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TMUS.OQ - Q1 2024 T-Mobile US Inc Earnings Call

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OVERVIEW:

Company Summary

REFINITIV

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PRESENTATION

Operator

Good afternoon. (Operator Instructions) I would now like to turn the conference over to Mr. Jud Henry, Senior Vice President, Strategic Adviser, Investor Relations for T-Mobile US. Please go ahead, sir.

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

Welcome to T-Mobile's First Quarter 2024 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'll make forward-looking statements, which involve 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 our results as well as reconciliations between GAAP and non-GAAP results discussed on this call can be found in our Quarterly Results section of the Investor Relations website.

And with that, let me turn it over to Mike.

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

Okay. Thanks, Jud. Good afternoon, everybody. Welcome. If you're watching online, you can see that I've got a good part of the senior team here. We're coming to you from Bellevue, Washington today, and we're looking forward to a great discussion.

And as you can see from our Q1 results, we are off to a great start in 2024. The year is unfolding right in line with what we expected across the board, and in fact, better in some areas, and we're increasing our guidance for the year accordingly. I'll briefly touch on a few highlights, and then we'll get right to your questions.

First, a comment on growth. We continue to take share in Q1 just as expected with postpaid phone net adds that were right in line with Q1 last year, while industry net adds were lower by a double-digit percentage. Our best value, best network proposition continues to resonate in the market with our postpaid phone gross adds up year-over-year for the fourth consecutive quarter even while industry gross adds were down. And we matched our best ever Q1 postpaid phone churn, showing that customers love the Un-carrier value proposition and network.

Second, a comment on those lowest ever postpaid upgrades for phones in Q1. I think this metric showcases our ongoing winning formula by demonstrating that customers choose to stay with T-Mobile for the best-in-class value and network they enjoy, which is the only retention strategy that drives profitable growth over the long term. The network is an increasingly powerful part of our customers' loyalty as 3/4 of our postpaid phone customers already have a 5G smartphone, and they're having a differentiated experience on the T-Mobile network. It also demonstrates how we put our investments where they can have the greatest customer impact, letting natural customer demand drive the pace of upgrades.

Overall, from consumers in major metros to smaller markets and businesses from large enterprises to SMBs, T-Mobile's durable, differentiated growth momentum continues across the segments. And the most exciting part is that there are still many years of market-leading growth runway ahead for our core business.

Okay. Let's talk broadband. Home broadband customers love a great value on a great network, too. That's been the formula that's made us the fastest-growing broadband provider for the past 2 years. And we did it again in Q1 as our 405,000 nets are expected to represent a higher share of industry broadband net adds than even a year ago and are expected to be more than half of all nets from the major providers once again. Our broadband strategy is unfolding exactly the way we said it would. And we now proudly serve over 5 million high-speed Internet customers.

And as we previously announced, we're also growing the value of that customer base, successfully sunsetting our [launch era] promotions and attracting customers at our nominal price points. In addition, our new rate plans for home mesh networks and for on-the-go usage are just the latest ways we intend to continue to enhance the value of this space and find new ways to serve customers better.

Okay. Let me comment on fiber. I've been saying for a while that smart fiber partnerships would allow us to profitably serve even more broadband customers. And today, we announced a joint venture with EQT that will acquire Lumos. Consistent with everything we've said for the last year, this JV is the latest example of a capital-light model, and we're excited to have such great and experienced partners. EQT is one of the leading infrastructure investors across the U.S. and Europe and brings a wealth of knowledge to the table.

The Lumos management team under Brian Stading is outstanding and has years of experience building fiber in an efficient, cost-effective and targeted build model. We're really excited to be able to accelerate what Lumos has already been doing to reach more and more households in the years ahead.

Together, we target 3.5 million homes passed by 2028, and T-Mobile expects to invest about $950 million upon close, which we expect less than a year from now, and another $500 million between 2027 and '28 to get there. T-Mobile will be a 50% owner of Lumos and will own the customer relationships, including their existing fiber customers at close, as Lumos will convert to a wholesale model.

This is exactly the type of value-creating investment that we had contemplated with our strategic envelope of funds that we set aside back when we shared the current stockholder return program with you last fall. And we expect to remain on track as it relates to our stockholder return ambitions.

Lastly, I am so happy to report that we have received regulatory approval to acquire Mint and Ultra Mobile. And we, therefore, currently expect to close on May 1. We are really looking forward to welcoming them to the Un-carrier family. And I know they're going to fit in because they are hyper-focused on offering customers compelling products at a great value. We'll work to further fuel their success while also learning from their team who are absolute rock stars in the direct-to-consumer and value segments.

Financially, in Q1, we again showed how T-Mobile translates profitable growth into market-leading consolidated service revenue growth and core adjusted EBITDA growth that was double the rate of our principal competitors. And T-Mobile again delivered the highest free cash flow margins in the industry.

So to wrap up. Our model is working. It's consistent. And our confidence in it only builds with each passing quarter of success. We remain focused on continuing to take share in wireless and broadband while delivering industry-leading growth in service revenue, profitability and cash flows. I couldn't be more excited about what's ahead for T-Mobile.

And I want you to know that we plan to have a Capital Markets Day this fall, where we look forward to going deeper with you on topics like the big opportunities that we see coming, how we're seizing them and how that will translate into enormous value creation for our company in the years ahead. And I think you're going to see once again that in many ways, we're just getting started.

Okay. Peter, over to you to talk about our key financial highlights and an update on our guidance.

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

Well, thank you, Mike. All right. As you can see, we kicked off 2024 with great momentum. Mike already highlighted our best-in-class growth in both the top and bottom line and how our industry-leading conversion of service revenue to adjusted free cash flow continues to differentiate T-Mobile. So let me jump into our updated expectations for how that growth will continue in 2024.

