T-Mobile/MetroPCS

Fireside Chat at the Morgan Stanley 12th Annual Technology, Media & Telecoms Conference

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Simon Flannery: All right, good morning everybody. It is my great pleasure to introduce T-Mobile USA and Metro PCS management here today. We have from my left Neville Ray, the CTO of T-Mobile USA, Jim Alling, the COO, T-Mobile USA, Braxton Carter, the CFO of MetroPCS and CFO Designate of New Co. Before we get started, please note important disclosures including my personal holding disclosures. Morgan Stanley disclosures all appear in the handout available in the registration area and on the Morgan Stanley public website.

So Jim, perhaps I can just hand it over to you just to give us a quick overview of where we stand today and take it from there.

Jim Alling: Fantastic. Good morning everyone and thanks for joining and want to send along the regrets of our CEO, John Legere, who was scheduled to be here and fell quite ill, and was unable to travel. So everyone on his flight thanked him for not getting on board, but unfortunately, we did lose John.

As Simon mentioned, I'm the COO. I've been with the company over three years now and I just wanted to share a few things and then really the intent is to open it up to hear what's on your minds and answer your questions. But for us at T-Mobile U.S. and now forming into New Co, this is a very exciting time for us. We clearly see the deal that's in progress as something that's going to set us up to be the clear value lead in a growing industry in the U.S. We think we can be very disruptive with this combination of these two companies. So for us, that's a very significant opportunity in the marketplace.

We also see that this creates a combination of spectrum assets and network abilities that we think will just accelerate our plans as we move into LTE. So again, that's going to be a very significant, and Neville is here, and we'll have I'm sure quite a few questions on that. But as you'll see the migration to that network, it's going to be something that we think gives us some very strong competitive advantages in the marketplace.

And then another point I just want to make sure everyone knows, the synergies that we're looking at, the $6 billion to $7 billion that we've talked about, those are almost entirely coming from the network and network combinations. So as we talk about that, I will tell you we've been very conservative on other synergies and also other revenue opportunities that are in the marketplace. So we can spend more time on that, but we believe we've very conservatively modeled what's capable when we pull together New Co.

And then finally, and we can talk time on this as well, we are confident that this is going to put us in a growth position. And we, T-Mobile U.S. as a company have not been in that growth position for the last several years. But we believe we'll be able to grow the top line by 3% to 5%. And also based on synergies and other continued cost efficiencies that we've been able to pick up, we think we'll be able to grow the bottom line by 7% to 10% CAGR over the next five-year period.

So rather than just get up and give a big monologue, I think I'd much rather open it up for questions and here what's on everyone's mind.

Simon Flannery: Well, great. Well, let's go to Braxton next and ask you just deal timing and deal process, where are we? What are the things that we should be looking for?

Braxton Carter: Absolutely. We're going to be filing the proxy with the SEC close of business today. And it will then go into a review and comment process and that's the big unknown from a timing standpoint. How many rounds do we need to go through, what type of comments come up. Our estimation is best case would be through that process in the January timeframe. It could go into the February timeframe. Under Delaware law, which is where MetroPCS is incorporated, there's a 20 business day requirement in calling your shareholder meeting once the proxy goes out, which equates to about 30 business days.

So we're looking best-case shareholder meeting in the February timeframe. More probable case would be in the March timeframe. But we're excited to have the proxy done and looking forward to getting that filed close of business today.

Simon Flannery: Great, and Neville, Jim alluded to this, but big network transformation both at T-Mobile and then a merged entity. Could you talk about your LTE rollout plans and then how that that will incorporate Metro as a deal closer?

Neville Ray: Sure, Simon. So obviously, what a difference a year makes for the T-Mobile business. We've amassed quite an arsenal of spectrum from refarming of our existing assets as well as breakup spectrum from AT&T, other deals that we've closed over the last recent few months with Verizon and some others. So we're in a position to look forward to an LTE launch in 2013 and we've said second half of the year we'll be launching with a 10 by 10 megahertz position across the vast majority of the major markets. And we'll cover approximately 200 million people by the end of 2013.

