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PRESENTATION

Operator

Good morning. Following opening remarks, the earnings call will be open for questions (Operator Instructions) I would now like to turn the conference over to Mr. Jud Henry, Senior Vice President and Head of Investor Relations for T-Mobile US. Please go ahead, sir.

Jud Henry - *T-Mobile US, Inc. - SVP of IR*

All right. Welcome to T-Mobile's Second Quarter 2022 Earnings Call. Joining me on the call today are Mike Sievert, our President and CEO; Peter Osvaldik, our CFO; as well as other members of the senior leadership team.

During this call, we will make forward-looking statements, which involve a number of risks and uncertainties that may cause actual results to differ materially from our forward-looking statements. We provide a comprehensive list of risk factors in our SEC filings, which I encourage you to review. Our earnings release, investor fact book and other documents related to the quarter as well as reconciliations between our GAAP and non-GAAP metrics can be found on the Quarterly Results section of the Investor Relations website. Also, we're in a quiet period for Auction 108, so we cannot discuss or comment on anything related to the 2.5 gigahertz licenses.

And with that, let me turn the call over to Mike.

G. Michael Sievert - T-Mobile US, Inc. - President, CEO & Director

Okay. Thanks, Jud. Good morning, everybody. Well, you can see, if you're watching us live on the Web stream, we've got most of our senior team here in New York City today, and we are here to share our Q2 results. And I am extremely proud of our team for delivering another quarter of great results while completing major integration milestones.

Q2 was another strong quarter of industry-leading growth for us in customers, postpaid service revenues and EBITDA. And based on our momentum, we are raising our full year guidance across the board again. This just shows that the Un-carrier playbook, putting customers first and providing them with the best value and the best network, continues to work in a competitive climate and in the changing macroeconomic environment.

Before I go into our results, I do want to take a moment to acknowledge this challenging economic climate for consumers and businesses and what T-Mobile is doing to help customers stay connected. Inflation has been dominating headlines and dinner table conversations. It's a reality that millions of American families are facing as prices every day for essentials are skyrocketing all around them. That's why we did what the Un-carrier does best with 3 big moves last quarter to help customers when they need it most. Prioritizing customers' needs is exactly what continues to fuel our growth.

Others in the industry notified their customers that their already overpriced bills are going up when they could least afford it. Naturally, some have asked when will T-Mobile raise its rates. Well, building on our proud history as the Un-carrier, our answer is that we're not. Instead, we introduced price lock. We're standing by our commitment to customers and those who switched to T-Mobile that we won't raise the price of their rate plans.

We're here to help broadband customers across the country as well with our recent launch of Internet Freedom. Broadband customers are some of the least satisfied in America, the fees, the contracts, the price hikes, the terrible customer service, it's all ridiculous. And it looks a lot like the wireless industry a decade ago. But it's all changing because we're making it easy for customers to break up with big Internet, lock in their price and finally feel appreciated.

And we made T-Mobile Business Internet available nationwide, which makes T-Mobile the first and only nationwide Internet provider for business. And third, we saw another opportunity to help customers as travel is on the rebound. But like everything else, travel has become more expensive and more complicated. So T-Mobile launched Coverage Beyond to help people get back out there and save money while doing it.

We've got customers covered across the U.S., on their airline flights, on the road and in more than 210 countries and destinations. This is what the Un-carrier is all about, chasing down customer pain points and smashing them. And right now, with this economy, there are a lot of pain points out there. And you know what? This strategy works again and again.

We delivered another industry-leading quarter of both customer and financial growth. In fact, we posted a record 380,000 postpaid account net adds, the highest in company history and the highest reported in the industry yet again. As I've said before, this measure of total billing relationships is a strong barometer that we're winning the switching decisions in this industry.

I know the competitive market trends are top of mind, and here's what we saw in Q2. Postpaid switching activity increased year-over-year, and we benefited from more than our fair share of those switching decisions. Importantly, our network and brand are consistently attracting the industry's best customers, driving the prime mix of our customer base to an all-time high.

And we delivered our highest ever Q2 postpaid net additions with an industry best 1.7 million, more than AT&T and Verizon combined again. This includes 723,000 postpaid phone net adds. Our postpaid phone churn dropped 13 basis points sequentially to 0.80%, and we were the only wireless service provider to improve year-over-year.

In fact, delivering lower churn than Verizon for the first time ever on a combined basis, including Sprint. The fact that our all-in churn, including Sprint, is trending so strongly just 2 years out from our merger shows our team's fantastic progress, and it is exactly what we told you would happen.

Okay. Let's talk about high-speed Internet, where our team delivered 560,000 net additions. I'm pretty confident that we'll see T-Mobile as the fastest-growing broadband provider in the industry for the third consecutive quarter and most likely by a wide margin.

Demand continues to build from dissatisfied suburban cable customers to underserved customers in smaller markets and rural areas. I am so excited to see our broadband business hit this pace, which puts us right on track to meet the multiyear ambitions we shared with you last year.

We continue to see great customer adoption of Magenta MAX, which is helping drive our strong ARPU and ARPA trends. With the trends we're seeing, we now expect postpaid ARPA to be up roughly 3% in 2022. These results reflect our differentiated strategy to unlock growth across smaller markets and rural areas, T-Mobile for Business, network seekers in the top 100 markets who hadn't previously considered us, and in new product categories like 5G broadband.

They also reflect the strength of our network leadership, as supported by nearly every third party. Recent reports from Ookla and PCMagazine not only recognize T-Mobile for the fastest and most available 5G network, but for the best overall network experience. And OpenSignal recently reported that not only did our average speeds increase yet again, the gap over the competition widened even further despite their C-band deployments. We are winning this race. And as I've been telling you, we plan to stay ahead.

And speaking of network, we just hit some major integration milestones. Just over 2 years since we closed the merger, we have successfully shut down most of the Sprint network. As of the end of the quarter, we had cumulatively decommissioned nearly 2/3 of the 35,000 targeted sites and can now report that we will be substantially complete by the end of Q3 this current quarter. Remarkable work by the team to deliver these milestones ahead even of our recent year-end target and more than a year earlier than our original merger plan.