Starting with customers, where we now expect total postpaid net customer additions to be between 5.2 million and 5.6 million, up 150,000 at the midpoint. We now expect full year postpaid ARPA to grow up to 3% in 2024, a further acceleration of the growth we saw in 2023 from both the continued execution of our strategy to win and expand account relationships and as we anticipate taking further rate plan optimization actions within the base.

There is no change in our expectations for postpaid phone net adds from our original guidance last quarter with Q1's strong growth coming in as we expected and because we anticipate slight year-over-year headwinds to postpaid phone net adds in Q2 and Q3 related to those rate plan optimizations, which are accretive to the business on an all-in basis.

Core adjusted EBITDA is now expected to be between $31.4 billion and $31.9 billion, up 9% year-over-year at the midpoint. And as I mentioned on the last earnings call, we expect our industry-leading service revenue growth to accelerate at a higher rate in 2024 than we delivered in 2023 even with the discontinuation of the Affordable Connectivity Program that appears imminent at this point in time and is contemplated within the increased guidance. We continue to expect cash CapEx to be between $8.6 billion and $9.4 billion as we deliver a capital efficiency unmatched in our industry on the back of our network integration and 5G leadership.

Lastly, we now expect adjusted free cash flow, including payments for merger-related costs, to be in the range of $16.4 billion to $16.9 billion. This is up 23% over last year at the midpoint and 5x the expected growth rate of our next closest competitor, thanks to our margin expansion and capital efficiency and does not assume any material net cash inflows from securitization. This also represents an adjusted free cash flow to service revenue margin, which is multiple percentage points higher than peers.

So in closing, we continue to expect 2024 to be another year of differentiated profitable growth as we continue to extend our network leadership and further scale our unique growth opportunities. We expect this to continue to translate into industry-leading growth in service revenue, core adjusted EBITDA and free cash flow along with the highest adjusted free cash flow margin in the industry, unlocking shareholder value. I couldn't be more excited about the continued enormous value creation opportunity that we have in front of us for years to come.

Okay. Before we open it up for Q&A, I just want to take a moment to announce a changing of the guard in our Investor Relations leadership. After 11 years and an unbelievable 44 earnings cycles in IR, I'm tremendously excited for Jud to take on a broader role within our finance organization. And I'm equally excited to introduce Cathy Yao as our new SVP of Investor Relations. Many of you may know Cathy, from her time on the sell side at MoffettNathanson or on the corporate side at Altice USA among other roles on her fabulous resume. We look forward to Cathy continuing T-Mobile's strong tradition of Investor Relations excellence.

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

QUESTIONS AND ANSWERS

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

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

Operator

The first question comes from Michael Rollins with Citi.

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

Congrats, Jud, on the new role. Just a couple of questions, if I could. So first, you mentioned that you may be taking some pricing actions and that could affect some of the subscriber performance in 2Q, 3Q. Can you unpack the plan on how you're approaching those actions and how to think about the net benefit? And then just secondly, taking a step back, if you can give us an update on how you're seeing the competitive landscape, how you're seeing the switcher pool and how T-Mobile is navigating some of these changes with the industry seemingly having lower upgrades, lower churn.

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

Okay. Great. Well, why don't I jump in, and I'll give a comment on -- or a lack of a comment on the first question, and then I'll hand it to Jon Freier for the second one. No, we're not really going to announce any particular plans today. I will tell you that nothing we do is going to question or challenge our long-standing strategy of being the value leader in this market. But surely, over the span of many years, what that means kind of changes over time. Costs have risen. Changes have happened in a broader industry context. And we're going to jealously guard that value leadership. And I think customers understand that if there are changes around the margins once every many years in a world where costs change, they'll understand and accept that.

We've actually made changes here and there over the past 6 months. We've understood what that looks like and what that takes. And there may be more changes, particularly with older rate plans. But we're not here to announce anything. I will tell you that all the outcomes that we see from all of that on the customer side as well as on the ARPA side and on the EBITDA and revenue side are contained within the guidance that Peter just shared. Do you want to add anything in the first question before we go to the second one?

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

I think you got it.

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

Okay. Competitive context on up -- what are we seeing on upgrades? What's driving that? What's happening with the competition, Jon?

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

Yes, you bet. So I'll tell you a little bit about what's happening competitively. It's been an intense competitive environment in the marketplace, but it's been generally consistent as you look at this overall competitive intensity. And for our business, we continue to have these differentiated growth opportunities, whether that be smaller markets and rural areas, whether that be within our high-speed Internet or in our overall enterprise and government space that Callie can talk about in just a few moments as well. And so during that overall competitive context, we have these unique growth vectors that we continue to be underpenetrated on, driving a lot of good success so far but continue to have a lot of runway in front of us.

So while that competitive environment is intense, sometimes one competitor is leaning in. Sometimes one competitor is leaning out. We're always navigating that. Things are always changing. Sometimes it's a little bit more device oriented. Sometimes it might be more rate oriented in terms of how the competitive environment is unfolding. But we've navigated that for years and years now and continue to be very comfortable with how that overall competitive environment is playing out.

With respect to upgrades, we continue to meet the natural demand of upgrades. As you can see, the upgrade rate is a low 2.4% at the same time when we're matching the best Q1 postpaid phone churn performance in the company's history. We've been more targeted than surgical with some of our upgrade offers, for sure. But the overall natural demand and the upgrade cycle is lengthening. It's really kind of the best of both worlds when you have customers that are staying at incredible rates, record low rates and not staying for free devices exclusively. They're staying for this differentiated value proposition, the network and the overall experience, something we're very, very pleased with how it's unfolding.

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

I'll just add one last thing. As I said in my prepared remarks, 75% of our customers have 5G devices, and those customers are having a very differentiated experience with T-Mobile's lead in 5G. And we can talk more about that, I hope, during the call. I'm so pleased with what's happened. We continue to extend our lead. And so that -- the impetus when you're having a fantastic experience on your phone, to prematurely swap it out, just isn't there. And they'll do it in a stepwise way. They continue to do it. And you can tell we're upgrading people fast enough by the fact that all those people have 5G phones, which is right at or even above competitive benchmark. So our customers continue to upgrade at just the pace that we think is appropriate.