So that's kind of the combination of the modernization plan that we announced and started off beginning of this year. Obviously, now we're very excited about the Metro combination. Metro sits in exactly the same spectrum bounds as we do in terms of PCS and AWS spectrum. And as we look to migrate and rapidly migrate that metro base, we'll be refarming and looking to repurpose the AWS spectrum. And in '14 and '15 building that LTE capability to effectively 20 by 20 megahertz, which is an extremely compelling position for the U.S. marketplace. And it will certainly allow the combined entity to be more aggressive in terms of performance of the network as well as the capacity, and efficiency, and effectiveness of what we can do in the marketplace.

There is some very unique combination elements of the spectrum assets between the two companies that afford us to not just build a 20 by 20 megahertz position for LTE, but the assets are actually contiguous in the vast majority of markets. And that contiguous nature allows us to really drive greater efficiency, capacity, and most notably, very significant speeds on LTE.

Simon Flannery: Jim, coming back to you, you talked about the topline growth trajectory. Can you help us parse out what your goals are for the post-pay business and for the prepaid business, getting to those sort of numbers?

Jim Alling: Yes, I think I'll start just mentioning the growth we're looking at assumes flat post-paid business. So right now, we have been losing post-paid subscribers on the T-Mobile U.S. business, but into the future that business, when we combine the entities will be about 60% the post-paid side. And we're losing approximately 500,000 customers a quarter. So pretty significant issues to address. What we have seen, though, is some things we're doing from unlimited data plans have had some very nice traction for us. Those were launched into the latter part of third quarter and continue to build into the fourth quarter. So it takes advantage of some of the assets we have as far as the capacity on our network.

So unique offering in the marketplace. We want to build off of that. We also want to build off the momentum we're building on churn reduction. So we improved 30 basis points year-over-year, but we're still too high at 2.3%. So again, on the post-paid side, we believe the continued focus on churn, continued aggressive offers on post-paid data, but also some of the other post-paid offerings that we have and we can talk more about the value plans. But we have SIM only plans in the marketplace that are gaining quite a bit of traction for us.

Just so you know, third quarter was 17% increase in gross adds on a sequential basis from second quarter. So we expect to see that continuing to grow. So again, our goal post-paid, to finish off the post-paid piece, is to be able to stabilize that business through the course of 2013 and then move to modest growth in 2014. And we know that the network improvements that we can spend more time talking about will help us there.

Where we have seen significant growth is on the prepaid side. Up significantly third quarter on a year-over-year basis. The revenues there were up 35% and we continue to believe we'll be able to grow the prepaid space. We call the business monthly 4G, but we've had tremendous distribution growth. But also, we've got a very strong point that's -- a very strong plan out there that has been growing our ARPU on the prepaid business as well. It's a $50 per month plan that's become very popular with customers and it's bringing our prepaid ARPUs up quite a bit.

And then on top of that, Metro has a great reputation for coming into marketplaces, increasing their SOGA almost overnight, and their business continues to grow. And we believe there is significant opportunity for prepaid growth. So if you look at what we believe will be the biggest growth for us, it's in that monthly 4G sector. We expect to flatten out postpaid, but really that 3% to 5% topline growth I'm talking about will be ARPU growth. Part of that will be tied to data we think both on postpaid and prepaid. There will also be expansion of the Metro brand.

Right now, we conservatively modeled just moving into three markets and those are markets where neither Cricket or Leap exist, or Metro today, and we already have strong network. That would be Seattle. It will also be in Minneapolis and New Orleans. But I would tell you, there's so much potential expansion of this brand to have a nationwide network, including the national accounts. We have very good relationships at Walmart, and Costco, and all the major national accounts in the U.S. And Metro has not been able to play there aggressively based on some of their just the specific geography that they serve. But as they go to a national network, we think that's going to be a tremendous growth opportunity.

So long answer to your question, the biggest increase will be coming from the prepaid business, but it's going to be critical that we stabilize and then start to modestly grow the postpaid as well.

Simon Flannery: Braxton, maybe you can talk about some of the opportunities that you see from extending the Metro brand, and also update us on your LTE status right now. You've obviously launched these new plans. You've got new handsets out there so the footprint has built out.