Before I wrap up, I want to touch on cybersecurity, following the criminal attack we experienced roughly a year ago. Protecting our customers' data is a top priority for the company, which is why following the attack, we immediately took additional steps to protect our customers. We created a cyber transformation office and engaged some of the top -- world's top experts to help.

We're investing hundreds of millions of dollars to enhance our data security tools and capabilities to transform our cybersecurity program. We always knew that there would unfortunately be financial consequences from this attack, and we were pleased to recently reach settlements that will resolve the class actions and most of the consumer claims.

Together, we believe these settlements will represent the biggest component of those impacts. These costs were contemplated in our financial guidance and the amounts are consistent with precedents we've seen in other similar agreements. We're now focused on moving forward as we continue to invest in and enhance our company's cybersecurity.

Okay. Let me give a quick recap before I hand things over to Peter. I am very pleased with our company's performance and progress against our ambitious multiyear goals. Again, this quarter, we outperformed against our plans and again led the industry in net additions of postpaid customers and growth in postpaid service revenue, core adjusted EBITDA and cash flows. And as a result, we raised our guidance across the board again.

The Un-carrier value proposition resonates, and it's so well tuned to the (inaudible). People want the best network and now more than ever they wanted at the best value from a team that's obsessed with their satisfaction. Our strategy is so simple, but maybe that's why it works quarter after quarter, year after year.

Okay, Peter, over to you to talk about our key financial highlights from Q2 and our increased guidance for 2022 in more detail.

Peter Osvaldik - T-Mobile US, Inc. - Executive VP & CFO

All right. Thanks, Mike. As you can see, we delivered another strong quarter with our Q2 results. Our industry-leading growth in postpaid accounts and postpaid ARPA resulted in the best postpaid service revenue growth in the industry, up over 9% year-over-year.

That strong service revenue growth, combined with our continued execution on merger synergies, delivered year-over-year core adjusted EBITDA growth of 10% for the second quarter in a row. This just highlights our profitable growth strategy when compared to the year-over-year decline in EBITDA margins that you see from others in our industry. That growth in profitability fueled higher operating cash flow and enabled us to deliver industry-leading growth in free cash flow while accelerating our CapEx investments in the network.

And finally, I wanted to highlight a few special items that impacted earnings for the quarter. As we foreshadowed last quarter with the shutdown of the Sprint network, certain wireline assets acquired in the merger will no longer support the wireless business. As a result, we took a noncash impairment charge of \$477 million on a pretax basis in Q2.

In addition, we recorded a \$400 million pretax charge related to the \$350 million class action settlement and other expenses from the data breach a year ago, which was within our guidance expectations for the year.

All right. Let's jump into the details of our increased guidance across the board for 2022. We now expect total postpaid net customer additions to be between 6 million and 6.3 million, up 600,000 at the midpoint, reflecting both the great execution of our differentiated growth strategy and progress on reducing Sprint churn. We continue to expect nearly half of postpaid net adds will be coming from phones for the full year.

As we mentioned last quarter, the net adds guidance does not include the subset of customers who we do not expect to migrate upon our network sunsets, which were treated as a base adjustment. As we began the orderly network shutdowns at the end of Q2, we took an adjustment of 284,000 postpaid phones in line with what we had guided, as well as 946,000 postpaid other devices that were not practical to be upgraded.

Turning to core adjusted EBITDA. We now expect full year 2022 to be between \$26 billion and \$26.3 billion, up more than 10% year-over-year at the midpoint and up \$150 million from our prior guidance, driven by our profitable growth in service revenues and merger synergies. This excludes leasing revenues, which we expect to be between \$1.2 billion to \$1.4 billion, as we continue to transition Sprint customers off device leasing.

We now expect merger synergies to be between \$5.4 billion to \$5.6 billion, up \$200 million at the midpoint as we unlock more network savings driven by accelerated site decommissioning. Merger-related costs, which are not included in core adjusted EBITDA, are expected to be between \$4.7 billion and \$5.0 billion before taxes, primarily representing network activities.

With Q2 being the peak quarter, we expect that Q3 will be closer to Q1 levels, and then taper off in Q4. Net cash provided by operating activities, including payments for merger-related costs, are now expected to be in the range of \$16 billion to \$16.3 billion, up more than 10% year-over-year at the midpoint and up \$250 million from the prior guidance.

Turning to cash CapEx. We now expect it to be between \$13.5 billion and \$13.7 billion, which is up \$250 million at the midpoint with both the robust pace of our 5G deployment and our success in high-speed Internet, where we capitalize the routers.

Together, we now expect free cash flow, including payments for merger-related costs, to be in the range of \$7.3 billion to \$7.6 billion, which we raised \$50 million at the midpoint. This is up more than 30% over last year, even with the higher levels of investment and does not assume any material net cash inflows from securitization.

We continue to expect our full year effective tax rate to be between 24% and 26%. And finally, as we successfully executed our strategy to continuously deepen our account relationships, we now expect full year postpaid ARPA to be up 3%, and we expect postpaid phone ARPU to be up approximately 2% for the full year driven by continued customer adoption of value-add services, including Magenta MAX.

Before I wrap up, I want to celebrate an important milestone of achieving an investment-grade corporate family rating for the first time in our company's history. With the Moody's upgrade last week, in addition to our existing investment-grade rating from Fitch, T-Mobile now has investment-grade ratings from 2 of the 3 top ratings agencies. This is proof of the investment community's confidence in our Un-carrier playbook, delivering on our substantial -- delivering on our accelerated merger integration and synergies executing on our differentiated growth strategy and our ability to translate that into unprecedented free cash flow.

And with that, I will now turn the call back to Jud to begin the Q&A.

QUESTIONS AND ANSWERS

Jud Henry - *T-Mobile US, Inc. - SVP of IR*

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

Operator

We'll go first to David Barden with Bank of America.