Operator

The next question comes from 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*

Maybe first on the Lumos transaction. Firstly, should we expect similar deals in other parts of the country? And you talked about 3.5 million homes passed. Is that about -- I mean that's just in one small part of the country. Should we expect something similar as we look at the rest of the U.S.? And then in the release today, you guys had a line about not being able to meet all the demand for broadband with your fixed wireless network. Can you talk a little bit about how much growth there is left there and if you're seeing capacity constraints in any particular areas?

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

What kind of partner ecosystem are you building to execute on your strategy?

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

Let's go straight to Callie.

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

Well, thanks, [John], for the question. We saw very strong growth in Q1, outpacing our benchmark competitor again in postpaid phone nets. And to comment a little bit on the question that Jon was answering in the business category if we're seeing pressure in that category, I think it might be us. And one of the interesting things, I think, that's going on in our business right now is that not only are we delivering on top line growth but also on CLV growth across all segments.

And in enterprise, we just delivered our strongest postpaid nets ever in the history of the company. We also delivered our lowest churn in enterprise. In SMB, we had our highest ever port ratios, and we're net positive for 7 consecutive quarters. So we're really liking the pace of the business. We've really graduated from just being a price comp to really a solution-oriented sale for customers. And we see that with partnerships with Dialpad Ai with delivering mission-critical push-to-talk.

And I know, John , you also asked who are some of the partners that we're working with in building our ecosystem. Obviously, we're partnering with the largest OEMs, working with Ericsson and Cisco as well as industry segment experts like [OCS] when it comes to serve our government customers. So really building out our ecosystem that allows us to really focus on enterprise solutions, enabling them to innovate and to love their customers at scale.

I will mention just a couple of key wins in the Advanced Network Solution business. You might have read about our partnership agreement with Delta, where they named us as their preferred wireless provider. But we're also deploying a 5G hybrid network solution at their Atlanta headquarters, which we're really excited about. Also the U.S. Coast Guard is working with us build out a private network to deliver seamless secure connectivity from ship to shore. And then with Ericsson, not only as a strategic partner, but we're also working with them to deploy our first network slice on a SIM-based SASE solution within a 5G connected laptop. So we're really excited about the kinds of solutions, the sort of enterprises that we're bringing on and the momentum in the business overall.

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

It's really interesting when you hear us talk about enterprise, how different it is from 4 or 5 years ago. I mean we were trying our best to sell SIMs to companies that would take meetings with us like the procurement department. And what's happened in this 5G strategy as it's unfolded is Callie and team have built solutions to some of the most pressing connectivity problems that enterprises of all kinds face. And suddenly, we're in strategic conversations because we have capabilities like network slicing, like SIM-based security and many other emerging 5G capabilities that are way out in front.

And that's not just giving us revenues in those advanced 5G services, but it's also winning us all those smartphones that we used to struggle so hard and back then have to price so hard to win. So it's been this really nice evolution. And make no mistake, we love low prices, and we're going to be the value leader here. But today, we're solving some of the most complicated connectivity problems that enterprises and organizations face. And that is a great place to compete.

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

Yes. Thank you, Mike. Totally agree.

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

Okay. All right. Let's try this again. Operator, can we get a question?

Operator

The next question comes from 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*

Okay. Great. So I have a couple of questions on the Lumos transaction. So first of all, should we just think of this transaction as sort of a one-off? Or should we expect other deals similar to this in other regions? And then of the 3.5 million homes that you guys are talking about passing, how big could that get over the next 5 years? So that's first. And then second of all, in the release, you guys talked about not being able to fulfill the demand that you're seeing in broadband on the fixed wireless side. How much growth is still left in fixed wireless? And are you seeing areas today where you're running out of capacity?

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

Okay. Let's start with the second one. All along, if I remind all of our listeners, I know you know this, our fixed wireless strategy has always been about selling excess capacity, where we predict normal cell phone usage won't suck up that 5G capacity. And so this gives us the opportunity to serve broadband customers. And now at scale, we're serving millions and millions of them under this strategy. We had originally said we saw this strategy leading to about 7 million to 8 million total customers in terms of opportunity. We don't have any updates on that. I've said several times, we're working on thinking about examining ways that we could try to extend that, and we haven't drawn any conclusions yet. We have to make sure it's done in an economic way, and we have to make sure it's done in a way that customers will love, and they have a fantastic product experience.

That being said, what's interesting about fiber, fiber can be a strategy that relieves some pressure on the 5G network and extend the TAM, if you think about it, right, because some customers will -- where we offer fiber in the future, will be able to naturally graduate up to fiber, which is really a totally separate category. And that obviously opens up an opportunity for their neighbor to then become a 5G customer. So there's some TAM expansion there.

And then to your point, even in places where Lumos currently operates, we have a long wait list of people who applied. They put their address in our system. They applied to be a fixed wireless customer, and we haven't accepted them yet because their address isn't one of those places that I described where we have the predicted excess capacity. So there's lots of opportunity there.

As it relates to your first question around is this the first of many, et cetera, look, we don't have anything to say about that other than our strategy is to opportunistically find ways that are very capital-light, very smart to put our brand in this space, and we've done that here. And we think this will lead to millions of homes passed. And that's a great place for us to be. We're going to continue to learn, grow, expand. And we're open-minded about this. But we're not interested in any wholesale changes that basically change who we are.

No big on-balance sheet acquisitions are currently being examined. It's not something that -- we know our investors like our fast, efficient, capital efficient, high capital return strategy, and we have no intentions of changing all that. That being said, if we can lay track for the long term in a very capital-efficient way, we're open-minded. And we really like this model that we've struck with EQT and Lumos, and can't wait to get started and get this approved through the regulatory bodies and begin to see this build out and accelerate.

