



SUPERCHARGING THE UN-CARRIER[®]

Q2 2020

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)	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 11,076	\$ 1,528
Accounts receivable, net of allowance for credit losses of \$183 and \$61	3,355	1,888
Equipment installment plan receivables, net of allowance for credit losses and imputed discount of \$415 and \$333	3,194	2,600
Accounts receivable from affiliates	24	20
Inventory	1,549	964
Prepaid expenses	627	333
Assets held for sale	1,910	—
Other current assets	2,586	1,972
Total current assets	24,321	9,305
Property and equipment, net	38,801	21,984
Operating lease right-of-use assets	17,246	10,933
Financing lease right-of-use assets	3,288	2,715
Goodwill	10,910	1,930
Spectrum licenses	82,870	36,465
Other intangible assets, net	6,038	115
Equipment installment plan receivables due after one year, net of allowance for credit losses and imputed discount of \$76 and \$66	1,399	1,583
Other assets	2,326	1,891
Total assets	\$ 187,199	\$ 86,921
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,348	\$ 6,746
Payables to affiliates	126	187
Short-term debt	3,818	25
Short-term debt to affiliates	1,235	—
Deferred revenue	1,185	631
Short-term operating lease liabilities	4,164	2,287
Short-term financing lease liabilities	1,040	957
Liabilities held for sale	606	—
Other current liabilities	1,669	1,673
Total current liabilities	23,191	12,506
Long-term debt	62,783	10,958
Long-term debt to affiliates	4,706	13,986
Tower obligations	3,130	2,236
Deferred tax liabilities	9,996	5,607
Operating lease liabilities	15,487	10,539
Financing lease liabilities	1,416	1,346
Other long-term liabilities	3,494	954
Total long-term liabilities	101,012	45,626
Commitments and contingencies		
Stockholders' equity		
Common Stock, par value \$0.00001 per share, 2,000,000,000 shares authorized; 1,238,888,085 and 858,418,615 shares issued, 1,237,338,994 and 856,905,400 shares outstanding	—	—
Additional paid-in capital	72,505	38,498
Treasury stock, at cost, 1,549,091 and 1,513,215 shares issued	(12)	(8)
Accumulated other comprehensive loss	(1,658)	(868)
Accumulated deficit	(7,839)	(8,833)
Total stockholders' equity	62,996	28,789
Total liabilities and stockholders' equity	\$ 187,199	\$ 86,921

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

(in millions, except share and per share amounts)	Three Months Ended			Six Months Ended June 30,	
	June 30, 2020	March 31, 2020	June 30, 2019	2020	2019
Revenues					
Postpaid revenues	\$ 9,959	\$ 5,887	\$ 5,613	\$ 15,846	\$ 11,106
Prepaid revenues	2,311	2,373	2,379	4,684	4,765
Wholesale revenues	408	325	313	733	617
Roaming and other service revenues	552	261	241	813	449
Total service revenues	13,230	8,846	8,546	22,076	16,937
Equipment revenues	4,269	2,117	2,263	6,386	4,779
Other revenues	172	150	170	322	343
Total revenues	17,671	11,113	10,979	28,784	22,059
Operating expenses					
Cost of services, exclusive of depreciation and amortization shown separately below	3,098	1,639	1,649	4,737	3,195
Cost of equipment sales, exclusive of depreciation and amortization shown separately below	3,667	2,529	2,661	6,196	5,677
Selling, general and administrative	5,604	3,688	3,543	9,292	6,985
Impairment expense	418	—	—	418	—
Depreciation and amortization	4,064	1,718	1,585	5,782	3,185
Total operating expenses	16,851	9,574	9,438	26,425	19,042
Operating income	820	1,539	1,541	2,359	3,017
Other income (expense)					
Interest expense	(776)	(185)	(182)	(961)	(361)
Interest expense to affiliates	(63)	(99)	(101)	(162)	(210)
Interest income	6	12	4	18	12
Other expense, net	(195)	(10)	(22)	(205)	(15)
Total other expense, net	(1,028)	(282)	(301)	(1,310)	(574)
(Loss) income from continuing operations before income taxes	(208)	1,257	1,240	1,049	2,443
Income tax expense	(2)	(306)	(301)	(308)	(596)
(Loss) income from continuing operations	(210)	951	939	741	1,847
Income from discontinued operations, net of tax	320	—	—	320	—
Net income	\$ 110	\$ 951	\$ 939	\$ 1,061	\$ 1,847
Net income	\$ 110	\$ 951	\$ 939	\$ 1,061	\$ 1,847
Other comprehensive income (loss), net of tax					
Unrealized gain (loss) on cash flow hedges, net of tax effect of \$3, (\$276), (\$102), (\$273), (\$168)	2	(792)	(292)	(790)	(481)
Total comprehensive income	\$ 112	\$ 159	\$ 647	\$ 271	\$ 1,366
Earnings per share					
Basic earnings (loss) per share:					
Continuing operations	\$ (0.17)	\$ 1.11	\$ 1.10	\$ 0.71	\$ 2.16
Discontinued operations	0.26	—	—	0.30	—
Basic	\$ 0.09	\$ 1.11	\$ 1.10	\$ 1.01	\$ 2.16
Diluted earnings (loss) per share:					
Continuing operations	\$ (0.17)	\$ 1.10	\$ 1.09	\$ 0.70	\$ 2.14
Discontinued operations	0.26	—	—	0.30	—
Diluted	\$ 0.09	\$ 1.10	\$ 1.09	\$ 1.00	\$ 2.14
Weighted average shares outstanding					
Basic	1,236,528,444	858,148,284	854,368,443	1,047,338,364	852,796,369
Diluted	1,236,528,444	865,998,532	860,135,593	1,057,120,389	860,890,870

