

# Deutsche Telekom Investor Day. T-Mobile USA: Regaining U.S. Market Position.

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Life is for sharing.



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# Outline.

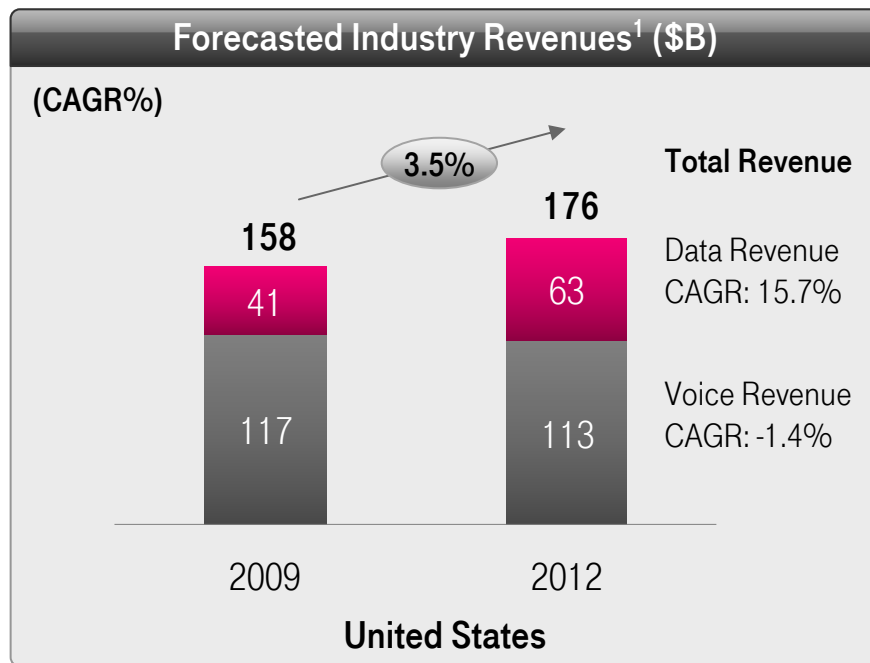
**1. Industry position**

2. Regaining momentum

3. Q&A



# US wireless market will continue to grow driven by data growth.



1) Revenues represent service revenues only. Data includes messaging. Source: UBS.

# Healthy US business economics.

Consumer Attributes	USA	Western Europe
Higher ARPU	<ul style="list-style-type: none"><li>▪ \$50 = Wireless ARPU</li></ul>	<ul style="list-style-type: none"><li>▪ \$35</li></ul>
Greater propensity to spend in category <sup>1</sup>	<ul style="list-style-type: none"><li>▪ \$240 = Monthly comms &amp; entertainment spend per household</li></ul>	<ul style="list-style-type: none"><li>▪ \$130</li></ul>
High and growing consumer usage	<ul style="list-style-type: none"><li>▪ 850 MOU = Voice usage per month</li><li>▪ 300MB = Smartphone usage per month</li></ul>	<ul style="list-style-type: none"><li>▪ 300 MOU</li><li>▪ 200 MB</li></ul>
Innovation Adoption	<ul style="list-style-type: none"><li>▪ Rapid Android adoption</li><li>▪ Device acceptance and proliferation - Kindle, iPhone, etc.</li></ul>	<ul style="list-style-type: none"><li>▪ Skype, SMS, Netbooks</li></ul>
Opportunity for Differentiation	<ul style="list-style-type: none"><li>▪ Four+ national carriers to serve 310M people</li></ul>	<ul style="list-style-type: none"><li>▪ Multiple brands, MVNOs per country w/ similar networks</li></ul>