Operator

The next question is from Craig Moffett with MoffettNathanson.

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

First, Jud, congratulations. But thank you for all those 40-some-odd quarters of your able support and help. And congratulations to Cathy if she's on the call. A question about ACP just because that's the obligatory topic this quarter. Can you just talk about what you expect with ACP, how you think that might affect your business, especially perhaps your prepaid business, but whether you think it will have an impact on your postpaid business as well? And you just introduced a plan where you no longer do credit checks, which I think was a head scratcher to me just coming right before the expiry of ACP. I wonder if you could just talk about how you plan to sort of ensure that ACP customers without government support won't upend that kind of an offer.

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

Well, let's start out with Mike Katz so we can disentangle some of these offers for you because there could be some misunderstanding out there. And then we'll go to Peter and talk about the financial, what we see in the financial picture as it relates to the expected turndown of ACP.

Michael J. Katz - *T-Mobile US, Inc. - President of Marketing, Strategy & Products*

Yes. Thanks, Craig. First, to answer the first part of your question on what our expectations are with ACP, at this point, we're expecting that the program funding is going to end. And the impact of that is fully contemplated in the guidance that Peter talked about and shared earlier.

And as a reminder, I think it's important to contextualize like how T-Mobile has participated in the ACP program. First of all, we have not participated in any form in postpaid across any products. It's nonexistent in our postpaid business. We have a small amount. I think we've said a couple of hundred thousand inside of our prepaid, our owned prepaid portfolio. And the vast amount of our participation is inside wholesale via wholesale partners that we work with. So for -- so just to contextualize where our participation is.

That being said, we are both in the small amount that we have in our own prepaid business but also with the wholesale partners, working with them on communication and plans to help those customers transition. We think wireless is not a category that customers are going to walk away from. So these customers need another alternative, and we're working closely with the partners and with the customers to find them another alternative, whether it's other plans or other programs like Lifeline. So we're deep in doing that.

And look, like we think if you look at T-Mobile, and Mike talked a lot about our passion around and focus around guarding our value position and the brands in our portfolio like Metro and soon to be Mint, these are all value brands that are focused on delivering value. And we think that's a great opportunity, both to help customers inside of our wholesale partners to transition, but honestly, customers that also may feel stranded from competitors to come to find a value to continue their wireless services. So I hope that's helpful for the question you're answering.

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

Yes. And let me maybe add to that just a little bit on your other questions, Craig. And I think Mike really highlighted our thinking around this well. Of course, it's in front of us, more so than behind us. No new activations as of February, but it's in front of us, but we think it's fully baked into the guidance range that we gave you, the range of outcomes that we anticipate.

And when we think about -- you asked about the no credit check. And I can tell you, one, that we continue to see very healthy levels of bad debt. We continue to actually be the leader compared to our peers in terms of bad debt as a percentage of total revenue. So we're very happy with what we see there.

We're always testing and trying new things. For example, we have a way and an ability for prepaid customers who have a certain number of on-time payments to graduate into postpaid without an incremental credit check. And that's because we have data and know exactly how those customers behave over time and what the really data informed credit risk around those consumers are. So we're always going to be testing around edges what is really beneficial for consumers while being very thoughtful around, of course, risk protection for the entity, and that's why we sit at the bad debt rates that we do.

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

And that's not new. We've had that program in place for many years.

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

Of course, yes. Absolutely. Absolutely.

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

Is there any risk, though, that ACP customers who've been essentially getting their bills paid by the government and therefore have good credit histories might be higher credit risk as ACP ends?

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

Yes, absolutely. You're absolutely right, and that's thoughtful around -- remember, as Mike Katz said, the amount of ACP customers that are sitting in our prepaid base and Metro is very small. So that's a very small exposure.

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

And the amount in the postpaid base...

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

Zero. Postpaid is absolutely 0 for us. And so it's really finding products. And you saw us probably launch out there some ways to help consumers and think about can you get into other programs like T-Mobile Connect or other low-cost opportunities or Lifeline type of construct. So look, we're going to be very thoughtful around making sure customers in this critical category stay connected while being, of course, very thoughtful around the risk profile to T-Mobile.

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

Yes. As Mike pointed out, it's not just our customers that are facing this, right? Everybody else is. But we've got this incredible portfolio of brands that are famous for value. And we're going to make sure that those brands are in front of people because we're going to stand up and serve them at a time when they might find that they need a new offer, and we will be there with incredible offers for them.

Operator

And the next question comes from Jonathan Chaplin with New Street Research.

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

Congratulations to Jud and Cathy. That's fantastic news. Since it's Jud's last call, I've got 9 questions to ask. I'll try and consolidate them. So Mike, I'm wondering if you can give us just an update on the sort of the fiber strategies that you're collecting together in aggregate. So you've announced so far pilot, the Lumos deal. I think there are deals out there with Tillman, Intrepid and SiFi. How many -- when you put all of those together, how many homes passed does it amount to?

And for the Lumos deal specifically, can you -- how much cash is EQT putting in? We're just trying to get a sense of sort of the total capitalization here. And then how much comes from sort of incremental debt? And then my last question on this is, how do you see -- all of the deals that we've had about so far seem to be focused on guys building new infrastructure. How about -- how do you think about those sorts of assets versus partnering with guys who have existing copper infrastructure that they're upgrading?

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

You bet. We won't be able to give you too much on sort of broad strategy here other than the fact that we're opportunistic. The strategies we've employed so far, both across wholesale, which we got started on in a very small way already, as well as this new partnership, are about putting the T-Mobile brand and team to work, selling a fiber product that complements our wildly successful 5G product. And to us, that's a great strategy because we believe we have an opportunity to generate superior returns than a purely disinterested investor could do by virtue of our assets and our know-how. And we've proven that know-how to ourselves through our success with 5G Home Internet.

