassification of cash flows related to the deferred purchase price from securitization transactions from operating activities to investing activities. In addition, cash flows related to debt prepayment and extinguishment costs were reclassified from operating activities to financing activities. In Q1 2018, we redefined Free Cash Flow to reflect the above changes in classification and present cash flows on a consistent basis for investor transparency. The effects of this change are applied retrospectively.

Free Cash Flow [(1)] three-year CAGR is calculated as follows:

	FY	FY			
(in millions, except CAGR Range)	2016	2019 Guidance Range		CAGR Range	
Net cash provided by operating activities	$ 2,779	$ 3,405	$ 3,855	7%	12%
Cash purchases of property and equipment	(4,702)	(5,100)	(5,400)	3%	5%
Proceeds related to beneficial interests in securitization transactions	3,356	6,195	6,195		
Cash payments for debt prepayment or debt extinguishment costs	—	—	(50)		
Free Cash Flow	$ 1,433	$ 4,500	$ 4,600	46%	48%

(1) In Q1 2018, the adoption of the new cash flow accounting standard resulted in a reclassification of cash flows related to the deferred purchase price from securitization transactions from operating activities to investing activities. In addition, cash flows related to debt prepayment and extinguishment costs were reclassified from operating activities to financing activities. In Q1 2018, we redefined Free Cash Flow to reflect the above changes in classification and present cash flows on a consistent basis for investor transparency. The effects of this change are applied retrospectively.

T-Mobile US, Inc.
Reconciliation of Operating Measures to Service Revenues
(Unaudited)

The following tables illustrate the calculation of our operating measures ARPU and ABPU and reconcile these measures to the related service revenues:

(in millions, except average number of customers, ARPU and ABPU)	Quarter							Nine Months Ended September 30,	
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	2017	2018
Calculation of Branded Postpaid Phone ARPU									
Branded postpaid service revenues	$ 4,725	$ 4,820	$ 4,920	$ 4,983	$ 5,070	$ 5,164	$ 5,244	$ 14,465	$ 15,478
Less: Branded postpaid other revenues	(225)	(255)	(294)	(303)	(259)	(272)	(289)	(774)	(820)
Branded postpaid phone service revenues	$ 4,500	$ 4,565	$ 4,626	$ 4,680	$ 4,811	$ 4,892	$ 4,955	$ 13,691	$ 14,658
Divided by: Average number of branded postpaid phone customers (in thousands) and number of months in period	31,564	32,329	32,852	33,640	34,371	35,051	35,779	32,248	35,067
Branded postpaid phone ARPU [(1)]	$ 47.53	$ 47.07	$ 46.93	$ 46.38	$ 46.66	$ 46.52	$ 46.17	$ 47.17	$ 46.44
Calculation of Branded Postpaid ABPU									
Branded postpaid service revenues	$ 4,725	$ 4,820	$ 4,920	$ 4,983	$ 5,070	$ 5,164	$ 5,244	$ 14,465	$ 15,478
EIP billings	1,402	1,402	1,481	1,581	1,698	1,585	1,601	4,285	4,884
Lease revenues	324	234	159	160	171	177	176	717	524
Total billings for branded postpaid customers	$ 6,451	$ 6,456	$ 6,560	$ 6,724	$ 6,939	$ 6,926	$ 7,021	$ 19,467	$ 20,886
Divided by: Average number of branded postpaid customers (in thousands) and number of months in period	34,740	35,636	36,505	37,436	38,458	39,559	40,561	35,627	39,526
Branded postpaid ABPU	$ 61.89	$ 60.40	$ 59.89	$ 59.88	$ 60.14	$ 58.37	$ 57.69	$ 60.71	$ 58.71
Calculation of Branded Prepaid ARPU									
Branded prepaid service revenues	$ 2,299	$ 2,334	$ 2,376	$ 2,371	$ 2,402	$ 2,402	$ 2,395	$ 7,009	$ 7,199
Divided by: Average number of branded prepaid customers (in thousands) and number of months in period	19,889	20,131	20,336	20,461	20,583	20,806	20,820	20,119	20,737
Branded prepaid ARPU	$ 38.53	$ 38.65	$ 38.93	$ 38.63	$ 38.90	$ 38.48	$ 38.34	$ 38.71	$ 38.57

(1) Branded postpaid phone ARPU includes the reclassification of 43,000 DIGITS average customers and related revenue to the “Branded postpaid other customers” category for the second quarter of 2017.

Definitions of Terms

Operating and financial measures are utilized by T-Mobile's management to evaluate its operating performance and, in certain cases, its ability to meet liquidity requirements. Although companies in the wireless industry may not define measures in precisely the same way, T-Mobile believes the measures facilitate key operating performance comparisons with other companies in the wireless industry to provide management, investors and analysts with useful information to assess and evaluate past performance and assist in forecasting future performance.