# Headwinds impacted 2009 performance.

## Economic downturn

- High impact on T-Mobile customer dominated portfolio

## Customer behavior

- ARPU erosion, less roaming, downsized tariffs

## 3G Offerings

- 24 months late

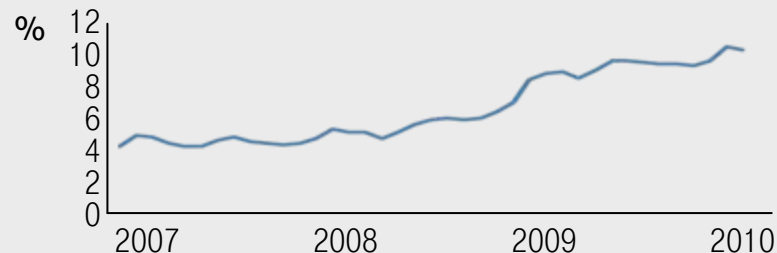
## iPhone

- Unprecedented demand for iconic devices

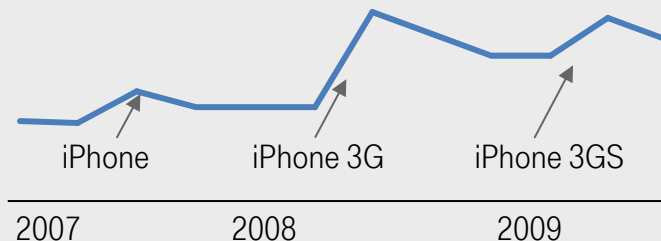
## Churn

- Value competition, mix shift away from high quality customers

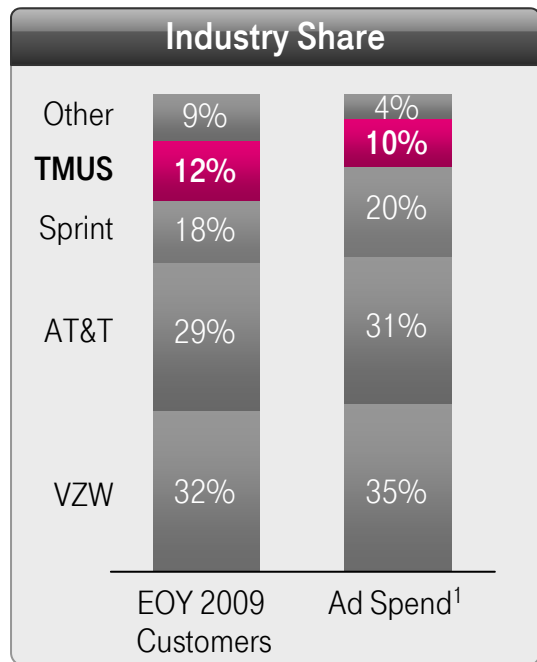
### US Unemployment Rate – Consumers still struggling






### T-Mobile USA Port Outs to AT&T



# Competing against bigger players nothing new for T-Mobile USA.



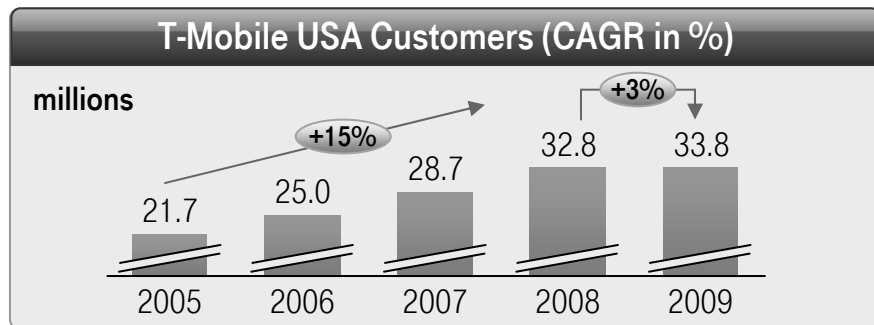
### Competitor Positioning

-  Largest network – acquisition of 15M Alltel customers  
New attack on low end – StraightTalk
-  iPhone ≈ 60% of new adds
-  Attacking low end with Boost & Virgin brands
-  Leveraging Clear for 4G speed to market
-  Network buildouts and market launches continue  
Battling product, MVNO, and sub-branded offerings from national players



1) Trailing 12 months.

# Historically strong customer trends slowed in 2009.



## Historical Subscriber growth

- Strong growth in consumer segments
- Focus on rate plan innovation, i.e. myFaves, FlexPay
- Voice and messaging value centric

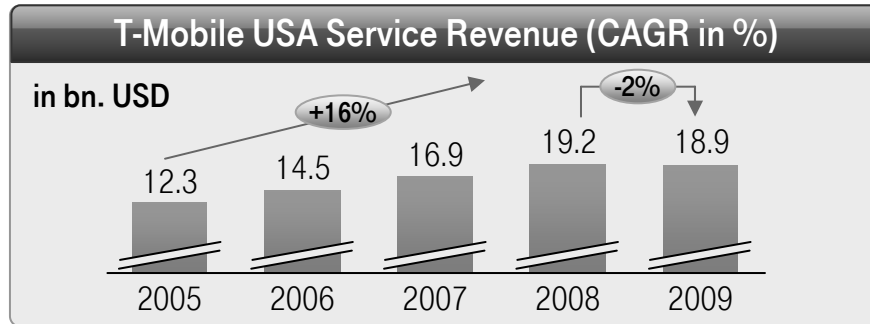
## 2009 Subscriber growth

- Slower subscriber growth especially in contract segment
- Impacted by economy, iPhone, lack of nationwide 3G network, pricing
- 2008 supported by strong *FlexPay Contract* growth