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

(in millions)	Three Months Ended			Six Months Ended June 30,	
	June 30, 2020	March 31, 2020	June 30, 2019	2020	2019
Operating activities					
Net income	\$ 110	\$ 951	\$ 939	\$ 1,061	\$ 1,847
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	4,064	1,718	1,585	5,782	3,185
Stock-based compensation expense	259	138	130	397	240
Deferred income tax expense	98	310	267	408	555
Bad debt expense	233	113	71	346	144
Losses from sales of receivables	30	25	28	55	63
Losses on redemption of debt	163	—	19	163	19
Impairment expense	418	—	—	418	—
Changes in operating assets and liabilities					
Accounts receivable	(498)	(748)	(805)	(1,246)	(1,948)
Equipment installment plan receivables	127	69	(150)	196	(400)
Inventories	(553)	(511)	162	(1,064)	(103)
Operating lease right-of-use assets	937	527	469	1,464	904
Other current and long-term assets	(104)	6	(83)	(98)	(170)
Accounts payable and accrued liabilities	(1,261)	(405)	43	(1,666)	56
Short and long-term operating lease liabilities	(1,077)	(725)	(521)	(1,802)	(1,043)
Other current and long-term liabilities	(2,190)	79	(27)	(2,111)	94
Other, net	21	70	20	91	96
Net cash provided by operating activities	777	1,617	2,147	2,394	3,539
Investing activities					
Purchases of property and equipment, including capitalized interest of (\$119), (\$112), (\$125), (\$231) and (\$243)	(2,257)	(1,753)	(1,789)	(4,010)	(3,720)
Purchases of spectrum licenses and other intangible assets, including deposits	(745)	(99)	(665)	(844)	(850)
Proceeds related to beneficial interests in securitization transactions	602	868	839	1,470	1,996
Net cash related to derivative contracts under collateral exchange arrangements	1,212	(580)	—	632	—
Acquisition of companies, net of cash and restricted cash acquired	(5,000)	—	—	(5,000)	—
Other, net	(168)	(16)	—	(184)	(7)
Net cash used in investing activities	(6,356)	(1,580)	(1,615)	(7,936)	(2,581)
Financing activities					
Proceeds from issuance of long-term debt	26,694	—	—	26,694	—
Payments of consent fees related to long-term debt	(109)	—	—	(109)	—
Proceeds from borrowing on revolving credit facility	—	—	880	—	1,765
Repayments of revolving credit facility	—	—	(880)	—	(1,765)
Repayments of financing lease obligations	(236)	(282)	(229)	(518)	(315)
Repayments of short-term debt for purchases of inventory, property and equipment, net	(151)	(25)	—	(176)	—
Repayments of long-term debt	(10,529)	—	(600)	(10,529)	(600)
Issuance of common stock	17,290	—	—	17,290	—
Repurchases of common stock	(16,990)	—	—	(16,990)	—
Proceeds from issuance of short-term debt	18,743	—	—	18,743	—
Repayments of short-term debt	(18,929)	—	—	(18,929)	—
Tax withholdings on share-based awards	(138)	(141)	(4)	(279)	(104)
Cash payments for debt prepayment or debt extinguishment costs	(24)	—	(28)	(24)	(28)
Other, net	7	(5)	(5)	2	(9)
Net cash provided by (used in) financing activities	15,628	(453)	(866)	15,175	(1,056)
Change in cash and cash equivalents	10,049	(416)	(334)	9,633	(98)
Cash and cash equivalents, including restricted cash					
Beginning of period	1,112	1,528	1,439	1,528	1,203
End of period	\$ 11,161	\$ 1,112	\$ 1,105	\$ 11,161	\$ 1,105

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

(in millions)	Three Months Ended			Six Months Ended June 30,	
	June 30, 2020	March 31, 2020	June 30, 2019	2020	2019
Supplemental disclosure of cash flow information					
Interest payments, net of amounts capitalized	\$ 608	\$ 341	\$ 245	\$ 949	\$ 585
Operating lease payments	1,269	875	703	2,144	1,391
Income tax payments	31	24	40	55	72
Non-cash investing and financing activities					
Non-cash beneficial interest obtained in exchange for securitized receivables	\$ 1,486	\$ 1,613	\$ 1,616	\$ 3,099	\$ 3,128
Non-cash consideration for the acquisition of Sprint	33,533	—	—	33,533	—
Decrease in accounts payable and accrued liabilities for purchases of property and equipment	(38)	(301)	(113)	(339)	(446)
Leased devices transferred from inventory to property and equipment	1,444	309	167	1,753	314
Returned leased devices transferred from property and equipment to inventory	(538)	(59)	(67)	(597)	(124)
Short-term debt assumed for financing of property and equipment	38	—	50	38	300
Operating lease right-of-use assets obtained in exchange for lease obligations	658	555	1,400	1,213	2,094
Financing lease right-of-use assets obtained in exchange for lease obligations	515	178	368	693	548

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

(in thousands)	Quarter						Six Months Ended June 30,	
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Customers, end of period								
Postpaid phone customers ⁽¹⁾	37,880	38,590	39,344	40,345	40,797	65,105	38,590	65,105
Postpaid other customers ⁽¹⁾	5,658	6,056	6,376	6,689	7,014	12,648	6,056	12,648
Total postpaid customers	43,538	44,646	45,720	47,034	47,811	77,753	44,646	77,753
Prepaid customers ^{(1),(2)}	21,206	21,337	20,783	20,860	20,732	20,574	21,337	20,574
Total customers	64,744	65,983	66,503	67,894	68,543	98,327	65,983	98,327
Adjustment to prepaid customers ⁽²⁾	—	—	(616)	—	—	—	—	—

(1) Includes customers acquired in connection with the Merger and certain customer base adjustments. See Customer Base Adjustments and Net Customer Additions (Losses) tables below.

(2) On July 18, 2019, we entered into an agreement whereby certain T-Mobile prepaid products will now be offered and distributed by a current MVNO partner. As a result, we included a base adjustment in Q3 2019 to reduce prepaid customers by 616,000.