Braxton Carter: Absolutely. As Jim said, what's baked into our topline guidance for New Co is the expansion into about 7 million, 8 million pops in the U.S. If you look at the historical penetration in greenfield markets for this model, you can very, very rapidly reach 5% penetration in close to a year. So we're excited about that opportunity. But as Jim said, there is substantial opportunity to roll this model out in the other geographical areas.

And very importantly, we're doing it leveraging existing T-Mobile infrastructure. No need to buy additional spectrum. No need to invest in additional capacity in those networks. So you're expanding the model with a much different ROI. You look at the EBITDA profile in a very short time period, we believe that we can have contributions in the 50% margin range with this expansion and none of that was baked into the EBITDA or topline guidance except for those original three markets. So we're quite excited about it.

On the 4G LTE front, it's a significant development for our company. At the end of the third quarter, we now cover 97% of our footprint. And when we look back over the last year and a half, it became increasingly apparent that going with that strategy was critical for our success, just like T-Mobile went with the strategy of rolling out Plus to Plus with speeds very comparable to what (inaudible) the other carriers on LTE, and then a migration to LTE of the 2 million pops that Neville talked about by the end of '13.

But this is critical because with smartphones and that being the vast majority of your mix today, the 4G experience is significantly different. What we're seeing is a retention aspect with those customers that's 100 basis points better than our consolidated churn at MetroPCS. So if you really segregated the LTE 4G versus 2.5, 3G churn, there's even a wider differential. So very, very positive.

We made a decision at the beginning of the year, Simon, that it was really not prudent to continue to chase growth until we were in a position where we had the 4G LTE network built and we have affordable 4G LTE handsets.

Because with our model, the consumers are really paying for that handset. There is some subsidy, but it's much less than the typical contract postpaid model. And we were able to bring those phones to market at the end of the third quarter. We have the CoolPad Yulong out of China 4G LTE handset positioned at $79. We've got an LG 4G handset positioned at $99 and we're launching several additional very affordable 4G LTE handsets during the upcoming quarter.

We're seeing great momentum. Prior to the launch of what we're calling LTE For All, we had about a million subscribers of our nine million base on 4G LTE. And those consumers paid an average of $250 for their handset. With these lower priced handsets, what we're seeing is the majority of our gross adds now being 4G LTE in a very rapid uptake. We mentioned on our third quarter earnings call that at that point we had already exceeded 1.25 million 4G LTE users and we're seeing a great deal of interest from our existing base in upgrading the 4G LTE. So a good news story all around.

And Simon, I think the last point I'd like to make, the migration of the MetroPCS customers to the T-Mobile network, the 4G LTE strategy definitely plays into that. Because the way that Neville and his team have designed this, these 4G LTE handsets are going to be able to be moved over to the T-Mobile network as their LTE comes up with no terminal replacement or change out. So a key part of the strategy there.

Simon Flannery: So keeping on that theme there, Neville, the synergy number is largely network synergy. So you've continued to be up on the spot, so to speak. So there's been a lot of concern, telco wireless mergers have had a checkered history, but this one is different in a number of ways. Perhaps you can just give us some comfort here that those synergies are really tangible and execution risk is manageable.

Neville Ray: I'd build on Braxton's points. I mean I think the headline statement from the team, from our team is that this is not about -- this transaction is not about integrating two networks. It's really about migrating the Metro customer base over to a larger and stronger T-Mobile network, and doing that in a very rapid fashion. I know this phrase is overused in the U.S. but both companies are skating where the puck is going. They're both migrating rapidly to LTE. As Braxton's just talked through, I mean massive effort. The Metro guys have done a lot of great work in terms of migrating their business, their network, and their customers towards an LTE experience.

We're in the midst of doing the same thing. So we are bringing on a lot of capacity and capability on the New Co T-Mobile network in 2013, which will afford an acceleration of that migration of customers over to the T-Mobile network. The intent really is over a two and a half year period to complete that migration of customers and effectively then decommission the large majority of what's the Metro network today. There's something approaching 11,500 to 12,000 macro or cell sales sites and then about 6,000 distributed antenna system notes. The DAS notes we want to keep. They're very beneficial in terms of capacity, coverage, and efficiency. The Metro team, again, has done a great job in many of these urban cores with DAS networks.