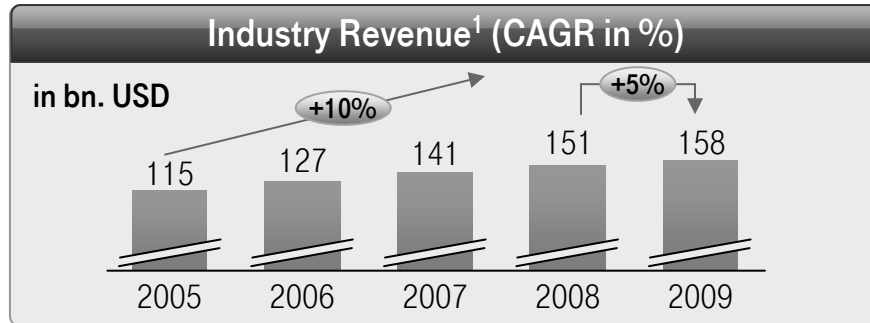




# Historic revenue growth fueled by customer adds – faster growth than industry.



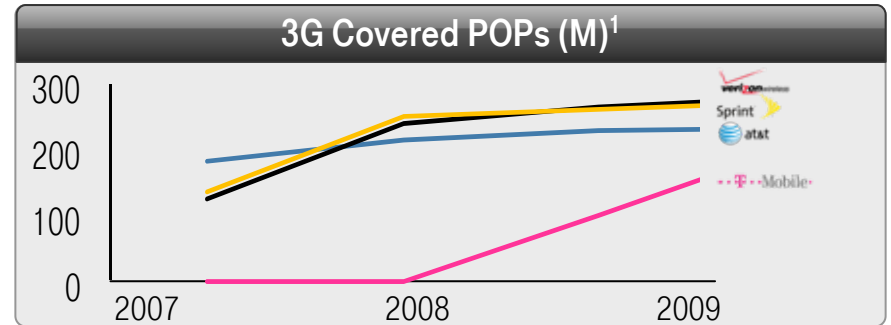
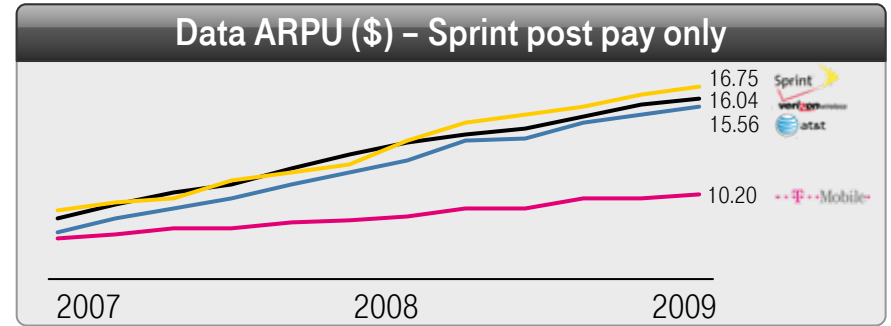
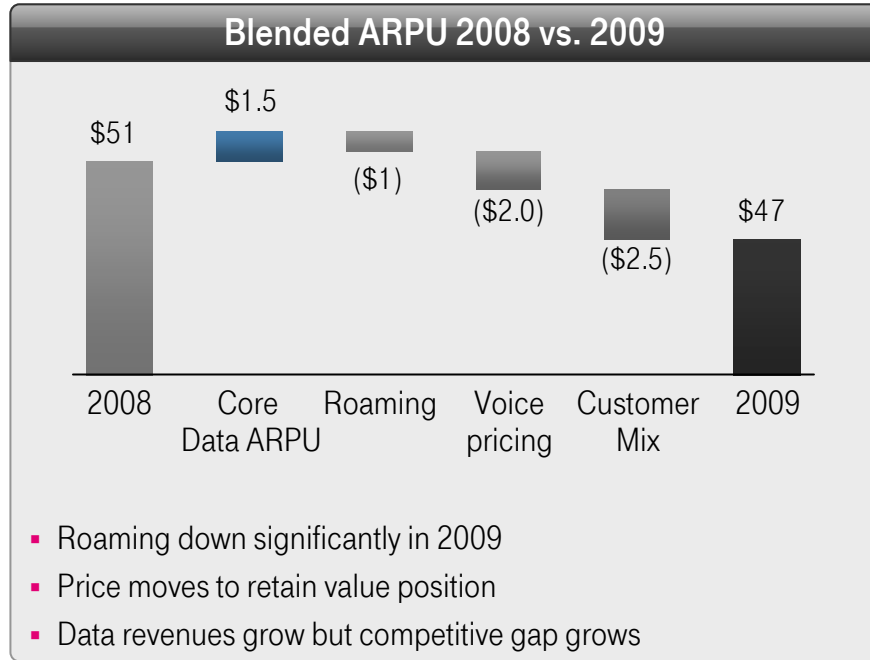
- Pressure on ARPU resulted in 2009 Revenue decline