Customer Base Adjustments

(in thousands)	Postpaid phone customers	Postpaid other customers	Total postpaid customers	Prepaid customers	Total customers
Reconciliation to beginning customers					
T-Mobile customers as reported, end of period March 31, 2020	40,797	7,014	47,811	20,732	68,543
Sprint customers as reported, end of period March 31, 2020	25,916	8,428	34,344	8,256	42,600
Total combined customers, end of period March 31, 2020	66,713	15,442	82,155	28,988	111,143
Adjustments					
Reseller reclassification to wholesale customers ⁽¹⁾	(199)	(2,872)	(3,071)	—	(3,071)
EIP reclassification from postpaid to prepaid ⁽²⁾	(963)	—	(963)	963	—
Divested prepaid customers ⁽³⁾	—	—	—	(9,207)	(9,207)
Rate plan threshold ⁽⁴⁾	(182)	(918)	(1,100)	—	(1,100)
Customers with non-phone devices ⁽⁵⁾	(226)	226	—	—	—
Collection policy alignment ⁽⁶⁾	(150)	(46)	(196)	—	(196)
Miscellaneous adjustments ⁽⁷⁾	(141)	(43)	(184)	(302)	(486)
Total Adjustments	(1,861)	(3,653)	(5,514)	(8,546)	(14,060)
Adjusted beginning customers as of April 1, 2020	64,852	11,789	76,641	20,442	97,083

(1) In connection with the closing of the Merger, we refined our definition of wholesale customers resulting in the reclassification of certain postpaid and prepaid reseller customers to wholesale customers. Starting with the three months ended March 31, 2020, we discontinued reporting wholesale customers to focus on postpaid and prepaid customers and wholesale revenues, which we consider more relevant than the number of wholesale customers given the expansion of M2M and IoT products.

(2) Prepaid customers with a device installment billing plan historically included as Sprint postpaid customers have been reclassified to prepaid customers to align with New T-Mobile policy.

(3) Customers associated with the Sprint wireless prepaid and Boost brands that were divested on July 1, 2020, have been excluded from our reported customers.

(4) Customers who have rate plans with monthly recurring charges which are considered insignificant have been excluded from our reported customers.

(5) Customers with postpaid phone rate plans without a phone (e.g., non-phone device) have been reclassified from postpaid phone to postpaid other customers to align with New T-Mobile policy.

(6) Certain Sprint customers subjected to collection activity for an extended period of time have been excluded from our reported customers to align with New T-Mobile policy.

(7) Miscellaneous insignificant adjustments to align with New T-Mobile policy.

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

(in thousands)	Quarter						Six Months Ended June 30,	
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Net customer additions (losses)								
Postpaid phone customers	656	710	754	1,001	452	253	1,366	705
Postpaid other customers	363	398	320	313	325	859	761	1,184
Total postpaid customers	1,019	1,108	1,074	1,314	777	1,112	2,127	1,889
Prepaid customers ⁽¹⁾	69	131	62	77	(128)	133	200	5
Total customers	1,088	1,239	1,136	1,391	649	1,245	2,327	1,894
Acquired customers, net of base adjustments	—	—	—	—	—	29,228	—	29,228

(1) On July 18, 2019, we entered into an agreement whereby certain T-Mobile prepaid products will now be offered and distributed by a current MVNO partner. As a result, we included a base adjustment in Q3 2019 to reduce prepaid customers by 616,000.

	Quarter						Six Months Ended June 30,	
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Postpaid phone churn	0.88 %	0.78 %	0.89 %	1.01 %	0.86 %	0.80 %	0.83 %	0.82 %
Prepaid churn	3.85 %	3.49 %	3.98 %	3.97 %	3.52 %	2.81 %	3.67 %	3.17 %

(in thousands)	Quarter						Six Months Ended June 30,	
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Accounts, end of period								
Total postpaid customer accounts ⁽¹⁾	14,234	14,480	14,734	15,047	15,244	25,486	14,480	25,486

(1) Includes accounts acquired in connection with the Merger and certain account base adjustments. See Account Base Adjustments table below.

(in thousands)	Postpaid Accounts
Reconciliation to beginning accounts	
T-Mobile accounts as reported, end of period March 31, 2020	15,244
Sprint accounts, end of period March 31, 2020	11,246
Total combined accounts, end of period March 31, 2020	26,490
Adjustments	
Reseller reclassification to wholesale accounts ⁽¹⁾	(1)
EIP reclassification from postpaid to prepaid ⁽²⁾	(963)
Rate plan threshold ⁽³⁾	(18)
Collection policy alignment ⁽⁴⁾	(76)
Miscellaneous adjustments ⁽⁵⁾	(47)
Total Adjustments	(1,105)
Adjusted beginning accounts as of April 1, 2020	25,385

- (1) In connection with the closing of the Merger, we refined our definition of wholesale accounts resulting in the reclassification of certain postpaid and prepaid reseller accounts to wholesale accounts.
- (2) Prepaid accounts with a customer with a device installment billing plan historically included as Sprint postpaid accounts have been reclassified to prepaid accounts to align with T-Mobile policy.
- (3) Accounts with customers who have rate plans with monthly recurring charges which are considered insignificant have been excluded from our reported accounts.
- (4) Certain Sprint accounts subjected to collection activity for an extended period of time have been excluded from our reported accounts to align with T-Mobile policy.
- (5) Miscellaneous insignificant adjustments to align with T-Mobile policy.