1. Customer - SIM number with a unique T-Mobile mobile identifier which is associated with an account that generates revenue. Branded customers generally include customers that are qualified either for postpaid service, where they generally pay after incurring service, or prepaid service, where they generally pay in advance. Wholesale customers include Machine-to-Machine (M2M) and Mobile Virtual Network Operator (MVNO) customers that operate on T-Mobile's network, but are managed by wholesale partners.
2. Churn - Number of customers whose service was disconnected as a percentage of the average number of customers during the specified period. The number of customers whose service was disconnected is presented net of customers that subsequently have their service restored within a certain period of time.
3. Customers per account - The number of branded postpaid customers as of the end of the period divided by the number of branded postpaid accounts as of the end of the period. An account may include branded postpaid phone, mobile broadband, and DIGITS customers.
4. Average Revenue Per User (ARPU) - Average monthly service revenue earned from customers. Service revenues for the specified period divided by the average customers during the period, further divided by the number of months in the period.

   Branded postpaid phone ARPU excludes mobile broadband and DIGITS customers and related revenues.

   Average Billings per User (ABPU) - Average monthly branded postpaid service revenue earned from customers plus monthly EIP billings and lease revenues divided by the average branded postpaid customers during the period, further divided by the number of months in the period. T-Mobile believes branded postpaid ABPU is indicative of estimated cash collections, including device financing payments, from T-Mobile's postpaid customers each month.

   Service revenues - Branded postpaid, including handset insurance, branded prepaid, wholesale, and roaming and other service revenues.
5. Cost of services - Costs directly attributable to providing wireless service through the operation of T-Mobile's network, including direct switch and cell site costs, such as rent, network access and transport costs, utilities, maintenance, associated labor costs, long distance costs, regulatory program costs, roaming fees paid to other carriers and data content costs.

   Cost of equipment sales - Costs of devices and accessories sold to customers and dealers, device costs to fulfill insurance and warranty claims, write-downs of inventory related to shrinkage and obsolescence, and shipping and handling costs.

   Selling, general and administrative expenses - Costs not directly attributable to providing wireless service for the operation of sales, customer care and corporate activities. These include all commissions paid to dealers and retail employees for activations and upgrades, labor and facilities costs associated with retail sales force and administrative space, marketing and promotional costs, customer support and billing, bad debt expense and administrative support activities.
6. Net income margin - Margin % calculated as net income divided by service revenues.
7. Adjusted EBITDA - Earnings before interest expense, net of interest income, income tax expense, depreciation and amortization expense, non-cash stock-based compensation and certain expenses not reflective of T-Mobile's ongoing operating performance. Adjusted EBITDA margin represents Adjusted EBITDA divided by service revenues. Adjusted EBITDA is a non-GAAP financial measure utilized by T-Mobile's management to monitor the financial performance of our operations. T-Mobile uses Adjusted EBITDA internally as a metric to evaluate and compensate its personnel and management for their performance, and as a benchmark to evaluate T-Mobile's operating performance in comparison to its competitors. Management believes analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate overall operating performance and facilitate comparisons with other wireless communications companies because it is indicative of T-Mobile's ongoing operating performance and trends by excluding the impact of interest expense from financing, non-cash depreciation and amortization from capital investments, non-cash stock-based compensation, network decommissioning costs and costs related to the Transactions, as they are not indicative of T-Mobile's ongoing operating performance, as well as certain other nonrecurring income and expenses. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for income from operations, net income or any other measure of financial performance reported in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").
8. Adjusted EBITDA Margin - Margin % calculated as Adjusted EBITDA divided by service revenues.
9. Smartphones - UMTS/HSPA/HSPA+ 21/HSPA+ 42/4G LTE enabled converged devices, which integrate voice and data services.
10. Free Cash Flow - Net cash provided by operating activities less cash purchases of property and equipment, including proceeds related to beneficial interests in securitization transactions and less cash payments for debt prepayment or debt extinguishment costs. Free Cash Flow is utilized by T-Mobile's management, investors, and analysts to evaluate cash available to pay debt and provide further investment in the business. The reconciliation of Free Cash Flow to net cash provided by operating activities is detailed in the Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures schedule. In Q1 2018, we made an accounting change to reduce net cash provided by operating activities by the deferred purchase price less payments for debt prepayment or debt extinguishment costs, as a result of the adoption of ASU 2016-15. Free Cash Flow has been redefined to reflect the changes in classification and present cash flows on a consistent basis for investor transparency.
11. Net debt - Short-term debt, short-term debt to affiliates, long-term debt, and long-term debt (excluding tower obligations) to affiliates, less cash and cash equivalents.