You think about our incredible distribution, our leading brand, our tens of millions of customers, our incredible team. We have very insightful data that our customers give us permission to use to put relevant offers about their T-Mobile experience in front of them. These are all advantages that are purely financial or disinterested investor wouldn't have. And so when we look at this area and say, can we extract a return that's better than others could, we have some confidence. And so we think about it from that opportunistic standpoint, not from a convergence defensive standpoint.

We believe that our T-Mobile offers stand tall and stand alone and don't "need" convergence. We just think that this is a place where we can make customers happy and generate a superior financial return and that it complements a leadership product that we already have out there. Beyond that, I can't say much more about the strategy other than what I said earlier. We like this partnership. We're very excited about where it could go.

Maybe Peter can comment on the capital structure. But one of the things I do like about it is that we decided as we formed this to fund it and give it the wherewithal with some additional debt to have everything it needs from an equity standpoint to get to the 3.5 million homes passed, which we think is a nice threshold for us. It will be a multistate footprint. It will be big enough to matter. And of course, that will be through a combination of debt and equity.

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

Yes. And again, Jon, I can't give you all the details because we have counterparties involved in this. First, it is a 50-50 joint venture. It will be unconsolidated for us. So it's an equity method investment for us. So everybody kind of captures that fine point. And then as Mike said, there -- just given that it's a 50-50, there will be, obviously, cash infusion from EQT as a partner in this as well.

And when you think about that incremental 500 million, for example, that would be an equivalent cash infusion from EQT. And there is -- given this is an infrastructure and a great anchor tenant in the form of T-Mobile having the retail customers, there is an ability to also lever the entity up. And the overarching thought process is this is about a maximum of 2:1 debt-to-equity ratio, but it will be based on what the funding needs of the entity actually is to get to that 3.5 million.

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

One quick follow-up, Peter, if I can. You mentioned at the beginning that you sort of set capital aside for things like this in 2024. You haven't used up that whole sort of reservoir of capital yet. If you look at what's left there, is it more directed towards fiber transactions like this or spectrum? Like how do you sort of balance between those 2 assets?

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

It really is looking at what the best return profile for T-Mobile is. And sometimes, as you know, spectrum opportunities may come up. They may not come up. We could have some of the 2.5-gig leased spectrum come up, and then we have rights of first refusal around those. So it's still a balance. We don't have line of sight to how we would use every dollar of what's still remaining in that bucket. But as opportunities come up, we're going to tumble it through the normal capital allocation thought process that we have that we've described very many times, and that's exactly how you think we should think about it.

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

And nor should we, right? So I mean one of the reasons why we were this transparent, maybe unusually transparent with you, is that we wanted you to know that we could, in the normal course, pursue opportunities and yet still honor our stockholder return ambitions. And we wanted to make it clear that, that -- nothing has changed in that.

And that's why we put an envelope out there at the beginning so that you would have confidence that whether it was spectrum, partnerships like this, other things that we would see that we could use our know-how and embedded assets to be able to extract a superior financial return and delight customers that we would have the wherewithal to seize those things within that range. So we're really pleased to have been able to bring this one to fruition and can't wait to get started once we get approval.

Operator

And the next question is from Simon Flannery with Morgan Stanley.

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

Great. And best of luck, Jud. Thanks for all the help. And welcome, Cathy. Peter, I wanted to talk a little bit about margins, if I could. You had nice EBITDA growth of 8%, margins up nearly 200 basis points year-over-year. I think in the past, you sort of suggested the cadence would kind of ramp through the year. So perhaps just talk a little bit about margin trajectory, both this year and just longer term, the opportunity? I think, Mike, you said we're just getting started here. So talk about the cost side, if you could. And then maybe on spectrum, just any update you can give us on the status of the 800-megahertz spectrum. Given we passed the DISH April 1 deadline, what should we expect in coming months from you in terms of auctioning that off to third parties?

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

You take the first one, and I'll take the second.

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

Yes, absolutely. Thanks, Simon. It's a tremendously exciting story, actually. One of the reasons, as we've talked about before, is we've now achieved as of Q4 of last year, in this tremendously successful merger integration, the run rate synergies, which we raised a couple of times during the pendency of the deal and execution itself. And so now though, we continue with this guide to see run rates EBITDA increases that are significant, in fact, quite similar to what we had during those synergy unlock days. And there's a couple of things that create that.

One is continued outsized profitable share taking, of course, taking those fixed costs and leveraging the fact that we're continuing to take outsized share and turning that into outsized service revenue growth. So when you have postpaid service revenue growth like we delivered this quarter of 6.5% year-over-year on a lot of fixed cost nature of the base, that obviously gives you leverage. Besides that, we're going to continue. And really, it's a culture. It's kind of a flow of thinking here that we have around continued optimization efficiencies, where can we extract efficiency out of the business so that we can plow it back into customer acquisition, margin expansion.

And most importantly, and we've talked about this, we tend to think about it as service revenue to free cash flow conversion. That free cash flow is what unlocks all the ability for further value-creating investments, whether it's spectrum purchases, whether it's capital returns.

And so we're hyper-focused on how do we make sure that we create efficiencies in the expense profiles and how do we make sure that in our CapEx profile, we're making every single dollar count and delivering the next best tranche of value for us. And I think we have some really bespoke unique ways that we approach that. But that's how we continue to see this expansion, particularly in that service revenue to free cash flow play out over a period of time.

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

I hope it doesn't sound like we're sort of flogging our book when we say we look at cash flow margins. We are. But also, I think cash is king, and a view that doesn't look at cash flow margins would miss the fact that we have, we think, a durably more capital-efficient strategy than our benchmark competitors. And therefore, from a geography standpoint, EBITDA margins don't tell the whole story, even though I'm pleased we're up 200 bps almost, and we're making great progress there. But the cash margins are the story because they are inclusive of what we think is a durably superior capital investment profile. And we'll talk a lot more about what we think our secret sauce is with you at some point when we have more time. But this is a strategy we have growing confidence in that it's going to be durable.