We want to keep about 1,500 of the macro cell sites. But the remainder, so about 10,000 cell sites, which will be primarily supporting a CDMA (ph) type of customers. That's the decommission target and you can run the math on what it costs to run a cell site per month and those 10,000 sites decommissioned quickly generate the lion's share of the synergies that we talked about. So it's really, I think the checkered history in the past in the U.S. where you've seen companies try to integrate very non-compatible technologies. And there's one very famous one, obviously, that's coming to its close with Sprint and Nextel somewhere in the next 18 months to two years as they complete their network vision.

But this is not about trying to combine a CDMA network with a GSM based network. Braxton and team are migrating very rapidly to LTE. We are doing the same thing. That's the future point and we will look to migrate that customer base over to LTE and HSPA very quickly and then secure those synergies. I would say the synergy combination between the two companies is probably unique. I mean both companies have spent a lot of time building out dense urban core networks. And so when you look at the overlay between the two networks, there's a lot of it and that affords us to attack the synergy number so aggressively and the site decommissioning count.

But we're confident on that synergy opportunity, and as we said over a two, two and a half year period, we'll be moving towards that aggressively.

Simon Flannery: Great. Jim, you talked about stabilizing the postpaid business. I think a lot of people would see an iPhone as being one of the biggest challenges you have right now. You've got to bring your own iPhone opportunity in front of you and then the big question, is this something that you think makes sense for T-Mobile to actually carry the device? And how do you handle the dynamic around that?

Jim Alling: I'll speak to both of those. First of all, on the bring your own iPhone, what we have found is there are a lot of iPhone users who recognize with a SIM only plan, we call it the value plan, they've got a very attractive opportunity to migrate over, bring their unlocked device to T-Mobile and we now have over 1.5 million iPhones that are running on our existing network. Obviously, as the network is modernized, the speed and performance improves dramatically. So that's kind of steady state where we are today. But make no mistake about it, we would love to carry the iPhone.

However, we want the economies to be right for us. We don't want to sign a deal that's similar to the deal that especially one of our competitors recently signed over the last couple years. So we're looking at when the economies are right, when the deal is right. We'd love to carry the device. We think it is an important device, but at this point we have nothing to announce. There's nothing to talk about on that front. So we'll continue to try and bring in the devices, but we recognize that it has been a point of churn for us. There's an iPhone 5 that launched in the third quarter that impacted our business to some extent. We believe that will have an impact in the fourth quarter.

What we've done better this year than we did previously on the postpaid side is go back out to our existing customer base ahead of time. Whether they were in that upgrade period or renewal period of their contract or not, we said let's spend some extra money and let's get some people back in and the device that we've been using most in that is the Samsung Galaxy family, specifically the S3.

So it's an important device, but again, we don't want to do anything until we've got the right deal in place.

Simon Flannery: Can you comment on the competitive conditions in the marketplace today? We're obviously coming up to the holiday season. There's a lot of concern about what Softbank's entry into the market and recapitalizing strength means for you in the (inaudible) of the unlimited time. So how do we get comfortable that this industry doesn't -- being in Europe, you obviously hear some pretty aggressive offers.

Jim Alling: Sure, sure and if you look at the third quarter numbers, obviously the big market gainer was Verizon. They did a very nice job. They launched out some shared data plans, which at first blush had been appealing to American consumers as they move into it where you basically pull people together on one bucket of data and they share that across their business or across their family band. However, that is a capped plan and then you have to pay for incremental tiers. So we believe as data usage increases that will continue to be seen by consumers as a prohibitively expensive program for them.

In contrast, we've launched an unlimited plan. So there's no tier that you hit and then have to jump up and pay more for. And we've seen that this has been quite popular with people, especially our consumers who consume more data per user than anyone. The network is such that they're running up our usage on data is continuing to go up and up. So we think there will be continued competition on how to position data, how to price out data, and then there will always be competition on the handsets, especially as we go into the fourth quarter.