- Industry revenue growth continued to slow in 2009, compounding TMUS headwinds

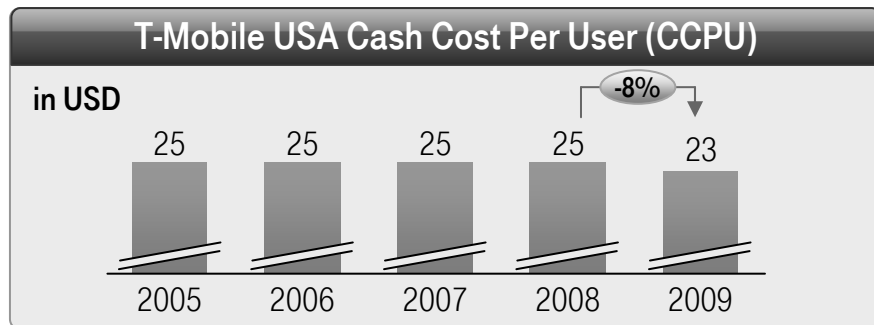
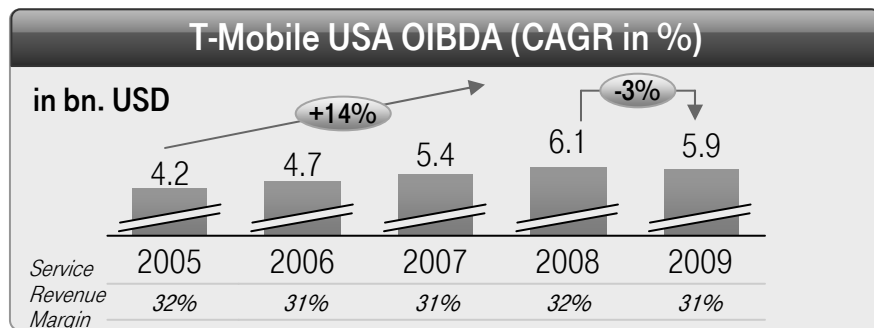


# Data growth not sufficient to offset voice declines in 2009.



1) Company reports and TMUS estimates. All financial measures per US GAAP.