David William Barden - *BofA Securities, Research Division - MD*

So obviously, Peter, congratulations on the IG rating. Obviously, everyone's going to want to know how that informs your plans to begin executing on the stock buyback program and kind of your maybe updated thoughts around that in light of the recent actions?

And I guess second, if I could, just on the guidance increase in core adjusted EBITDA of \$150 million. With the merger synergies now going up to \$200 million, 2Q results kind of being, I think, ahead of where street expectations were, and in light of the new wholesale agreement that you struck with DISH, which likely means that the kind of pressure on the wholesale business is not going to be nearly as much as was feared, I guess, it sounds to me like that \$150 million could be larger. And if you could talk a little bit about maybe some of the reasons why it might not be larger given some of the inflation and the other pressures in the market?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

I'll start with the first one and then get Peter wound up to answer the second one. First of all, I just want to congratulate this whole team and our finance department and Peter, first and foremost, for achieving this major milestone.

We have sought to be an investment-grade issuer for many years. It's been a goal of ours. And now we have 2 of the 3 rating agencies. I certainly hope to see S&P soon. And that's just an exciting moment for us, and particularly with what has happened this year in the high-yield market, it's particularly important.

As we've said all along about the share buybacks, there was no preset designated things that needed to be accomplished before our Board would deliberate on this. But with where high-yield markets are right now, clearly, this is a very important milestone.

Unfortunately, we don't have an update for you other than to reiterate what we told you in the past. Looking at all of our momentum, our financial performance, we continue to see upwards of \$60 billion in share buybacks in '23, '24 and '25 in total with the possibility of beginning sooner. And absolutely, nothing has changed on that front. But we've accomplished some very important milestones toward that end.

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

Absolutely. All right, Dave. And on your other question of core adjusted EBITDA and what are we seeing from inflation, what are we seeing from DISH and with synergies up \$200 million and core adjusted EBITDA of \$150 million, what are some of the delta items in there.

So first, just with regards to DISH. I think we're very pleased to have reached agreement, gone through all of the settlements of the disputes as well as the CDMA shutdown. And we're looking forward to being great partners with DISH in the future.

The agreement, as of the struck, gives us tremendous visibility into what revenues will be in the coming years. And while that's down over Analyst Day expectations, it's about 3/4 of what we anticipated at Analyst Day through the duration of the plan period. So very pleased with that.

The other thing I'll say from an inflation perspective, as we've talked before, there's been a great, great work by Neville and his team to early on lock in a lot of our significant cost into long-term contracts, whether that was on the CapEx side with the OEM vendors as the network rollout happened, whether it was with tower operators, whether that was with backhaul. So we've been able to get a lot of those costs fixed.

Of course, we're seeing some pressure, as everybody else is, particularly in the labor space, but that's all contemplated into the guide itself. Synergy is up \$200 million is just, again, speaks to Neville and his team and how quickly they're moving on decommissioning in a very efficient and customer-friendly manner.

And the other thing I'll point to is we just raised net adds guidance by 600,000 at the midpoint. So obviously, the S part of SG&A will be the thing that we're investing in to drive that growth, as well as that quicker acceleration of the network allows Neville to continue building quicker and you have some earlier costs associated with that, which, of course, pays off in the ability to acquire customers with this value prop. So those are all the components as I think about them.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

David, that last point is particularly important to me. As you've seen something from this report, you've seen that we have incredible momentum right now on growth. I mean more postpaid net additions than AT&T and Verizon combined, plus -- or including 560,000, by and large, high-speed Internet connections.

And those things cost us money to generate that growth in an in-period basis. And so we're anticipating, as you saw in the guide, continued success there. Also, our accounting approach, as Peter has explained in the past, is a little different than our competitors. We take the preponderance of those costs in period rather than racking up millions of dollars on our balance sheet that would come in the form of negative revenue charges later. So those are some of the key things that explain the difference between the increase in synergies and the increase in EBITDA.

Operator

We'll go next to Simon Flannery with Morgan Stanley.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. A couple on fixed wireless, if I could. First, if you could just update us. I think you talked about account growth being driven by fixed wireless. Can you just talk about new to T-Mobile, what's that doing in terms of pulling through phone adds and into reducing churn, what sort of impact you're seeing as this becomes a more important part every month of the base?

And then, I guess, a question for Neville and a way you're at 560,000 this quarter, annualizing at over 2 million. It seems like it's accelerating on a steady basis. If you extrapolate that out, that takes you pretty much to the top end of that 7 million to 8 million. By '25, it looks like you could exceed it. What's your capability in terms of network capacity to handle the 5 -- more than, say, 500,000, 600,000 adds per quarter? Or is this going to be sort of the run rate to take us to that guidance by 2025?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Great. Well, I'll jump in first and then turn it to Neville. I am so delighted with what's happening here. I mean 560,000 net adds is a run rate that if you just do the math, it gets us to the goals that we've established.

And so this is really now a run rate business that we're very excited to be seeing success around. And not a lot has changed in that, it remains the case that the majority of our net additions are coming from existing T-Mobile customers. And that's terrific to see. And we not only like that trend, but we doubled down on it with offers during the quarter.

As you saw, Internet Freedom put in an exciting offer for Magenta MAX customers to create a bundle, and we've seen the uptake of that has been really terrific. So for example, loading of the new high-speed Internet product late in the quarter and early in this quarter has been coming in a little above \$45 as compared to \$49 to \$50 in the base. So you see that you're getting the benefit of that bundle blended in now and most of the sales continue to be to our existing customers.

That being said, it also is a terrific front door for the company. And you can see that it's driving new relationships. But increasingly, those new relationships are not just stopping at high-speed Internet. So they're coming in buying high-speed Internet and then going ahead and switching, including Magenta MAX. So that's starting to work as a very successful cycle. Anything to add to that, Mike or Jon?