Okay. So the second question around 800. Well, first of all, I will just remind you what Peter, I know, has told people in the past, that we've chosen our business plan to be pretty conservative as it relates to how to think about the 800. And what I mean by that is we didn't include any proceeds from this auction in our financial plan so that they would be found money going into that reserve fund. We were talking about a few minutes ago with Jonathan.

But secondly, we also did not put the usage of that spectrum into our network planning and capacity plan. And so kind of no matter what happens here with this auction, which has begun. We either get found spectrum and capacity that we get to keep and figure out a way to use. And this is a great spectrum, nationwide, contiguous low band, lots of interesting things we can do with it, especially with emerging technologies. But also, this action may conclude successfully. And if it does, we'll have cash on hand that enhances our profile.

So what's the update? We have commenced. We have interested parties. We have nonbinding indications of interest. There's reason to believe that we will meet the reserve. So it's a little too soon. Everything is nonbinding, but we'll have more to say after we get past kind of the binding parts of this. So stay tuned. But again, whichever way it shakes out for us, it's a win because of our conservative planning.

Operator

The next question is from David Barden with Bank of America.

David William Barden - *BofA Securities, Research Division - MD & Global Research US Telecom Services & Communications Infrastructure Senior Analyst*

Perfect. Congrats to Jud and Cathy. So I guess my first question would be related to the comments in the results about how kind of going after the business market has kind of impacted the ARPU calculation, and that's been trending down for a couple of quarters. And so I was wondering if you could kind of maybe unpack the kind of subscriber number that we're watching evolve here and how it balances between consumer versus business. Obviously, I'm obligated to ask you how free lines and other things contribute to the reported postpaid number.

And the second question, if I could, maybe, Mike, just to go back to this Lumos situation. You're basically saying that today, you're prepared to invest about $1.45 billion between now and 2028 to own 50% of basically 2.5% of the households in America. And if you got 50% of that, you would have slightly around under -- between 1% and 1.5%. So what is the point? Like why is it worth the brain damage to spend the money, the years building the organization to get something that looks realistically so small in the grand scheme?

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

Yes. Thanks, David. Well, let me start with the second one, and then I'll hand it to Peter on the first one. Look, I'm really excited about this because I think we're getting a lot and enabling this company to accelerate growth. And if you think about close to $1.5 billion spread over in time, 3.5 million passings being the goal for that funding, from what we -- the capital we put out, that's less than $500 per passing. And to the premise of the question, that's not for sort of like half of it because the other way it works is that T-Mobile is the branded entity for all of those passings. And it's up to us to make sure that it stays that way and we perform and so on.

But our strategy is to be able to get augmentations to an already nationwide multimillion customer broadband strategy. And this is a smart way to do that. And I signaled we're open to constructs like this around the margins. And so maybe in the end, it'll add up to more than this, and certainly, 3.5 million isn't where this probably ends. This is a growth engine that could continue into the future. We're not obligated for it, too.

So I love the strategy. And I think it's about getting a better return based on our embedded assets and complementing a complementary product that's already scaled, and that makes it very appealing for us to think about the efficiencies of how we would go to market. And we are the go-to-market entity in this construct as Lumos pivots into a wholesale model. So hopefully, that helps.

To your first question on ARPU, maybe you could unpack it a little bit vis-a-vis business versus consumer and then answer once again the age-old question of free lines and all that stuff.

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

Yes, absolutely. And Dave, as we've been long saying, our focus is primarily on ARPA, drive accounts, land them, expand them. And we just gave an updated guide with respect to ARPA, both from that as well as those continued rate plan optimization. And we'll probably see that more unfold in the second half of the year. But that trickles down into ARPU as well. So I'd say probably this year, we're expecting ARPU to be up, say, maybe 0.5%, again, more weighted to the second half of the year. But it is very much, as you say, a mix-driven metric.

And now we don't separately disclose consumer versus business, but there's just so much goodness in terms of ARPA, both accounts and ARPA accretion, that you would expect us to go heavily after, as Callie was talking about, the enterprise space and the government space where naturally, ARPUs are lower. But account and CLVs and enterprise value creation is really great and strong. So you see success in -- even in the consumer space with segmented consumer offers like in the 55-plus segment in the military segment. Once again, we're willing to do lower ARPUs because you have great CLVs with those types of customers for differential reasons each in their own segment. So we're going to continue to pursue this strategy. But again, now we expect about probably 0.5% increase in ARPU.

Now this whole age-old free line question, I understand because there's some stuff that's happening in the industry. As you know, we don't do first free lines. Now we've long had a construct in our rate plan constructs that encourages higher number of lines in terms of our accounts because the higher number of lines get to be more sticky, generate more ARPA and greater lifetime value.

But there's really been no trajectory change there at all from a year-over-year sequential perspective. In fact, I would say it contributed less this Q1 than it did last Q1. But that to me is very much a rate plan construct. And again, we don't do first free lines. And so that's kind of -- it's not really any sort of a contributor to what you see have happened year-over-year in terms of our net add performance relative to the industry.

Operator

And the next question comes from Eric Luebchow with Wells Fargo.

Eric Thomas Luebchow - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Great. Just a follow-up on the fiber-to-the-home strategy at a high level. As you look at potential future opportunities, is the goal to target areas where you might be underpenetrated in either fixed wireless or traditional mobile to kind of expand your addressable market? Or is it in part to provide an alternative for existing FWA subs to offload to a higher capacity option? Any color there would be helpful.

And then secondly, just on the network positioning today, maybe you could talk about how you're sequencing capital to put additional spectrum to work between C-band, the DoD spectrum, 2.5 gigahertz, refarming AWS. Just anything -- any color you could provide on how you're working to maintain your network advantage, particularly as your 2 large peers have made further progress in building out mid-band spectrum.