We've got an all phones free, all -- I should say all Samsung phone free offer that comes out this weekend. So it's Friday-Saturday. So that's going to be for us a very important way to kick off the holiday selling season, which for us in the U.S. is the peak quarter. So we expect to see that competitive intensity continue. And as far as Sprint in particular, it's hard to say what they're going to be doing. They did not have very successful third quarter and what we have seen is no adjustment to their existing rate plans. My expectation is they will be aggressive on handset pricing, but we haven't seen anything yet out in the marketplace. But we expect that to happen.

And let's face it, the biggest, I think the biggest differentiation and what people are watching the closest is no longer in the voice price or the texting. It's going to be up to data. Data is going to be the game. It's the growth portion of the marketplace along with prepaid and we expect to see that continue to be something where we think we can have a competitive advantage, but the consumers are going to be watching that closely.

Simon Flannery: I think we've got the opportunity to open it up for questions. Wait for the mic.

Unidentified Audience Member: Two questions if I could. The first is, Jim, you sort of started off with your opening remarks talking about being a value leader and think that you can be disruptive in the marketplace. When you think about the -- you guys are the lowest in terms of pricing on the postpaid side. So you're very competitive on that front. So I was wondering if you could just sort of characterize, and you offer an unlimited plan already. So when you say you're going to be disruptive versus what you actually offer today in the marketplace, which is true value, the lowest price for unlimited everything, what exactly does that mean? Especially when you think about the fact that a better capitalized Sprint, there's a lot of fear that given how Softbank has strategically approached Japan, it could be a lot of pricing pressure.

So what do you mean when you say disruptive?

Jim Alling: If it's only price, you become known as cheap. So really you have to establish what are you paying for. We know that we already have a very strong, well performing network, and we also know it's only going to get better and we've talked a little bit about that. So we have to make sure we have that perception tracking with reality, which means we're going to have to make continued investment in advertising and other media to make sure we get that message out. So people know, here's what we're getting from a network perspective.

And then when it comes to just the consumer's day-to-day experience, we still know in this industry there's too many surprises. There's too much complication and we believe the one learning we've already picked up from the unlimited data plan is, people don't want to cringe when they see their monthly bill. And there's still surprises. And we're part of that, by the way. So as one of the four large carriers in the country, we've been known to have the same types of surprises on people's bills that others do. We believe there's a way to set ourselves up so that we've simplified what we're charging for, but we don't surprise our customers along the way.

So on the postpaid side, we think that's going to be important. The other thing that will take time, but we're seeing it gain traction, is separating in people's minds the fact that the handset does cost money. Because a lot of people think the handset is free. It's like, wow, they didn't charge me for my handset so they must cost nothing. But really making it so that people can buy their handsets or do installment payments on their handsets and then set up a separate service contract or separate service plans for people.

And as people start to understand that, start to understand that the phone they have can be of value, whether that's trade-in value, whether that's maybe down the road doing something different with reusing handsets or used handset marketplace. There's a way to maybe transition how people are thinking about their overall wireless experience, including the device. So on the postpaid side, those are the things want to look at. I think it's easier for you to see how we can be disruptive on the prepaid side.

But rest assured, that -- when you have great network assets and you're willing to leverage those with great pricing as well, you can do things with a Metro brand that can be extremely disruptive. And having been on the receiving end of their disruption, I can tell you, Metro is very effective brand to take in on the prepaid space. But we also still think there's a place for prepaid. With T-Mobile it just might be -- not might be, it would be at a different price point and a slightly different service offering on a monthly basis.

Unidentified Audience Member: Which is great lead in, and I was just, to a certain extent you can sort of elaborate on what your segmentation sort of strategy is given the fact that you're really doubling down on the prepaid market and 40% of your sub-base is there. And you're obviously going to double that or something if not more. So I guess I'm just curious if you could elaborate on the segmentation strategy.

Jim Alling: On the segmentation -- yes, we definitely know geographic and just points of distribution expansion on the Metro brand we believe will continue to help us in growth on that side. So we will continue to double down. We will put ourselves in a position now because of the scale that we've picked up to be able to offer some things from a handset perspective in Metro that we haven't been able to as far as price points and range of devices.