Michael J. Katz - *T-Mobile US, Inc. - CMO*

The only other thing I would add is we're also seeing more and more customers pick both at the point of sale. I think a dynamic that's been driven by exactly what you just said, Mike, this powerful bundling that we've done with Magenta MAX.

And we continue to see growth coming from the 2 areas that Mike said upfront, about 2/3 coming from suburban and urban environments, where they're switching from cable, and 1/3 coming from rural, where we are the only high-speed alternative. And that's been an exciting area and pocket of growth that we'll continue to expand as the network expands.

A little over half were switching from cable. And here's an interesting thing that came out in the umlaut study this past month. And this is based on comprehensive -- it's Ookla comprehensive speed test. And for the first time, T-Mobile 5G surpassed the nationwide speeds of cable providers, looking at Comcast and Charter on cable connections as compared to T-Mobile customers on 5G smartphones, the T-Mobile customer 5G speed test nationwide median were higher. And that really shows you one more data point on the competitiveness of our ability to use this network to serve high-speed Internet customers. Okay. Second question.

Neville R. Ray - *T-Mobile US, Inc. - President of Technology*

Yes. Thanks. Thanks, Simon. You've opened the door for me to talk about 5G network. Lots to talk about.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

That's all the time we have.

Neville R. Ray - *T-Mobile US, Inc. - President of Technology*

I'll be brief. The in-home broadband story, it's just a tremendous testament to the progress we've made with rolling out at a really accelerated pace to our 5G network. I mean, we clearly have a very strong leadership position on 5G. It's significant. It's durable. We are here to lead on this 5G story for years to come.

And so we announced in the materials today our low-band network, now 320 million people covered, 97% of all Americans. Our mid-band footprint, our ultra-capacity 5G, which is where the 5G story really comes to life, 235 million people covered well on our way to 260 million by the end of this year. And that footprint covers 87% of T-Mobile customers today. So a tremendous progress.

We're actually hitting some of the highest production rates in our 2-year history rolling out mid-band, well over 1,000 sites moved into various radio upgrades on a weekly basis inside the month of July. So real momentum across the board. And what we can do on in-home broadband, to your question, Simon, is a real product.

This in-home product, this in-home broadband product is a testament to our 5G network growth. And as Mike referenced, our Ookla report, if you look at the fixed broadband industry and the median speeds, it's lower than what T-Mobile is being recorded as delivering on a median speed basis. And so it's not just about footprint, it's about capacity and the spectrum story.

And today, we have over 110 megahertz of dedicated mid-band spectrum on average across that mid-band footprint and over 30 megahertz of extended-range 5G spectrum. So 140 megahertz of dedicated 5G spectrum. And it's that capability of coverage, plus 5G depth and spectrum that allows us to push into these 5G broadband stories and this growth.

And we are really -- I mean we're a year into this business, Simon. We're very confident about the projections and capabilities that we've mapped out over the coming years. But this network is really starting to now gain traction.

The integration with Sprint is all over by the shelving, to be honest. 2/3 of the sites have been de-comm'd, less than 1% of the Sprint traffic -- customer traffic now on that legacy Sprint network, high confidence. We will bring that to a close as we exit this quarter, and that's driving a ton of goodness.

The spectrum that we can migrate and move across, the coverage and the capabilities that come with one very strong powerhouse network and a little over 2 years from when we started this process. So great progress, very confident in what we're delivering, delighted with the speeds that we're delivering on in-home broadband. And I think we're bringing to the market probably the real first 5G use case. Everybody has been hunting for this thing. But in-home broadband, fixed wireless is here and it's here to stay.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Simon, one of the things that Neville said, I think, has been under discussed, which is how much spectrum we have against this leading mid-band 5G footprint. There's a lot of discussion about the fact that we have 235 million people covered with mid-band ultra capacity 5G as compared to 70 million for AT&T, 135 million for Verizon, as they begin their C-band deployments.

But what's really interesting is what Neville said about the depths of spectrum across that 235 million on average. He said 110 megahertz of mid-band plus 30 megahertz of low band, 140 megahertz dedicated to that 5G layer. And that's unique, and it will be unique for some time to come. And it really allows for the kinds of capacity throughput and performance that we've been talking about on this call. It opens up not just high-speed Internet opportunities, but really exciting opportunities in the business space that our competitors can issue press releases around, but where we're ready to execute and support businesses right now with advanced network 5G services. So we'll talk more about that later. But thanks for your question about that.

Operator

We'll go next to John Hodulik with UBS.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Two issues or 2 areas I'd like to explore. First, on the macro side. Mike, you said the consumer is feeling some pressure. I mean any impact so far in terms of slower payment or bad debt? And are you seeing any evidence that your value proposition is actually driving some flow share versus your competitors? That's #1.

And then I thought the highlight of the quarter was the phone churn, 80 bps. Any color you can give in terms of the disaggregating, what you're seeing on the Magenta side or on the Sprint side, and how close are we to getting that Sprint churn down to where we are with Magenta and further improvement in that metric?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Absolutely, John. Well, first, let me just take the first question on what we're seeing. You saw that our bad debt returned to more historic levels this quarter, and we're very comfortable with it at this level.

One of the things that makes us different than our competitors in this space is we have a long history and a deep confidence at dealing with customers who have variable economic circumstances. And so it's not new for us that some customers are stressed up financially. We know how to work with them on that front. And you've seen our bad debt levels return to more historic rates. There have been other things driving that bad debt as well.

One of the things you see is that our EIP balances continue to rise. And in EIP balances, when those go bad, it hits that bad debt metric as opposed to leasing, which we've been rapidly moving customers off does not. So there's an artifact there.

There's also some accounting artifacts that cause us to be more forward-looking in our bad debt charges now than before, plus the return to more historic norms. Long way of saying we're very comfortable with where it is, and we know how to execute in this environment.

But to your point, it's very interesting. There is a flight to value that I believe is beginning to happen. You see it in our suppressed churn rates as people are comfortable where they are, our progress across both T-Mobile and Sprint, to the premise of your question, our net add performance. Our overall account growth performance was the highest ever in our history for any quarter in any season was this quarter, 380,000 new account additions.