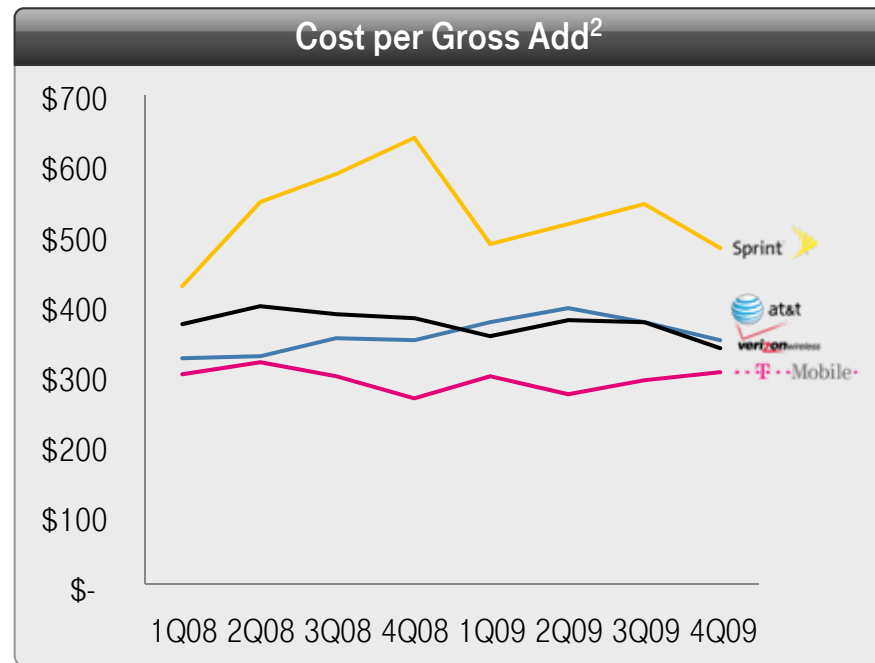
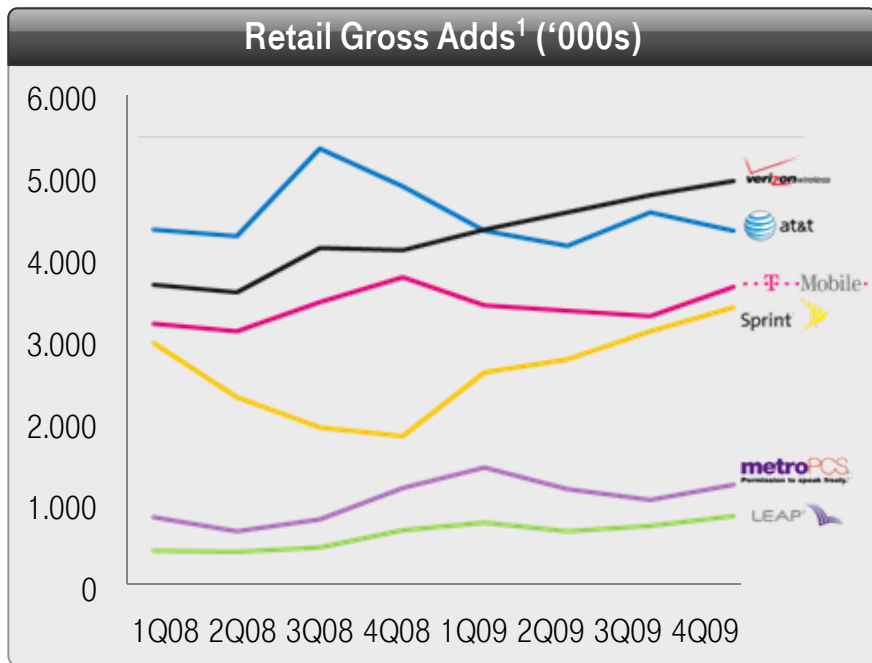
# Cost actions held margins in 2009.



- Generated profitable growth in past while driving strong customer additions
- 2009 margin nearly flat despite revenue decline
- Evolved cost structure
  - Roaming overbuild
  - Alternative access (Backhaul)
  - Procurement
- Other cuts to offset revenue declines
  - G&A
- Net CCPU reduction of \$2

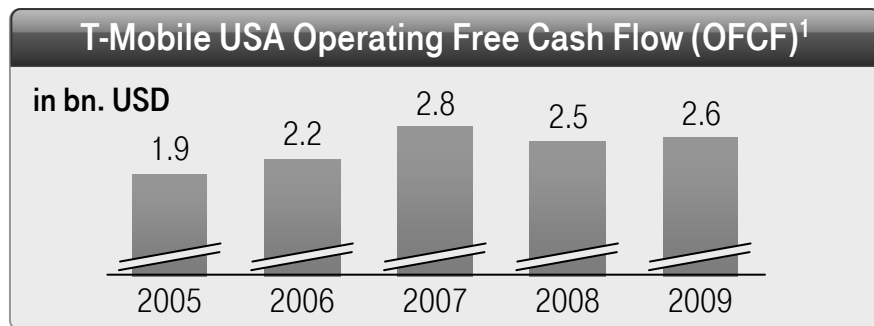
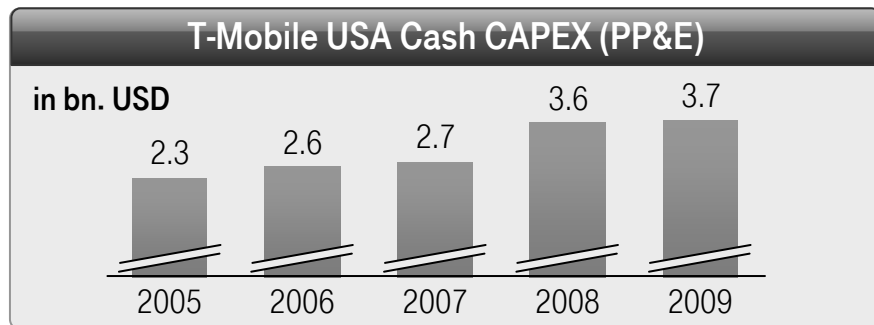


# Top line stability with lowest CPGA among national carriers.



1) CSFB Q4 09 Wireless Trend Review.  
 2) J.P. Morgan, Telecom Trends: Dissecting 4Q09 Wireless Trends.