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

Sounds good. Let's start with the second one about network. I mean I am really pleased with what is happening with Ulf and team. We continue to actually extend our lead. If you look nationwide, don't look at somebody's favorite denominator, but just look nationwide at all of the customers and all of the experience that all the customers are having. We're actually pulling ahead, and our average speeds are double our competitive benchmarks.

And so -- and one of the reasons for this is that it's not just looking underneath the 5G, but it's looking at the availability of that 5G that for us is in so many more places reaching so many more people. And with that full layer cake, which keeps the customers connected to 5G, all that results in a fantastic experience. Maybe you can give a little color on what's been unfolding, talk about Auction 108 and how we're deploying advanced technologies, Ulf.

Ulf Ewaldsson - *T-Mobile US, Inc. - President of Technology*

Well, thank you, Mike. And yes, we're very excited about the network and how it keeps advancing. And you mentioned C-band. So some of our competitors have launched C-band and put it out there. And in the areas where they launched it, we do see that the gap between us and them narrowed a little bit even though we are still way ahead. But as you said, we also noticed that the overall median downlink speeds, we are gaining another quarter again.

And the main reason for us doing that is really the unique way we've built and constructed the network. We are the only one in the country who has 3 completely dedicated bands towards 5G. We have 2.5. We have 1,900 now. And we have 600. And that gives us that big advantage together with the stand-alone network and the larger deployment in the footprint that we have. In fact, we have now 90% of our sites capable of 5G. We have, traffic-wise, about 85% of our traffic on these tri-band sites that are all working with stand-alone technology and working with carrier...

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

Let's talk more about that one. Somebody -- so 85% of the time, our people are attaching to a site with all 3 bands of 5G. And how does that affect the quality of the connection and the reliability of the 5G connection?

Ulf Ewaldsson - *T-Mobile US, Inc. - President of Technology*

Well, very much so because out of that, we also have -- and this is an even more remarkable stat. We have 93% of the traffic on mid-band, which means that there is no toggling. It just creates a much more consistent experience. There is no toggling between when you're an LTE. In fact, you're staying in 5G the entire -- no targeting between low band and mid-band. So another factor of no toggling.

The other one is that we have a grid, and this is a unique thing for T-Mobile. We have a grid that is based from the beginning on a mid-band experience. So when we deploy 2.5, we get a very consistent experience between our towers as opposed to some of our competitors who has a low-band grid and therefore -- and a higher band on the C-band. C-band is higher than 2.5. That creates a less -- more sort of interrupted, not so clear and consistent experience.

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

That's why we are differentiated with somebody experiencing a cell edge condition of 5G, right, because our grid is tighter and our spectrum reaches further. And the net effect of those 2 things is you're on 5G and a high-quality 5G link more of the time. And 85% of the time, you're seeing all 3 bands where a lot of the time, we use advanced carrier aggregation techniques so that you get the benefit of all those bands in terms of your signal strength like the uplink might be in the low band, the downlink might be in the mid-band, et cetera, et cetera. And these are all advanced techniques that the rollout with our competitors is quite variable. But we're really focused on giving everybody a consistent experience.

Ulf Ewaldsson - *T-Mobile US, Inc. - President of Technology*

That's very right, Mike. And it's recognized. I mean we saw in the Ookla measurements another quarter where we came in at the overall network leader. We were also recognized by Opensignal as having the most reliable experience. So I think those are remarkable facts showing.

And then you mentioned also our 108 auction and how quickly we deployed. It took us 2 weeks to get it all lit up in our entire network. Over a population of about 60 million, we were able to shoot up our 5G median linked speeds by about 20% or a little bit more even. So really a good result and very quickly and shows that we can deploy our spectrum very fast.

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

Well, thank you all for joining our fireside chat about network. And -- but I did want to make sure because there is this kind of misnomer out there that everybody is catching up and the party is over. And it's -- and I've been saying this for years. We remain 2 years ahead of the party on 5G, and our customers are having a radically differentiated experience. And you can see it in the data, not just in the rhetoric. So really glad you asked about that.

Now there was another question, though, about fiber and where we intend to target. Look, I can't help you much on that because we don't have -- we're not rolling out a plan that this is the beginning of a big wave of initiatives here. We're really happy about this initiative and how it augments 5G broadband. And we intend to go put our energy into it. So -- but look, I do want to remind people that this isn't a regional thing for 5G Home Internet. It's really a sector-by-sector assessment, neighborhood by neighborhood as to where will we have excess capacity because that sector gets hung in order to give the kind of competitive experience that we were just coffee talking about.

But then if mobile usage isn't predicted to soak up all that capacity, then individual households get approved for home broadband. And so now if those neighborhoods are neighborhoods where we roll out fiber, then we can actually have some of those neighbors be added to the 5G who wouldn't otherwise be added. And that's TAM expanding, potentially. But we're really focused on these things right now. Very happy to have this initiative out the door and nothing further to report about it.

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

That was great. I'm sorry, I didn't bring my popcorn for that one.

Operator

And the next question is from Sam McHugh with BNP Paribas.

Samuel McHugh - *BNP Paribas Exane, Research Division - Analyst of Telecom Operators & Head of Telecom Equity Research*

Just on fiber to begin with, on the existing wholesale agreement you have, can you give us any color on what kind of penetration levels you're seeing kind of year 1, year 2, so we can think about the potential in the new JV? And then secondly, I think on FWA, I've seen some reports suggesting you might start selling notifications to people who move the products from the home address. Do you think that will have any impact on the kind of net adds going forward? And I guess more broadly, how should we think about that cadence of FWA through the rest of this year?

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

Thank you. And we'll go to Mike for both questions.