And so there is a flight to value that is beginning to happen, and T-Mobile is famous for value in our category. At a time when this product category is becoming more and more indispensable, we're famous for value while showing you that we're second to none on the quality of the product. And so that's something that I think positions us very, very well for the times.

On that 0.80%, look, I am just so proud of the team. We told you 2 years ago that we would execute our worst to first playbook. And a lot of people looked at us and said, "Yes, but you've got Sprint now." And here we are with 0.80% in combined churn and possibly some room to run. We'll see where we go.

There's obviously offsetting pressures here on the involve side that all of the carriers are seeing. But we look at Q3, and it looks to us like we will be 2021 churn by a similar margin in Q3 as we beat it in Q2, mid- to high single-digit bps improvement versus last year.

And of course, there's seasonal effects in the second half of the year as switching tends to be higher due to phone launches. So we're very comfortable with what we're seeing, and we believe that as we continue to get more and more Sprint customers settled with the right rate plans, which is the last component of our integration that potentially there's some more momentum to see in the quarters ahead. Anything to add to that, Peter?

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

No, I think you hit it all really well.

Operator

We'll go next to Craig Moffett with MoffettNathanson.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Yes. So a theme we've been hitting with everybody sort of I wonder if you could reflect on the new revenue opportunities aside from fixed wireless that come from 5G, whether it's mobile edge compute, private networks, IoT, and talk about how your thinking has evolved about the size of those revenue opportunities and how it is that you think T-Mobile can most effectively compete to get what's there?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

You bet, Craig. Let me first start by saying we're a lot further along in this space and in thinking around it and execution around it than you would probably surmise from our press releases. And I'll have Callie talk about some of what's going on out there.

But we're hesitant to take an early business like this and forecast it forward for you when it's in its infancy. Our competitors haven't had much choice about that. And so they've gone ahead and given some big aspirations in this area. But our view is it's an emerging market. And we can achieve what we set out to achieve, generally speaking, in the core business.

But that being said, there are exciting things happening. And what's interesting is this 5G network leadership is getting us conversations with CIOs, CEOs, the coroner office that our company never earned before. We were talking about such smartphone plans with the procurement office 2 years ago. And that's the big difference.

And Callie, maybe you can share a little bit of what you're seeing and the kinds of conversations you and your team are having.

Callie R. Field - *T-Mobile US, Inc. - President of T-Mobile Business Group*

Yes. Thanks, Mike. So it's been an exciting time to spend time with CIOs and CTOs as they're looking at their own digital transformation. They're looking at their own ways to manage costs, be efficient and effective and get connectivity that is on not only the largest and fastest, most reliable 5G network, but the only provider that has a 5G standalone port, which CIOs understand that matters to solutions like Advanced Network Services.

We talked about how we launched Business Internet as a part of our Internet Freedom Un-carrier move this past quarter. But for business, this was significant because we're the only provider that truly has nationwide 5G Internet for businesses, which allows us a really great front door to sit down and talk about, yes, we can connect your retail locations, working with places like Tractor Supply and Circle K and AutoZone. But we also are sitting down and talking about, hey, how can we use edge compute solutions and IoT connectivity in order to really help you solve the business problems that you're facing as leaders.

We also launched or announced our relationship, our new customer, SailGP, if you don't know SailGP, that's the world's most extreme sailing competition. And we saw in the last race 240,000 data points transferred from 6,400 sensors, and we were able to deliver up to a 50% reduction in latency. That gives athletes a competitive advantage and fans a really stunning view of the race.

So broadcasting retail. We're also doing a lot of work with this advanced network solutions in the automotive industry. And because of our relationship with DT and our TloT platform that we launched and told you about last quarter, we're able to provide seamless global connectivity for their B2B2C solutions as well as for employees who are traveling internationally as a part of our last and most recent Un-carrier moves.

So we've seen a lot of action. And we don't want to discount phone lines here. I mean we like to have the phone lines, and we're seeing the lowest levels of business phone churn in our history. And I think we just heard that Verizon reported some of their highest. And so we're growing in business. We're growing in enterprise and S&P and in the public sector as well. And we're very interested in where we're headed with these advanced network solutions.

G. Michael Sievert - T-Mobile US, Inc. - President, CEO & Director

I'm glad you mentioned coverage beyond and all that, too, because not only are there incredible opportunities for us to do deep services for enterprises as they look to create network as a service and outsource some of that thinking to advanced networks like ours.

But we're still interested in the core. And coverage beyond was an investment in something that originally put us on the map with enterprises in the first place. Our simple global move in 2013 was our introduction to enterprise. And today, we've launched coverage beyond, which not just doubles down, it multiplies the power of that move by many times so that now business customers and consumers can travel the world and have high-speed data, the highest on offer in that country completely included in our most popular plan, not low-speed data. And it is a breakthrough. So we're very excited about what that portends for our business customers and consumers. Neville, I'll give you the last word on this question.

Neville R. Ray - T-Mobile US, Inc. - President of Technology

Yes. I mean I think we -- I'd say this, Craig. We are the best positioned company in the U.S. for all of the 5G opportunities that Callie outlined. There's just no doubt.

I mean, this 5G thing is for real at T-Mobile. I mean more than 50% of our entire network traffic is now on 5G, over 55%, actually. And that number continues to increase as we see great engagement and great discussions with all manner of opportunities, business leaders as well as our consumer base.

And we continue to really push the 5G architecture. We're the only company, as Callie referenced, with a standalone network core. We're the only company in the U.S. to push -- to move voice services, Voice over New Radio, onto that 5G layer.

Why is that important? Because as a company, we're a 5G business. We're not in the business yet of retiring LTE, but we are focused on that at some point in time in the coming years. This 5G network is moving at incredible pace, coverage, spectrum and architecture. And we have a lead on all corners of that dialogue against our competition, which positions us incredibly well for future growth across all segments.