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

	Quarter						Six Months Ended June 30,	
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Financial Measures								
Service revenues (in millions)	\$8,391	\$8,546	\$8,713	\$8,850	\$8,846	\$13,230	\$16,937	\$22,076
Total revenues (in millions)	\$11,080	\$10,979	\$11,061	\$11,878	\$11,113	\$17,671	\$22,059	\$28,784
Net income (in millions)	\$908	\$939	\$870	\$751	\$951	\$110	\$1,847	\$1,061
Net income margin	10.8%	11.0%	10.0%	8.5%	10.8%	0.8%	10.9%	4.8%
Adjusted EBITDA (in millions)	\$3,284	\$3,461	\$3,396	\$3,242	\$3,665	\$7,017	\$6,745	\$10,682
Adjusted EBITDA margin	39.1%	40.5%	39.0%	36.6%	41.4%	53.0%	39.8%	48.4%
Selling, general and administrative (in millions)	\$3,442	\$3,543	\$3,498	\$3,656	\$3,688	\$5,604	\$6,985	\$9,292
Merger-related costs (in millions)	\$113	\$222	\$159	\$126	\$143	\$798	\$335	\$941
COVID-19-related costs (in millions)	\$—	\$—	\$—	\$—	\$117	\$341	\$—	\$458
Selling, general and administrative excluding Merger-related costs and COVID-19-related costs (in millions)	\$3,329	\$3,321	\$3,339	\$3,530	\$3,428	\$4,465	\$6,650	\$7,893
Cash purchases of property and equipment including capitalized interest (in millions)	\$1,931	\$1,789	\$1,514	\$1,157	\$1,753	\$2,257	\$3,720	\$4,010
Capitalized Interest (in millions)	\$118	\$125	\$118	\$112	\$112	\$119	\$243	\$231
Cash purchases of property and equipment excluding capitalized interest (in millions)	\$1,813	\$1,664	\$1,396	\$1,045	\$1,641	\$2,138	\$3,477	\$3,779
Net cash provided by operating activities (in millions)	\$1,392	\$2,147	\$1,748	\$1,537	\$1,617	\$777	\$3,539	\$2,394
Net cash (used in) provided by investing activities (in millions)	\$(966)	\$(1,615)	\$(657)	\$(887)	\$(1,580)	\$(6,356)	\$(2,581)	\$(7,936)
Net cash provided by (used in) financing activities (in millions)	\$(190)	\$(866)	\$(543)	\$(775)	\$(453)	\$15,628	\$(1,056)	\$15,175
Free Cash Flow (in millions)	\$618	\$1,169	\$1,134	\$1,398	\$732	\$1,441	\$1,787	\$2,173
Net cash proceeds from securitization (in millions)	\$(18)	\$95	\$(3)	\$(9)	\$(5)	\$(99)	\$77	\$(105)
Operating Metrics								
Postpaid phone ARPU	\$46.07	\$46.10	\$46.22	\$45.79	\$45.80	\$47.99	\$46.09	\$47.15
Prepaid ARPU	\$37.65	\$37.46	\$38.16	\$38.54	\$38.11	\$37.80	\$37.56	\$37.95
Postpaid ARPA	\$129.77	\$130.36	\$131.15	\$130.39	\$129.47	\$130.57	\$130.07	\$130.16
Postpaid accounts, end of period (in thousands)	14,234	14,480	14,734	15,047	15,244	25,486	14,480	25,486
Device Sales and Leased Devices								
Phones (in millions)	7.4	6.5	7.4	8.3	6.4	8.9	13.9	15.3
Postpaid upgrade rate	5%	5%	5%	6%	4%	5%	10%	9%
Device Financing								
Gross EIP financed (in millions)	\$1,742	\$1,625	\$1,535	\$2,235	\$1,440	\$1,825	\$3,367	\$3,265
EIP billings (in millions)	\$1,663	\$1,645	\$1,688	\$1,762	\$1,790	\$2,217	\$3,308	\$4,007
EIP receivables, net (in millions)	\$4,128	\$4,050	\$3,894	\$4,183	\$3,773	\$4,593	\$4,050	\$4,593
Lease revenues (in millions)	\$161	\$143	\$142	\$153	\$165	\$1,421	\$304	\$1,586
Leased devices transferred from inventory to property and equipment (in millions)	\$147	\$167	\$298	\$394	\$309	\$1,444	\$314	\$1,753
Returned leased devices transferred from property and equipment to inventory (in millions)	\$(57)	\$(67)	\$(65)	\$(78)	\$(59)	\$(538)	\$(124)	\$(597)
Customer Quality								
EIP receivables classified as prime	46%	50%	51%	53%	52%	48%	50%	50%
EIP receivables classified as prime (including EIP receivables sold)	52%	52%	52%	53%	53%	50%	52%	52%
Total bad debt expense and losses from sales of receivables (in millions)	\$108	\$99	\$102	\$128	\$138	\$263	\$207	\$401

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:

(in millions)	Quarter								Six Months Ended June 30,		
	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Net income	\$ 782	\$ 795	\$ 640	\$ 908	\$ 939	\$ 870	\$ 751	\$ 951	\$ 110	\$ 1,847	\$ 1,061
Adjustments:											
Income from discontinued operations, net of tax	—	—	—	—	—	—	—	—	(320)	—	(320)
(Loss) income from continuing operations	782	795	640	908	939	870	751	951	(210)	1,847	741
Interest expense	196	194	194	179	182	184	182	185	776	361	961
Interest expense to affiliates	128	124	104	109	101	100	98	99	63	210	162
Interest income	(6)	(5)	(2)	(8)	(4)	(5)	(7)	(12)	(6)	(12)	(18)
Other (income) expense, net	64	(3)	3	(7)	22	(3)	(4)	10	195	15	205
Income tax expense	286	335	198	295	301	325	214	306	2	596	308
Operating income	1,450	1,440	1,137	1,476	1,541	1,471	1,234	1,539	820	3,017	2,359
Depreciation and amortization	1,634	1,637	1,640	1,600	1,585	1,655	1,776	1,718	4,064	3,185	5,782
Operating income from discontinued operations ⁽¹⁾	—	—	—	—	—	—	—	—	432	—	432
Stock-based compensation ⁽²⁾	106	102	85	93	111	108	111	123	139	204	262
Merger-related costs	41	53	102	113	222	159	126	143	798	335	941
COVID-19-related costs	—	—	—	—	—	—	—	117	341	—	458
Impairment expense	—	—	—	—	—	—	—	—	418	—	418
Other, net ⁽³⁾	2	7	6	2	2	3	(5)	25	5	4	30
Adjusted EBITDA	\$ 3,233	\$ 3,239	\$ 2,970	\$ 3,284	\$ 3,461	\$ 3,396	\$ 3,242	\$ 3,665	\$ 7,017	\$ 6,745	\$ 10,682

- (1) Following the Prepaid Transaction, starting on July 1, 2020, we will provide MVNO services to customers of the divested brands. We have included the operating income from discontinued operations in our determination of the Adjusted EBITDA to reflect contributions of the Prepaid Business that will be replaced by the MVNO Agreement beginning on July 1, 2020 in order to enable analysts and investors to better assess ongoing operating performance and trends.
- (2) 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 Merger-related costs.
- (3) 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 or are not reflective of T-Mobile's ongoing operating performance, 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, Pro forma net income, Adjusted EBITDA, and Pro forma Adjusted EBITDA ratios are calculated as follows:

(in millions, except net debt ratios)	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020
Short-term debt	\$ 250	\$ 300	\$ 475	\$ 25	\$ —	\$ 3,818
Short-term debt to affiliates	598	—	—	—	2,000	1,235
Short-term financing lease liabilities	911	963	1,013	957	918	1,040
Long-term debt	10,952	10,954	10,956	10,958	10,959	62,783
Long-term debt to affiliates	13,985	13,985	13,986	13,986	11,987	4,706
Financing lease liabilities	1,224	1,314	1,440	1,346	1,276	1,416
Less: Cash and cash equivalents	(1,439)	(1,105)	(1,653)	(1,528)	(1,112)	(11,076)
Net debt (excluding tower obligations)	\$ 26,481	\$ 26,411	\$ 26,217	\$ 25,744	\$ 26,028	\$ 63,922
Divided by: Last twelve months Net income	\$ 3,125	\$ 3,282	\$ 3,357	\$ 3,468	\$ 3,511	\$ 2,682
Net debt (excluding tower obligations) to last twelve months Net income Ratio	8.5	8.0	7.8	7.4	7.4	23.8
Divided by: Last twelve months Pro Forma Net income						\$ 3,564
Net debt (excluding tower obligations) to last twelve months Pro Forma Net income Ratio						17.9
Divided by: Last twelve months Adjusted EBITDA	\$ 12,726	\$ 12,954	\$ 13,111	\$ 13,383	\$ 13,764	\$ 17,320
Net debt (excluding tower obligations) to last twelve months Adjusted EBITDA Ratio	2.1	2.0	2.0	1.9	1.9	3.7
Divided by: Last twelve months Pro Forma Adjusted EBITDA						\$ 26,250
Net debt (excluding tower obligations) to last twelve months Pro Forma Adjusted EBITDA Ratio						2.4

LTM Net income and Adjusted EBITDA reflect combined company results of New T-Mobile for Q2 2020 and standalone T-Mobile for prior periods. To illustrate the twelve month results of the combined company as if the Merger had closed on January 1, 2019, we have presented pro forma LTM Net income and pro forma LTM Adjusted EBITDA ratios. Pro forma LTM Net income is calculated as the sum of Q2 2020 GAAP Net income of \$110 million plus the pro forma Net income from Q1 2020, Q4 2019, and Q3 2019 of \$1.46 billion, \$1.11 billion and \$849 million, respectively. Pro forma Adjusted EBITDA is calculated as the sum of Q2 2020 actual Adjusted EBITDA of \$7.02 billion plus the Pro forma Adjusted EBITDA from Q1 2020, Q4 2019 and Q3 2019 of \$6.65 billion, \$6.18 billion, and \$6.41 billion, respectively. These metrics are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or consolidated financial condition would have been had the Merger actually occurred on the date indicated, nor do they purport to project the future consolidated results of operations or consolidated financial condition for any future period or as of any future date. Additional information regarding pro forma adjustments is provided in Pro Forma Income Statement Metrics within this Investor Factbook.

Free Cash Flow and Free Cash Flow, excluding gross payments for the settlement of interest rate swaps, are calculated as follows:

(in millions)	Quarter						Six Months Ended June 30,	
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Net cash provided by operating activities	\$ 1,392	\$ 2,147	\$ 1,748	\$ 1,537	\$ 1,617	\$ 777	\$ 3,539	\$ 2,394
Cash purchases of property and equipment	(1,931)	(1,789)	(1,514)	(1,157)	(1,753)	(2,257)	(3,720)	(4,010)
Proceeds related to beneficial interests in securitization transactions	1,157	839	900	980	868	602	1,996	1,470
Proceeds from sales of tower sites	—	—	—	38	—	—	—	—
Cash payments for debt prepayment or debt extinguishment costs	—	(28)	—	—	—	(24)	(28)	(24)
Free Cash Flow	618	1,169	1,134	1,398	732	(902)	1,787	(170)
Gross cash paid for the settlement of interest rate swaps	—	—	—	—	—	2,343	—	2,343
Free Cash Flow, excluding gross payments for the settlement of interest rate swaps	\$ 618	\$ 1,169	\$ 1,134	\$ 1,398	\$ 732	\$ 1,441	\$ 1,787	\$ 2,173

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

Our guidance range for Free Cash Flow is calculated as follows:

(in millions)	H2 2020	
	Guidance Range	
Net cash provided by operating activities	\$ 5,300	\$ 5,700
Cash purchases of property and equipment	(6,500)	(6,900)
Proceeds related to beneficial interests in securitization transactions	1,500	1,700
Free Cash Flow	\$ 300	\$ 500

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

The following table illustrates the calculation of our operating measure ARPA and ARPU and reconciles these measures to the related service revenues:

(in millions, except average number of customers, ARPA and ARPU)	Quarter						Six Months Ended June 30,	
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	2019	2020
Calculation of Postpaid ARPA								
Postpaid service revenues	\$ 5,493	\$ 5,613	\$ 5,746	\$ 5,821	\$ 5,887	\$ 9,959	\$ 11,106	\$ 15,846
Divided by: Average number of postpaid accounts (in thousands) and number of months in period	14,108	14,354	14,602	14,881	15,155	25,424	14,231	20,289
Postpaid ARPA	<u>\$ 129.77</u>	<u>\$ 130.36</u>	<u>\$ 131.15</u>	<u>\$ 130.39</u>	<u>\$ 129.47</u>	<u>\$ 130.57</u>	<u>\$ 130.07</u>	<u>\$ 130.16</u>
Calculation of Postpaid Phone ARPU								
Postpaid service revenues	\$ 5,493	\$ 5,613	\$ 5,746	\$ 5,821	\$ 5,887	\$ 9,959	\$ 11,106	\$ 15,846
Less: Postpaid other revenues	(310)	(326)	(346)	(362)	(310)	(618)	(636)	(928)
Postpaid phone service revenues	<u>\$ 5,183</u>	<u>\$ 5,287</u>	<u>\$ 5,400</u>	<u>\$ 5,459</u>	<u>\$ 5,577</u>	<u>\$ 9,341</u>	<u>\$ 10,470</u>	<u>\$ 14,918</u>
Divided by: Average number of postpaid phone customers (in thousands) and number of months in period	37,504	38,226	38,944	39,736	40,585	64,889	37,865	52,737
Postpaid phone ARPU	<u>\$ 46.07</u>	<u>\$ 46.10</u>	<u>\$ 46.22</u>	<u>\$ 45.79</u>	<u>\$ 45.80</u>	<u>\$ 47.99</u>	<u>\$ 46.09</u>	<u>\$ 47.15</u>
Calculation of Prepaid ARPU								
Prepaid service revenues	\$ 2,386	\$ 2,379	\$ 2,385	\$ 2,393	\$ 2,373	\$ 2,311	\$ 4,765	\$ 4,684
Divided by: Average number of prepaid customers (in thousands) and number of months in period	21,122	21,169	20,837	20,691	20,759	20,380	21,146	20,570
Prepaid ARPU	<u>\$ 37.65</u>	<u>\$ 37.46</u>	<u>\$ 38.16</u>	<u>\$ 38.54</u>	<u>\$ 38.11</u>	<u>\$ 37.80</u>	<u>\$ 37.56</u>	<u>\$ 37.95</u>