# Stable Operating FCF despite aggressive 3G buildout.



- Deployed  $\approx$  70% of 2008-09 CAPEX against critical growth drivers
  - 3G buildout
  - Coverage enhancements
  - Distribution expansion
- Expect lower CAPEX in 2010



1) OFCF is Adj. EBITDA minus cash CAPEX minus change in working capital.  
All financial measures per US GAAP.

# Outline.

1. Industry position

**2. Regaining momentum**

3. Q&A



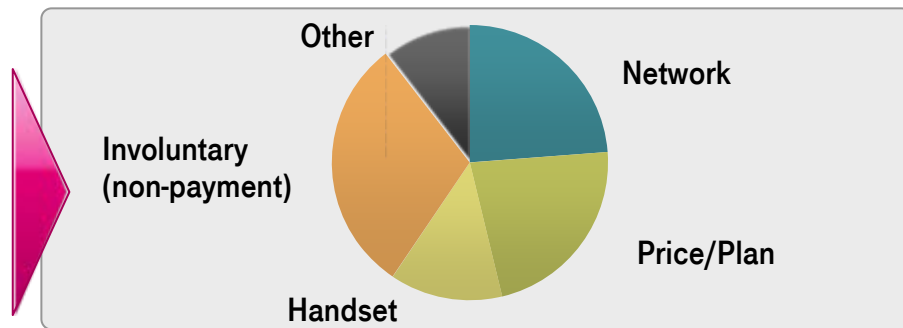
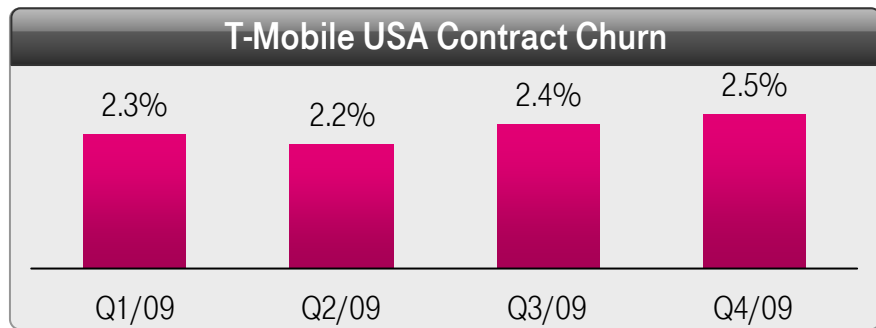
# Focused plan of attack to regain market position.

## **Stabilize fundamentals today and position for 2010-2011 growth**

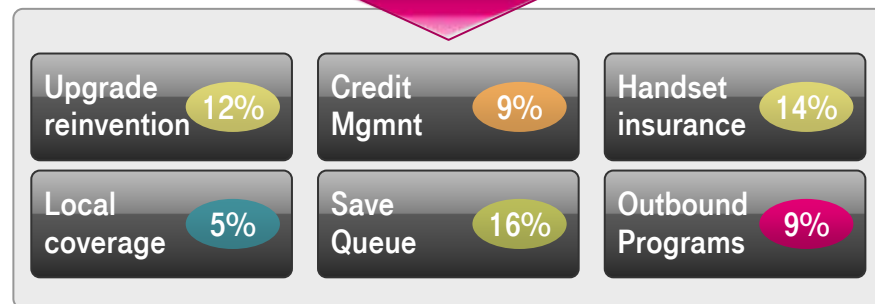
1. Attack top 6 churn reduction opportunities
2. Leverage expanded 3G network
3. Leverage Android OS and device portfolio
4. Aggressive value pricing for voice and data services
5. Driving to major distribution partnerships
6. HSPA+ deployment is America's biggest and fastest 3G+ network
7. Continue driving cost efficient operations