So delighted with our progress. And the 5G story is not just beginning. I mean, we are into it at T-Mobile. And the growth vectors are starting to shape up around us incredibly well.

G. Michael Sievert - T-Mobile US, Inc. - President, CEO & Director

Beautiful. Okay. And before we go back to the phones, I know we have some coming in on Twitter. I see a few upfront. Janice, did you find some what we should be tackling here?

Janice V. Kapner - T-Mobile US, Inc. - Executive VP & Chief Communications Officer

Yes. We have a couple. Let's start with Bill Ho. He's asking for some notable examples of enterprise or (inaudible) company wins from T-Mobile for Business. I know Callie may have some good things to talk about there. And to your point earlier on our coverage announcement, curious how that's impacting the business broadly both consumer and B2B.

G. Michael Sievert - T-Mobile US, Inc. - President, CEO & Director

Anything to double down? I know you just kind of answered some of that.

Callie R. Field - *T-Mobile US, Inc. - President of T-Mobile Business Group*

Right. I mean, we had -- did some great work with AutoZone and General Mills, we spoke. We did an interesting solution using ANS and Edge compute and some smart warehousing, where we built a combination private network and public network.

We've been working with a lot of global automakers using both our TIoT capabilities as well as edge solution for vehicle-to-vehicle communication. And then another cool thing in SMB because we're seeing a lot of growth in SMB as well. We just announced we partnered with Apple to launch the only wireless plan that includes Apple Business Essentials, which is really cool for small businesses to really where they're looking at cost, when they're looking at getting more efficient and effective, how they can manage all of their devices at once with an incredible rate plan and an iPhone 13 included. So that was a really big announcement recently.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

So lots of exciting new logos, only some of which we say because of agreements with customers. But the other thing that's happening that's really interesting is that we are deepening relationships with enterprise customers across the board.

Remember, a couple of years ago, we were kind of winning some accounts along the lines of, "Hey, if I throw you a few of my lines kind of unofficially, will you help me reprise my AT&T business, and you'll get some of my," that's never really spoken, but you can see the RFPs were sort of designed for that.

And what happens now is some years later, customers are coming back and saying, actually, I'd like you to bid for the whole kit and caboodle now. And so this potential to deepen with customers is really happening, and that's a dynamic that's driving our sales. So hopefully, Roger Entner and Bill, that answer some of your questions about TFP. So Jess, get ready for the next one. I'll go back to the phone while we do that. So operator?

Operator

Yes. We'll go next to Jonathan Chaplin with New Street.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

Thanks, guys. Two follow-ups on prior questions actually. So Neville, I'd love to just the context you gave around fixed wireless broadband and the capability for the network was great. But I'm wondering if you can address what you think you can serve in terms of capacity, the capacity that you've got in terms of the total number of subs you could put on the network.

I know you said in the past that 7 million to 8 million that you expect in 2025 isn't the limit. So I would love to know what the limit is. And then just to stick with the theme on enterprise for a second. I'm wondering if you guys could give us a sense of how you're progressing towards that 20% share where you are at this point.

And Mike, you said that you -- it's too soon to put a market sizing on the mobile edge compute and private network opportunity. Does that mean that none of that opportunity is in your long-term plan?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Great. Let me start with Peter to talk about the last 2 questions about the plan and the 20% share, et cetera, and then we'll pivot back to your earlier questions.

Peter Osvaldik - T-Mobile US, Inc. - Executive VP & CFO

Yes, Jonathan. As you know, all of the -- because of all the reasons that Mike just described around an emerging business, while we're best positioned to capture it, it wasn't something that we built into the plan when we did Analyst Day targets because it was too early.

We didn't want to make the plan with something that we didn't have a good view and a road map to how to get the growth, but we're seeing the capitalization of that. So that is all upside, potential upside to the plan, very excited about that.

In terms of progression in enterprise space, you heard Callie say, well, actually, what's exciting about this is we see growth across the entire T-Mobile for Business segment. It's not just enterprise. It's government. It's SMB. So we're excited about the progression in all of those categories against our goals.

G. Michael Sievert - T-Mobile US, Inc. - President, CEO & Director

Great. And then how many millions and millions of customers can we support? You know we're not really going to be able to answer that because we don't -- it kind of depends. One of the things that we've disclosed in the past that our model, which is an excess capacity model is based on our anticipated share gains in mobile and the usage of our base in mobile, which we expect to continue to rise at a rapid pace arriving in this planning period at around 80 gigs per mobile customer.

And maybe that will be higher. Maybe that will be lower. And that's obviously a very important input to this. And obviously, so is the availability of spectrum and our ability to refarm spectrum to deploy it, et cetera. But I don't know, do you want to take a stab at answering this question? Or are we just going to say we don't know?

Neville R. Ray - T-Mobile US, Inc. - President of Technology

Well, I'm not sure that we want to announce revised numbers today. So I mean, Jonathan, you know our story well. You know the 7 million to 8 million that we put out into the marketplace some time back.

But to Mike's comments just now, if you look at where we are, we're ahead on our coverage rollout on 5G. We're ahead on our spectrum transition. We're ahead on our integration goals that we established when we put that plan together. There are many factors coming in, but we see great consumer adoption on the 5G side and our capacity generation for this business is ahead of schedule. We always said that if you compare where this business would be as a combined T-Mobile and Sprint in '24/'25 against the standalone T-Mobile. That multiple was about a 14x on capacity. We're about halfway through that already in terms of the capacity we're generating.

So we're in the business of creating a lot of headroom for growth for the company. And can we bend that curve some more? I'm sure we can, but we're still early into this business. As we said, we're a year in driving great numbers. And we will see, I think, as we exit this year with continued strong growth in the space, we'll be in a position to look forward into '23 and '24 with great momentum and hopefully some stronger numbers.