T-Mobile US, Inc.
Pro Forma Income Statement Metrics
(Unaudited)

The following tables present certain income statement metrics on a pro forma basis as though the Merger had been completed on January 1, 2019. The unaudited pro forma income statement metrics have been prepared in accordance with Article 11 of Regulation S-X (“Article 11”) which is a different basis than the unaudited pro forma financial information included in Note 2 - Business Combinations in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020. The primary difference between the Article 11 pro forma financial information and the ASC 805 pro forma financial information prepared by us is the treatment of certain one-time transaction costs, which are removed from all periods under Article 11 but are recognized as if they had been incurred in their entirety during Q1 2019 under ASC 805. The unaudited pro forma income statement metrics are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or consolidated financial condition would have been had the Merger actually occurred on the date indicated, nor do they purport to project the future consolidated results of operations or consolidated financial condition for any future period or as of any future date. For the purposes of this section, “Combined” means the summation of historically reported standalone GAAP amounts of T-Mobile and Sprint. “Pro forma adjustments” means adjustments to combined metrics to give effect to matters that are directly attributable to the Merger, factually supportable, and expected to have a continuing impact on the results of the combined company. “Pro forma” metrics are those that have been adjusted as required for the presentation of Article 11 pro forma information.

(in millions)	Three Months Ended				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Service revenues					
Combined service revenues ⁽¹⁾	\$ 13,933	\$ 13,989	\$ 13,856	\$ 14,124	\$ 14,065
Pro forma adjustments ⁽²⁾	(1,032)	(981)	(946)	(916)	(868)
Pro forma service revenues	\$ 12,901	\$ 13,008	\$ 12,910	\$ 13,208	\$ 13,197
Equipment revenues (including equipment rentals)					
Combined equipment revenues (including equipment rentals) ⁽¹⁾	\$ 5,301	\$ 4,842	\$ 4,708	\$ 5,539	\$ 4,569
Pro forma adjustments ⁽²⁾⁽³⁾	(932)	(743)	(734)	(835)	(693)
Pro forma equipment revenues (including equipment rentals)	\$ 4,369	\$ 4,099	\$ 3,974	\$ 4,704	\$ 3,876
Other revenues					
Combined other revenues ⁽¹⁾	\$ 287	\$ 290	\$ 292	\$ 295	\$ 283
Pro forma adjustments ⁽⁴⁾	62	63	67	78	52
Pro forma other revenues	\$ 349	\$ 353	\$ 359	\$ 373	\$ 335
Total Revenues					
Combined total revenues ⁽¹⁾	\$ 19,521	\$ 19,121	\$ 18,856	\$ 19,958	\$ 18,917
Pro forma adjustments	(1,902)	(1,661)	(1,613)	(1,673)	(1,509)
Pro forma total revenues	\$ 17,619	\$ 17,460	\$ 17,243	\$ 18,285	\$ 17,408
Cost of services, exclusive of depreciation and amortization					
Combined cost of services, exclusive of depreciation and amortization ⁽¹⁾	\$ 3,191	\$ 3,359	\$ 3,508	\$ 3,412	\$ 3,288
Pro forma adjustments ⁽⁵⁾	151	(140)	(142)	(115)	(88)
Pro forma cost of services, exclusive of depreciation and amortization	\$ 3,342	\$ 3,219	\$ 3,366	\$ 3,297	\$ 3,200
Cost of equipment sales, exclusive of depreciation and amortization					
Combined cost of equipment sales, exclusive of depreciation and amortization ⁽¹⁾	\$ 4,577	\$ 4,002	\$ 4,063	\$ 5,164	\$ 3,947
Pro forma adjustments ⁽²⁾⁽³⁾	(953)	(722)	(733)	(823)	(679)
Pro forma cost of equipment sales, exclusive of depreciation and amortization	\$ 3,624	\$ 3,280	\$ 3,330	\$ 4,341	\$ 3,268
Selling, general and administrative					
Combined selling, general and administrative ⁽¹⁾	\$ 5,485	\$ 5,450	\$ 5,434	\$ 5,701	\$ 5,709
Pro forma adjustments ⁽²⁾⁽³⁾⁽⁴⁾	(475)	(273)	(455)	(673)	(429)
Pro forma selling, general and administrative	\$ 5,010	\$ 5,177	\$ 4,979	\$ 5,028	\$ 5,280

T-Mobile US, Inc.
Pro Forma Income Statement Metrics (Continued)
(Unaudited)