# Churn opportunity is single biggest economic driver.



- Activities aligned against top  $\approx 65\%$  of near term churn opportunity





# Brand anchored in the consumer space.

## Primary Target: Value Conscious Families

### Win Segment: Hispanics

50M consumers  
50% of 10yr US pop growth  
TMUS index 183%



### 120M consumers



### Win Segment: Young and Social

40M consumers  
Rapid uptake of new mobile services  
TMUS index 125%



### Drafting Segments

Business customers  
Single lines  
Value indifferent customers in strength markets

### Wholesale opportunities

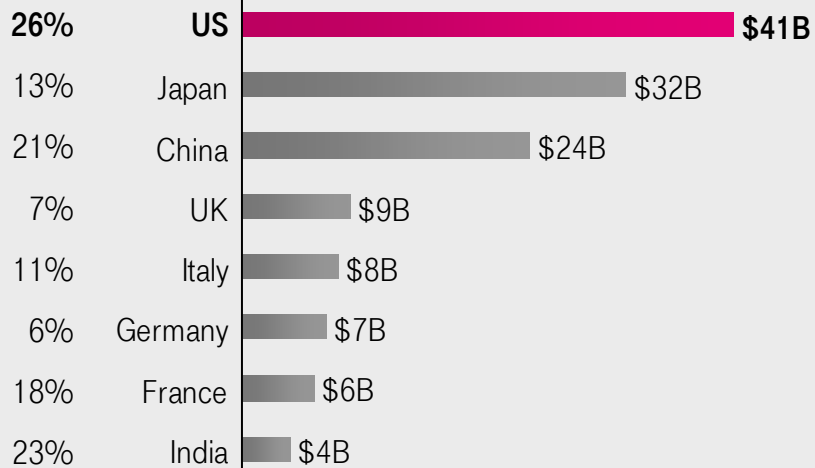
Credit challenged  
Ethnic micro segments  
Minimalists



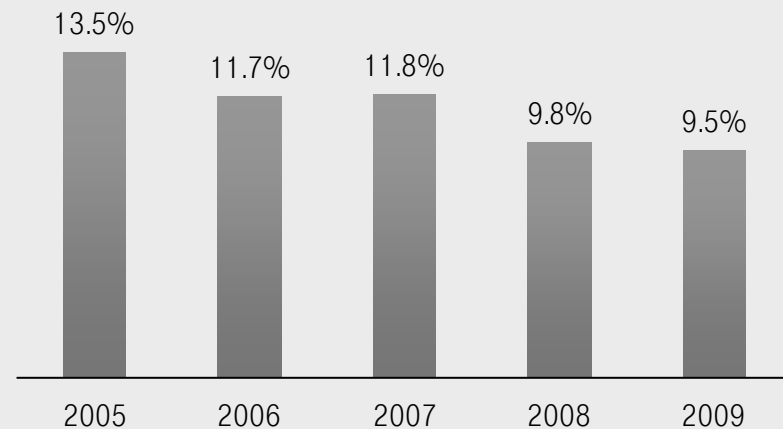
# US data market remains most attractive globally.