Michael J. Katz - *T-Mobile US, Inc. - President of Marketing, Strategy & Products*

Yes. So first, on the fiber question. Remember, a lot of these wholesale markets that we've launched are brand new and haven't even been existing for a year. But when you heard Mike talking about the assets that T-Mobile has and how we think that those give us advantage relative to other investors, that is exactly what we're starting to see play out in these wholesale markets. Remember, at small scale, we're in parts of about 16 markets spread around the country. But what we're seeing is a pace that would get us over 20% in the first year inside those markets. So we're really pleased with the penetration that we're seeing there.

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

Now on your FWA question. And specifically, earlier this week, we launched a couple of new products. And let me just give a little bit of context to those. Mike talked about us moving over 5 million customers in our home broadband business this quarter, which obviously is a huge milestone for us. And we now sit at the center of millions of homes with the most important technology in their house. And we think that gives us an opportunity, and I think I've mentioned this in the last couple of calls, to look at opportunities to expand into other products and services inside the home as well as give us tons of insight from what we're hearing from customers of additional needs.

So earlier this week, we launched a program called Whole Home, which gives customers the ability to -- in addition to the CPE and router that we provide in our regular HSI package, they can expand that and add mesh that integrates into our CPE. So they can give themselves a much larger WiFi footprint inside their home. We also include some additional support for all the peripheral devices that attach to your network. So if you've got a laptop or a printer that you need support on, we'll offer that as part of this program.

And then secondly, we offered a new program called Away. And I'm really excited about this one because one of the things we've heard from customers is because this is a product that only requires power, we're not running a wire into your house or anything like that, it just requires power. And we see customers that want to use this on their boat or in their RV or while they're camping. And we created a couple of new plans specifically for those use cases that allow customers to move this as their life move along in their RV.

The other thing I'm really excited about in combination with that is we struck a partnership with Camping World. And Camping World, if you're not familiar with them, is the largest camping and RV retailer in the country, and they're going to be partnering with us on these Away programs to sell to their customers and to integrate our HSI routers inside RVs that they sell.

Michael J. Katz - *T-Mobile US, Inc. - President of Marketing, Strategy & Products*

And you can send your orders for our new Away product at mike.katz@...

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

By the way, you asked one last question, which is about what we're seeing with the wholesale fiber penetration rates. It's all very early because remember, these are greenfield projects. And so these were -- our partners were starting out after the wholesale partnerships were struck. But so far, so good. At a small scale, we're seeing year 1 penetration rates trending to 20%. That's above industry benchmarks. That's a good sign on your way to terminal penetration rates that are much higher than that. So everything we're seeing from these small scale so far anyway, it's going to grow. But so far, small-scale pilots in the wholesale range was very positive. And that's adding, of course, to our confidence to do news like today. So hopefully, that covers your question, Sam.

Samuel McHugh - *BNP Paribas Exane, Research Division - Analyst of Telecom Operators & Head of Telecom Equity Research*

Just the cadence on FWA.

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

Cadence, tell me one more time what that part's about.

Samuel McHugh - *BNP Paribas Exane, Research Division - Analyst of Telecom Operators & Head of Telecom Equity Research*

In terms of kind of net add development through the rest of the year. We've obviously seen some moves from T and others. Kind of how we should think about growth going forward.

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

We don't guide on it. But one thing we did do when we made the changes around sunsetting our [launch era] promotions is we indicated that this quarter would be more like 400,000 instead of the 500,000 we've seen in the past. And that's what happened. We delivered 405,000. We haven't guided on the rest of the year, but we've said we're well on track to the goal that we have always anticipated being by the end of 2025 in that 7 million to 8 million customers range.

And what's interesting is that 400,000 and 500,000 net additions this quarter actually represented, as I said in my prepared remarks, a higher percentage of total broadband net adds than last year's 500-and-some thousand. And so we're sticking right in there with a very competitive more than half, that means more than all the others combined, number of net adds in the space. And so we're really happy with where it is because at the same time, we're seeing the value of this customer base start to appreciate, and that's also important, not just through pricing or promotion sunsets but through the kinds of value-added services that Mike just summarized.

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

Operator, let's squeeze in one question, please.

Operator

And that question comes from Kannan Venkateshwar with Barclays.

Kannan Venkateshwar - *Barclays Bank PLC, Research Division - Director & Senior Research Analyst*

Congratulations, Jud and Cathy, once more. Mike, I'm trying to maybe nudge you along a little bit more on your prior response on broadband. You now have scale in broadband, and you're already one of the biggest operators in this market through fixed wireless. But you seem to be hedging your comments a little bit on fiber in terms of the scale or the kind of ambitions that you might have here long term. So could you maybe talk about what the ultimate scale ambitions here are? Are you viewing this as a cheap option at this point and you want to test out the market a little bit to see where it goes? Or is there a longer-term vision behind this in terms of how you see the company as a whole evolving in terms of its business mix?

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

Yes, I can say a couple of things. And one of them -- and this will be a little unsatisfying, but I do plan to lay out a more long-term view on how we think about this space at our Capital Markets Day that I mentioned would be this fall because I know that people want a multiyear view. Even that view will include an element that we intend to be patient, opportunistic. And it will also include an element that says we have no interest in fundamentally changing who we are. We are a highly successful mobile business that's mobile-first that's generating superior cash flow returns in this industry because of our superior strategy. And we're embarked upon a shareholder return program that we think makes a lot of sense in this piece of our life.

So look, we're going to -- we like this area for all the reasons I said on this call. But it's premature for us to lay out kind of a detailed strategy on where we expect to be. And even when I lay it out, there will be some element of it that you'll have to be patient with us because we're going to be patient. We're going to be smart. We're going to be opportunistic because we have so much confidence in our core strategy. And hopefully, you see that patience on our part as a sign of our confidence in our core business.

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

Well, that's all the time we have for questions, and we definitely appreciate everyone joining us today. It's been an absolute privilege working with you. And if you have any additional questions, please reach out to either the Investor Relations or Media Relations departments. And with that, have a great day.

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

Thanks, everybody.

Operator

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