(in millions)	Three Months Ended				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Depreciation and amortization					
Combined depreciation and amortization ⁽¹⁾	\$ 3,930	\$ 3,852	\$ 3,882	\$ 4,332	\$ 4,061
Pro forma adjustments ⁽⁵⁾	85	120	202	(210)	(47)
Pro forma depreciation and amortization	\$ 4,015	\$ 3,972	\$ 4,084	\$ 4,122	\$ 4,014
Operating Expenses					
Combined operating expenses ⁽¹⁾	\$ 19,719	\$ 17,125	\$ 17,148	\$ 18,658	\$ 17,205
Pro forma adjustments	(1,728)	(1,477)	(1,389)	(1,870)	(1,443)
Pro forma operating expenses	\$ 17,991	\$ 15,648	\$ 15,759	\$ 16,788	\$ 15,762
Operating Income					
Combined operating income ⁽¹⁾	\$ (198)	\$ 1,996	\$ 1,708	\$ 1,300	\$ 1,712
Pro forma adjustments	(174)	(184)	(224)	197	(66)
Pro forma operating income	\$ (372)	\$ 1,812	\$ 1,484	\$ 1,497	\$ 1,646
Interest expense					
Combined interest expense ⁽¹⁾	\$ (808)	\$ (801)	\$ (778)	\$ (771)	\$ (775)
Pro forma adjustments ⁽⁶⁾	(51)	(47)	(64)	(69)	(60)
Pro forma interest expense	\$ (859)	\$ (848)	\$ (842)	\$ (840)	\$ (835)
Interest expense to affiliates					
Combined interest expense to affiliates ⁽¹⁾	\$ (109)	\$ (101)	\$ (100)	\$ (98)	\$ (99)
Pro forma adjustments ⁽⁶⁾	92	96	91	86	104
Pro forma interest expense to affiliates	\$ (17)	\$ (5)	\$ (9)	\$ (12)	\$ 5
Interest income					
Combined interest income ⁽¹⁾	\$ 8	\$ 4	\$ 5	\$ 7	\$ 12
Pro forma adjustments ⁽⁴⁾	40	30	16	18	14
Pro forma interest income	\$ 48	\$ 34	\$ 21	\$ 25	\$ 26
Other income (expense), net					
Combined other income (expense), net ⁽¹⁾	\$ 41	\$ 6	\$ 17	\$ (2)	\$ (5)
Pro forma adjustments ⁽⁴⁾	(40)	(30)	(16)	(18)	(14)
Pro forma other income (expense), net	\$ 1	\$ (24)	\$ 1	\$ (20)	\$ (19)
Pro forma (loss) income from continuing operations before tax					
	\$ (1,199)	\$ 969	\$ 655	\$ 650	\$ 823
Income tax (expense) benefit					
Combined income tax (expense) benefit ⁽¹⁾	\$ (204)	\$ (279)	\$ (261)	\$ 194	\$ 273
Pro forma adjustments ⁽⁷⁾	40	38	57	(51)	9
Pro forma income tax (expense) benefit	\$ (164)	\$ (241)	\$ (204)	\$ 143	\$ 282
(Loss) income from continuing operations, net of tax					
Combined (loss) income from continuing operations, net of tax ⁽¹⁾	\$ (1,270)	\$ 825	\$ 591	\$ 630	\$ 1,118
Pro forma adjustments	(93)	(97)	(140)	163	(13)
Pro forma (loss) income from continuing operations, net of tax	\$ (1,363)	\$ 728	\$ 451	\$ 793	\$ 1,105
Income from discontinued operations, net of tax					
Combined income from discontinued operations, net of tax ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —
Pro forma adjustments ⁽²⁾	423	423	393	355	357
Pro forma income from discontinued operations, net of tax	\$ 423	\$ 423	\$ 393	\$ 355	\$ 357
Net (loss) income					
Combined net (loss) income ⁽¹⁾	\$ (1,270)	\$ 825	\$ 591	\$ 630	\$ 1,118
Pro forma adjustments	330	326	253	518	344
Pro forma net (loss) income	\$ (940)	\$ 1,151	\$ 844	\$ 1,148	\$ 1,462

T-Mobile US, Inc.
Pro Forma Income Statement Metrics (Continued)
(Unaudited)

(1) Represents the sum of historically filed T-Mobile and Sprint standalone GAAP reported amounts. Please reference the T-Mobile Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2019, June 30, 2019, September 30, 2019, and March 31, 2020, the Sprint Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2019, September 30, 2019, and December 31, 2019, the T-Mobile Annual Report on Form 10-K for the year ended December 31, 2019, the Sprint Annual Report on Form 10-K for the year ended March 31, 2019, and the Current Report on Form 8-K containing Sprint financial results for the year ended March 31, 2020, filed on May 18, 2020.

(2) Significant pro forma adjustments include the removal of the activity of the Prepaid Business which is assumed to have been reclassified to discontinued operations as of January 1, 2019.

(3) Significant pro forma adjustments include adjustments to the timing and recognition of certain revenues and costs to align the historical revenue recognition policies of Sprint with the revenue recognition policies of T-Mobile.

(4) Significant pro forma adjustments include the reclassification among line items of historical Sprint activity to align with T-Mobile's financial statement presentation.

(5) Significant pro forma adjustments include changes to depreciation and amortization from revalued and newly recognized property, equipment, and intangibles in purchase price accounting.

(6) Significant pro forma adjustments include changes to interest expense resulting from new debt issuances and modifications, as well as additional amortization expense associated with the revaluation of debt in purchase price accounting.

(7) Represents the pro forma tax impact of pro forma adjustments, which have been tax-effected at a blended rate of 26%.

Pro forma Net (loss) income is reconciled to Pro forma Adjusted EBITDA as follows:

(in millions)	Three Months Ended				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Pro forma net (loss) income	\$ (940)	\$ 1,151	\$ 844	\$ 1,148	\$ 1,462
Adjustments:					
Pro forma income from discontinued operations, net of tax	(423)	(423)	(393)	(355)	(357)
Pro forma (loss) income from continuing operations, net of tax	(1,363)	728	451	793	1,105
Pro forma income tax expense (benefit)	164	241	204	(143)	(282)
Pro forma other (income) expense, net	(1)	24	(1)	20	19
Pro forma interest income	(48)	(34)	(21)	(25)	(26)
Pro forma interest expense to affiliates	17	5	9	12	(5)
Pro forma interest expense	859	848	842	840	835
Pro forma operating income	(372)	1,812	1,484	1,497	1,646
Pro forma depreciation and amortization	4,015	3,972	4,084	4,122	4,014
Pro forma operating income from discontinued operations ⁽¹⁾	571	572	531	480	482
Stock-based compensation, as adjusted ⁽²⁾	183	133	117	119	124
Merger-related costs, as adjusted ⁽³⁾	123	235	165	117	136
COVID-19-related costs ⁽⁴⁾	—	—	—	—	174
Other, net ⁽⁵⁾	2,352	239	24	(157)	75
Pro forma Adjusted EBITDA	\$ 6,872	\$ 6,963	\$ 6,405	\$ 6,178	\$ 6,651

(1) Following the Prepaid Transaction, starting on July 1, 2020, we will provide MVNO services to customers of the divested brands. We have included the operating income from discontinued operations in our determination of Adjusted EBITDA to reflect EBITDA contributions of the Prepaid Business that will be replaced by the MVNO Agreement beginning on July 1, 2020, in order to enable management, analysts and investors to better assess the ongoing operating performance and trends.

(2) Represents the sum of historically filed T-Mobile and Sprint standalone GAAP reported amounts, adjusted for the fair value of certain Sprint share-based compensation and the acceleration of certain executive compensation related to the Merger.