So again, we expect to be competing very strongly there. What I would also say, I didn't really touch on this yet, but going back to the postpaid space, we know there is an opportunity to come in aggressively in the B2B marketplace. Both on the small side, we've already seen very quick gains because it's easier to bring in the small business. Basically, the larger the business the longer the lead-time to land the business. But we've seen quite a bit of traction already on the small business space and the midsized business space. Enterprise takes more time. We already have a good footprint in the enterprise marketplace, but our overall B2B share is only 5%. Overall market share is 10% on postpaid.

So what we do believe is we can take our share up to 7.5% over the life of our five-year plan. And that's not, that really is not doing anything that is out of the ordinary from a pricing perspective. It's much more making sure we have the feet on the street and the infrastructure behind them to support some of the customized billing programs and things like that.

Unidentified Audience Member: Question for Braxton please. Why is the timeline for the shareholder meeting now February or March? Deutsche Telekom initially said its plan perhaps this year, beginning of next year. Have you been approached by any competitor, e.g. Softbank, and are you confident that your shareholders will approve the deal?

Braxton Carter: Very good questions. First of all, the timing of the shareholder vote, as I said, we don't know exactly when it's going to be. When you look at the proxy, it includes full SEC compliant financials for Metro, which obviously have been through many years of review since our IPO in 2007. But it also includes SX compliance financials for T-Mobile that have not been through that review. We don't anticipate a lot of issues there, but there will be questions from the commission.

Also part of the filing will be a full pro forma set of financials for the new company, including purchase price adjustments on -- which will come under question and really provide an opportunity for the SEC to fully dig in and understand what we're proposing to do from a purchase price allocation standpoint.

It's possible you could go through one round and if you go through one round there would be a significant acceleration. We think that realistically we will go through multiple rounds with the SEC. We know we'll go through it. We know we'll finalize the process, but with the timing of this proxy being fall close of business today, next week is a lost week with the Thanksgiving holiday in America. Then you have the government essentially shutting down at the end of December. If we get comments before the shutdown period that will be a two-week acceleration, but it's probably that we -- it's possible, maybe even probable we won't get comments until right after the first of the year.

So we are very focused on going as quickly as possible. 45 days to file the proxy after the business combination agreement, including a full set of pro formas with a private company included is very aggressive. And that shows the motivation that we have to getting this done. Now, as to the transaction, this is the best transaction for both companies. It's the right transaction at the right time. There are massive synergies with this, a creation of a value player with a multi-segment strategy. We're very excited about the possibility.

When you do get the proxy, you'll see a very extensive background section of what we've done in the last year and a half to make the path to partner with the right company, T-Mobile. Into I think gaining a great deal of insight as to how we look at this process. As to other potential parties coming in, you'll see that there's multiple parties that we had discussions with over the last year and a half. I have no way to speculate what could happen, but we are 100% behind this transaction. We think it's the right transaction and we are confident that our shareholders will approve it.

Unidentified Audience Member: A question on the mix of postpaid and prepaid, did you say T-Mobile had about two-thirds of postpaid revenue and one-third to prepaid. Now, with the New Co you have about 50/50 if I saw that correctly, just about. Do you see with the prepaid market growing, first of all, will it continue growing at this pace, 8% to 10% a year? And what kind of mix do you see as a deal for the joint new company? And then maybe as joint, and you have also a question of raising your ARPU or actually your margin to 35%. Can you explain a bit how that would work?

Jim Alling: So as far as the mix piece, we also have -- so it'll be about 60% when we're combined. It'll be about 60% postpaid, 30% in the prepaid space. But you've also got pretty significant revenues generated from accessory sales, but also from an insurance product that we sell. So that would be in those other value-added services that we sell. So those three pieces add up to about 10%. And we actually expect to see those continue to grow as well.

But as far as the mix over time, we do believe as we stabilize postpaid, it will run -- continue to run with slightly increasing revenues from data. But the real increase, and so the mix will shift from 30% to obviously higher with the monthly 4G expansion or the prepaid expansion of Metro. So as we take that up, it would probably move it more to 50/10 and 40 versus where we sit today. But that's just kind of projecting out kind of the ballpark projection. And it depends how aggressive we want to be on the expansion of the Metro brand across the different geographies and distribution points. And we still want to make sure we do that in a very thoughtful manner.