Michael J. Katz - T-Mobile US, Inc. - CMO

We've been an early adopter of so many techniques and technologies that have allowed us to unlock capabilities for our customers in the network space. And Neville and Ulf and Abdul and their teams are constantly chasing new ideas and capacity is one of the centerpieces of our conversations now because of the premise of your question. So it's a topic we're very interested in.

I will tell you that we won't load customers beyond where we can give them a great experience. And right now, our Net Promoter Scores continue to rise. They're 30 points higher than the competition. They're triple what they are from a provider that our customers are switching from.

We just won a major nationwide survey of all ISPs that are scaled, named us the second highest in customer satisfaction in the country, and #1 was a fiber provider. And so our customers love this product. And it's really important for us and for our brand that we continue to load customers where we know we can serve them well.

And -- but hopefully, that gives you some color on where we stand.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

You bet. We want to go on to Twitter for another one.

Janice V. Kapner - *T-Mobile US, Inc. - Executive VP & Chief Communications Officer*

Sure. This is a great question from Roger about churn. You're growing significantly with often free connected devices. How are you going to prevent to have the same to your churn off experience that the others are having -- have experienced when they drove connected device net adds, kind of ties to Alan's question about churn from some of the smaller players as well.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Yes. Maybe we start with Mike on this one. I will say, what's going on in the market is very different from what you saw from our competitors some years ago. There aren't, by and large -- we're not, by and large, driving this through free devices or free connections.

What's happening is we live in a 5G world now and people are getting real utility and value out of tablets, watches and other devices because of the strength of our network and because of the changing lifestyles of connected lives. But Mike, maybe you can give a little more on what we're seeing.

Michael J. Katz - *T-Mobile US, Inc. - CMO*

Yes. Roger, thanks for the question. I do think in a world where people only differentiate off of giving free phones, the risk that you point out is a real one. And in our model, we recognize that a lot of the competition has moved to free devices. And we feel like we've done a really good job figuring out how to deliver on free devices but not make that our big point of differentiation.

Our big point of differentiation is what you've heard from several of us today, it's this value proposition that gives customers the best value without having to make any trade-offs on network. And that proposition, I think, is more important now than it ever has been before, because with the macroeconomic environment, customers are looking for ways to save money and not have to make trade-offs and experience and really only T-Mobile is the one that provides that.

Right now, T-Mobile customers, T-Mobile families can save \$225 on T-Mobile, not just through their core wireless services, but with all the value that we pack into a plan like Magenta MAX and the included benefits that we give in things like streaming services and everything else.

So I think what you're seeing is and what you'll continue to see is customers picking us because we have the best overall value position, because we can save them in expenses across their entire lives. And that's translating into things like you saw this quarter with sequential and big year-over-year churn decreases. And as it relates to connected devices, we're also watching usage.

And it's very important that those devices are actively used and paid for, and they are. And so that's something that's very important so we don't get surprised. It's a great question. Okay, let's go back to the phone.

Operator

We'll go next to Phil Cusick with JPMorgan.

Philip A. Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Yes, Mike, you said that the prime mix is at an all-time high. What is the mix of the base as well as in first incoming accounts? Or if you can give us something sort of relative.

And then you talked about bad debt, and we noticed that DSO stretched out a couple of days. What changes have you seen lately in customer activity? Anything you can tell us around traffic levels, lower payments or traffic and increased charge-offs?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Sounds good. So Well, let's go to Peter to say what we're seeing.

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

Yes, definitely. We're not giving the prime mix of the base. Obviously, for various reasons, but it is up significantly. In terms of what we're seeing from a payment pattern perspective, on a year-over-year basis, Invol churn is up. And remember, last year was tremendously muted. There was still a lot of stimulus money. There was still not really the switching activity happening.

So we're seeing what we anticipated is that you would see an increase Invol churn still below pre-pandemic levels for us. And we talked about bad debt a little bit. And of course, what we did in Q2 as well is, remember, the accounting standard changed a couple of years ago now forces us rightfully so to look forward as well.

And so we did a macroeconomic loss overlay in Q2 that was significant, whereas last year, that wasn't happening. In fact, we had some releases happen as we saw Invol churn way down.

So I do believe Q2, of course, we're watching the macroeconomic trends very carefully and customer payment patterns and behavior. But I believe Q2, based on everything we're seeing now, was the high watermark in terms of bad debt expense for us in 2022.

And again, it goes back to that tremendous core competency that we have that we actually built on even further when we saw some of the FCC holds happen, we created even further differentiated tools to help our customers, and we're seeing that pay off in dividends now.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

And like I said in my opening remarks, we're comfortable here and increasing our EBITDA, feel confident with how we're handling the macroeconomic picture. There are places in our P&L where there are pressure points, but there's also a lot of opportunity for us to stand up and serve customers at a time when they need a company to provide them with a fantastic value.

Jud Henry - *T-Mobile US, Inc. - SVP of IR*

Great. Let's go back to the phone.

Operator

We'll go next to Brett Feldman with Goldman Sachs.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

And I have sort of 2 follow-ups. So you talked about migrating Sprint customers to the right rate plans. I was hoping you can maybe just give us an update where are you in terms of migrating the legacy Sprint subs fully over to T-Mobile? When do you think that will be done? And are you continuing to see the churn improvement in that cohort as that unfolds?

And then the second question is you seem comfortable with this kind of 500,000 or so fixed wireless net add quarterly run rate. What's going to be the driver of that, particularly as we think out the next few quarters? I'm specifically interested in the extent to which you may be expanding distribution. I think it's available to over 40 million potential customers today. I don't know where that might go. And what are you seeing or what are you expecting in terms of fixed wireless churn?

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

You bet. Where do we want to start? Maybe turn to Mike on the first one.

Peter Osvaldik - *T-Mobile US, Inc. - Executive VP & CFO*

I can speak to that one maybe and Mike would do fixed wireless. In terms of migration of rate plans, you saw certainly in the first part of last year. As we said, we did a significant amount of the rate plan migrations to the target rate plans.