(3) Represents remaining Merger-related costs other than one-time transaction costs directly attributable to the Merger, which have been adjusted out of the pro forma calculations.

(4) Represents the sum of historically filed T-Mobile and Sprint standalone GAAP reported amounts.

(5) Other, net contains the sum of historical T-Mobile adjustments to EBITDA as well as historical Sprint adjustments that are not otherwise included as a named reconciling item, including a \$2 billion goodwill impairment charge deemed incurred during Q1 2019.

T-Mobile US, Inc.
Combined Cash Flow Metrics
(Unaudited)

The following tables present certain cash flow metrics on a combined basis as though the Merger had been completed on January 1, 2019. Adjustments have been made to the historical results of Sprint for policy and definition alignment. Cash flows associated with the Sprint wireless prepaid and Boost brands that were divested on July 1, 2020, are included. See footnotes for details of any significant adjustments. The unaudited combined cash flow metrics are provided for illustrative purposes only and do not purport to represent what the actual consolidated cash flows would have been had the Merger actually occurred on the date indicated, nor do they purport to project the future consolidated cash flows for any future period or as of any future date. For the purposes of this section, “Combined” means the summation of historically reported standalone GAAP amounts of T-Mobile and Sprint. “As adjusted” metrics are those that have been adjusted from their historical standalone presentation to align to the accounting policies and definitions of T-Mobile. See footnotes for details of significant adjustments.

(in millions)	Three Months Ended				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Net cash provided by operating activities					
Combined net cash provided by operating activities	\$ 4,239	\$ 4,391	\$ 4,314	\$ 3,492	\$ 4,144
Capital expenditures - leased devices ⁽¹⁾	(1,702)	(1,516)	(1,786)	(2,147)	(1,416)
Combined net cash provided by operating activities, as adjusted	<u>\$ 2,537</u>	<u>\$ 2,875</u>	<u>\$ 2,528</u>	<u>\$ 1,345</u>	<u>\$ 2,728</u>
Cash purchases of property & equipment					
Combined cash purchases of property and equipment	\$ 4,782	\$ 4,494	\$ 4,409	\$ 4,366	\$ 4,091
Capital expenditures - leased devices ⁽¹⁾	(1,702)	(1,516)	(1,786)	(2,147)	(1,416)
Combined cash purchases of property and equipment, as adjusted	<u>\$ 3,080</u>	<u>\$ 2,978</u>	<u>\$ 2,623</u>	<u>\$ 2,219</u>	<u>\$ 2,675</u>
Net cash used in investing activities					
Combined net cash used in investing activities	\$ (3,078)	\$ (4,083)	\$ (3,209)	\$ (3,898)	\$ (3,796)
Capital expenditures - leased devices ⁽¹⁾	1,702	1,516	1,786	2,147	1,416
Combined net cash used in investing activities, as adjusted	<u>\$ (1,376)</u>	<u>\$ (2,567)</u>	<u>\$ (1,423)</u>	<u>\$ (1,751)</u>	<u>\$ (2,380)</u>
Net cash (used in) provided by financing activities					
Combined net cash used in financing activities ⁽²⁾	\$ (147)	\$ (2,753)	\$ (1,163)	\$ (798)	\$ (1,737)

(1) Sprint historically classified purchases of leased devices as capital expenditures within Net cash used in investing activities. We have reclassified these purchases to Net cash provided by operating activities to align with T-Mobile accounting policies.

(2) No adjustments were required for net cash (used in) provided by financing activities.

Combined Net cash provided by operating activities is reconciled to Combined Free Cash Flow, as adjusted, and Combined Free Cash Flow, as adjusted, excluding payments for Merger-related costs, as follows:

(in millions)	Three Months Ended				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Combined net cash provided by operating activities	\$ 4,239	\$ 4,391	\$ 4,314	\$ 3,492	\$ 4,144
Capital expenditures - leased devices ⁽¹⁾	(1,702)	(1,516)	(1,786)	(2,147)	(1,416)
Combined net cash provided by operating activities, as adjusted ⁽¹⁾	2,537	2,875	2,528	1,345	2,728
Combined cash purchases of property and equipment, as adjusted ⁽¹⁾	(3,080)	(2,978)	(2,623)	(2,219)	(2,675)
Proceeds related to beneficial interests in securitization transactions	1,157	839	900	980	868
Proceeds from sales of tower sites	—	—	—	38	—
Cash payments for debt prepayment or debt extinguishment costs	—	(28)	—	—	—
Combined Free Cash Flow, as adjusted	614	708	805	144	921
Combined payments for Merger-related costs ⁽²⁾	57	129	190	161	350
Combined Free Cash Flow, as adjusted, excluding payments for Merger-related costs	<u>\$ 671</u>	<u>\$ 837</u>	<u>\$ 995</u>	<u>\$ 305</u>	<u>\$ 1,271</u>

(1) Combined net cash provided by operating activities, as adjusted, represents the summation of the GAAP measure net cash provided by operating activities for T-Mobile and Sprint aligned to T-Mobile’s accounting policies by adding historical capital expenditures for leased devices, which T-Mobile treats as an operating activity. Historical Sprint activity related to capital expenditures for leased devices has been reclassified to net cash provided by operating activities from cash purchases of property and equipment.

(2) Represents combined historical payments for Merger-related costs by T-Mobile and Sprint.

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. Customers generally are qualified either for postpaid service, where they generally pay after incurring service, or prepaid service, where they generally pay in advance.
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 postpaid customers as of the end of the period divided by the number of postpaid accounts as of the end of the period. An account may include postpaid phone, mobile broadband, and DIGITS customers.
4. Average Revenue Per Account (ARPA) - Average monthly postpaid service revenue earned per account. Postpaid service revenues for the specified period divided by the average number of postpaid accounts during the period, further divided by the number of months in the period.
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.
Postpaid phone ARPU excludes postpaid other customers and related revenues.
Service revenues - Postpaid, including handset insurance, 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 such as Merger-related costs. 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 measure 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 Merger, 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 from sales of tower sites and 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.
11. Net debt - Short-term debt, short-term debt to affiliates, long-term debt, and long-term debt (excluding tower obligations) to affiliates, short-term financing lease liabilities and financing lease liabilities, less cash and cash equivalents.