So right now, we've mentioned three markets we definitely will go to, but my expectation, again, having seen what I've seen from Metro is that after we've had a taste of that we'll want to continue to push pretty aggressively. So that's more on the mix side, but as far as some of the margins you may want to speak to that.

Braxton Carter: The CAGR that we put out for EBITDA and the guidance that we put out for margins going to 35% at the end of the five-year period we think are very achievable and there's multiple aspects of it. If you look at the underlying companies, both of the companies have EBITDA margins in the very low 30% range. Now, that can adjust depending on what quarter you're looking at, depending on the amount of growth. MetroPCS had a strategy of really slowing the growth down, waiting on the 4G LTE affordable handsets. So we had over a 40% margin in the third quarter.

But when you look at a year on a whole, both companies have been executing at 30%. The opportunities here, the challenger model is driving cost out of the business and there are further opportunities for efficiencies in the combined company. Now, we may choose to reinvest part of those opportunities back into growth, but that provides additional scale. And the additional scale definitely helps the margin profile.

You can also look at the difference in handsets. The GSM has the Plus LTE ecosystem is more affordable than the ecosystem that MetroPCS has historically been in CDMA, and it's not an unsubstantial difference. So there will be opportunities there. But what we get really excited about is this migration of the customer base off of Metro into T-Mobile and the ultimate decommissioning of the MetroPCS network that's not incorporated into the new T-Mobile network.

That will produce over $800 million to $1 billion in run rate synergy once we get past that shutdown and that's going to be I think very, very exciting both from a margin standpoint and a free cash flow standpoint for the business. So those are some of the components. I mean, obviously there's more to it. We think there's actually up side to the EBITDA guidance that we've given, but those are the main components.

Simon Flannery: We have time for one last one. Nick?

Unidentified Audience Member: Thanks so much. It's really, I guess, a question for Neville and Jim maybe, but thinking about scale in the industry with the Softbank announcement and then AT&T's announcement as well, obviously this transaction gets you a bit more scale, but the game is moving ahead of you to a degree. What are your reflections on scale in the industry in the longer term? And does that have an impact on the stabilization of the postpaid space, do you think?

Jim Alling: I'll go ahead and start out. We believe scale matters obviously and we believe we're going to get tremendous benefits from this. And we're of the opinion that down the road there will be more consolidation in the marketplace and how that plays out with our current administration or the administration that's been voted back in, there's been talk of is that -- is it possible that four major players go down to three. I think that is possible and likely in the longer term. I don't know how likely that is, though, based on the current regulatory environment with this administration.

That being said, there's other players in the industry outside of the big four in the industry where there could be some other potential consolidation and I think that would make sense looking across not just this but also the cable and satellite industries. There could be some other things that could take place and again that provide scale and we have seen that that scale provides advantages as far as what you can offer and how you can compete in the marketplace. So not speaking of anything specifically, but we think it is likely that there will continue to be more consolidation in the future and we think it's just a question of when and then how big the scope of that consolidation is.

Neville Ray: I'd just add quickly, from a technology perspective, scale on the spectrum is very important as well as customer scale. And I think one of the great things about this transaction is it positions both companies as we join together to really grow aggressively with a stable of spectrum assets that will continue to improve very significantly over the next -- the near to medium term. And if you look, the scale is actually pretty challenging from some of our competition, that customer scale, especially with this very vibrant and emerging kind of smartphone and data growth world. And it's actually very new. The U.S. is on the bleeding edge of 4G rollouts and LTE rollouts and we're seeing huge consumption and latent demand on smartphone and data.

And so if you look at the opportunity for us to grow against some of the spectrum challenges and positions of our competitors, we're actually going to be in a very good position here. And I think that's very important in a marketplace which is moving away from voice, as we've discussed, and more and more into this data and data experience piece. So we're in a good place from that scale perspective and I think that's going to enable us to address customer scale and growth in a very different way going forward.

Simon Flannery: Okay, well you traveled a long way to be here. We really appreciate you taking the time out. It's a great story so good luck with the rest of it. Thank you.

Jim Alling: Thanks for having us.