There's still some more of that to go in planned, both this year as well as the start of next year, but we're through the vast majority of it. I think inferred in the question was also, when are we going through the billing migration, which we always said was going to be disconnected from the network migration to make it as seamless to the customer as we can. And that plan goes through middle of next year as we build the capabilities on and then really seamlessly convert customers, which has already begun.

We're already in the process of doing that. But to make that, again, as churn-friendly and as consumer-friendly as possible, that's going to go through mid-next year. And so maybe I can...

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

Yes. Just on the -- it's harder to answer. You saw we didn't disclose sort of a Sprint migration figure this time only because it's becoming harder and harder to do so.

As Neville said in his remarks, less than 1% of the traffic is now on the legacy Sprint network. We will be at network shutdown this quarter, having decommissioned substantially all of the sites.

And so now it becomes much more of a picture of, do they have the right rate plan? Do they have the right device plan? Are we -- have we reengaged with them and gotten the recommitment from them, et cetera? That's a stepwise process. But you can see the incredible progress that we're making with combined churn being at 0.80%.

And then as it relates to fixed wireless. First of all, what I said in my remarks was that we have achieved now a pace that if you were to extrapolate it forward gets us to our goals. That wasn't a forecast for you though. That wasn't a prediction that it will be at that pace, it could be higher, it could be lower. This is an emerging business. It's going really well.

And what's interesting is I don't think we've yet fully tapped our base with this potential. I don't think we have yet fully tapped the opportunity of prepaid with this potential, which has been newer in distribution. Jon and team have done a fantastic job bringing this to Metro. TFB still represents a minority of our connections, and yet we're the only one with our most recent Un-carrier move to provide a nationwide broadband service to businesses. The sales cycles there are longer. And it's a good thing that we have lots of potential tailwinds here because, obviously, as the base grows, we know that math is math, and churn will drop. And that's just obvious.

And so we have to outrun that and then some. And we're very confident and feeling like we're in a great spot. Anything both Mike and Jon to add to what we're seeing how distribution is going, the value proposition?

Michael J. Katz - *T-Mobile US, Inc. - CMO*

Yes. Maybe I'll take churn, and then Jon can talk about distribution. I think it's too early. We launched this business a year ago. So it's too early to make like big broad comments about churn.

The thing that I'll point to that we've said in some of our earliest comments is NPS on this product is amongst the best and broadband providers only vested by 1 fiber provider by a single point. And then the performance that customers are getting is they're not making any trade-offs. And I think that's one of the things that's really resonating with customers is a great price that's reliable and predictable and not making a trade-off on their incumbent service.

And I think that's what's resonating with customers, and that will be a big part of our strategy, is making more customers aware of that going forward. I don't know, Jon, if you want to talk about distribution?

Jon A. Freier - *T-Mobile US, Inc. - President of Consumer Group*

Yes. The only thing I would say is that we're still ramping in distribution. We've got this product across all of our T-Mobile stores. We've got it service from a digital point of view. Our telesales teams, et cetera.

And then just most recently in the previous quarter, we announced this and launched this in Metro by T-Mobile. So we're still driving that and ramping it, like Mike said, we've got quite a bit of opportunity here still. When you think about an underserved segment like our prepaid customers with high-speed Internet, so many of these customers don't even have a product. They can't get it. They can't afford it, et cetera, from your typical mainstream cable provider.

And what you can get with this particular product at the price point with the all-in total cost of ownership is just incredible. So we continue to see that we have more runway here. We're continuing to build that, and we might have even more distribution opportunities with other partners in the future as well.

G. Michael Sievert - *T-Mobile US, Inc. - President, CEO & Director*

And operator, we can probably squeeze in one last question.

Operator

We'll go next to Michael Rollins with Citi.

Michael Ian Rollins - Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst

Two questions, if I could. First, just going back to the volume side of the equation. As you consider the updated postpaid net add and postpaid phone outlook, what are the expectations for the industry growth for the rest of the year? And are there any notable changes in the landscape early in the third quarter?

And then separately, just maybe taking a step back. I was curious if you could give us an update on the possibility to monetize the Sprint wireline assets? And if there are other considerations for T-Mobile to consider the use of M&A to accelerate the core strategy for the company?

G. Michael Sievert - T-Mobile US, Inc. - President, CEO & Director

Okay. On volume, our forecasts don't imply an industry run rate. Our job is to win switching decisions. And you saw in our quarter, that's exactly what we did.

And then so we're not deeply dependent on industry net adds. That being said, what we're seeing is overall switching is up about 3% in the marketplace. We have not seen any substantial changes to that as we've entered into the new quarter or any other substantial changes to the overall competitive dynamics since the quarter ended. So that's what we're seeing across the board.

As it relates to Sprint wireline asset, you may have seen we made some announcements that we're no longer using that asset to support our wireless business. We are obviously conducting a review as to the best way to manage that asset. It's a terrific product with a deep, deep legacy in our company. And it's important that we make the right decisions there for the long haul, taking into account how the market has changed over time.

M&A, listen, you never rule that out. You never rule that out. That being said, one of the things I hope you're getting from this call is that we are very, very confident as a management team in our ability to execute with the hand we're holding. In a broad market where all content and communications have left their linear forms and have landed on the Internet, and the Internet is going mobile, we are this nation's leading pure-play mobile Internet company, and we are executing very solidly for our shareholders with a clear eye towards returning value to those shareholders as a result of our efforts.

And so we're very pleased with where we sit. But smart management teams never rule out ways to further benefit our position for shareholders. And that's a great place to leave it. Listen, I hope you got from this call, our confidence. We're having a lot of fun here. We're taking care of our customers. We're leading this company into a new era of the Un-carrier. And quarter after quarter, where our aspiration is to continue to post results that increase your confidence in us as a management team.

Thanks for tuning in today, everybody. Appreciate it.

Operator

Ladies and gentlemen, this concludes the T-Mobile Second Quarter Earnings Call. Thank you for your participation. You may now disconnect, and have a pleasant day.

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