## 2009 Wireless Data Revenue

### YoY Growth (%)



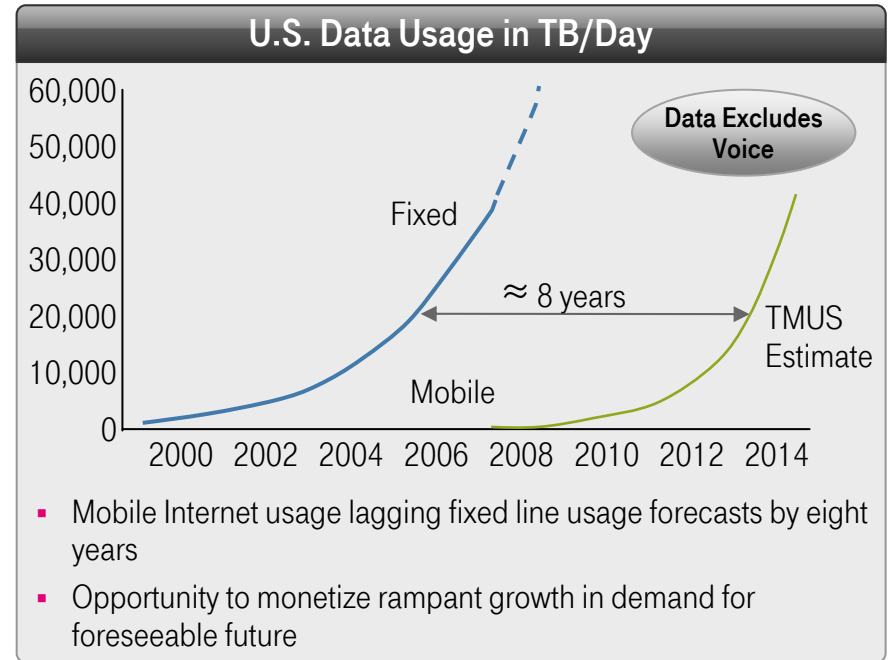
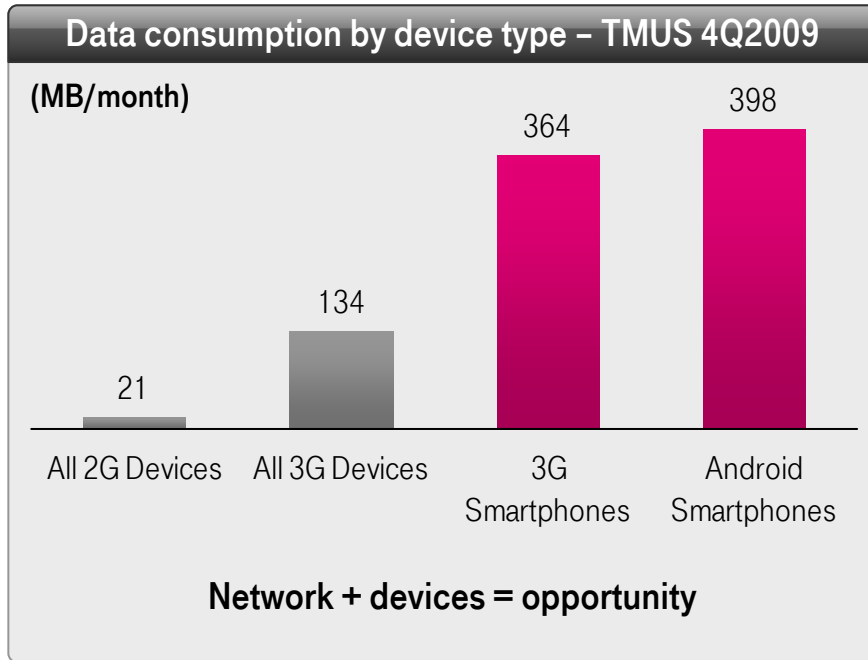
## T-Mobile USA Share of 'Big 4' Data Revenue



**Huge opportunity to recapture lost share**

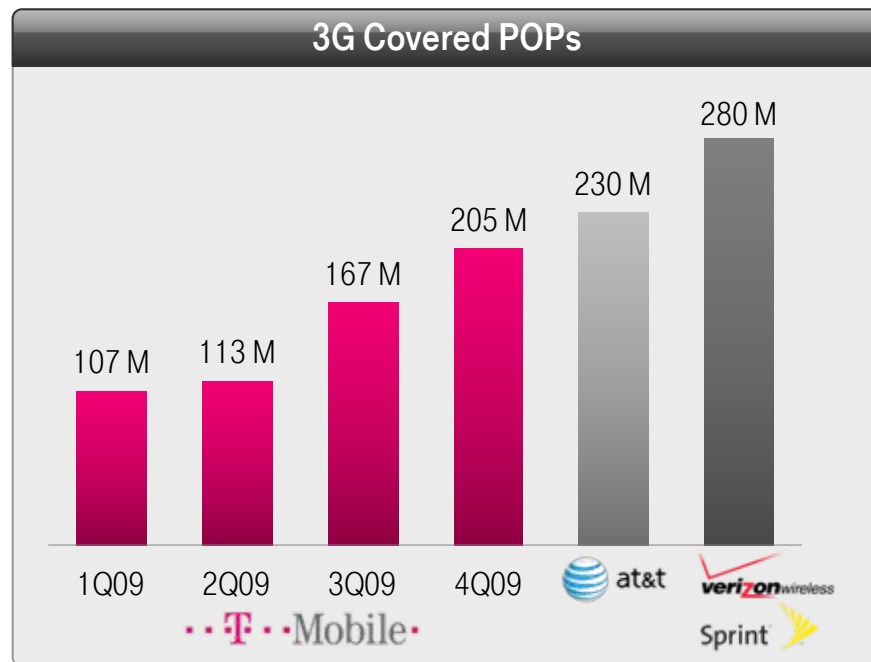


# Data demand exploding.

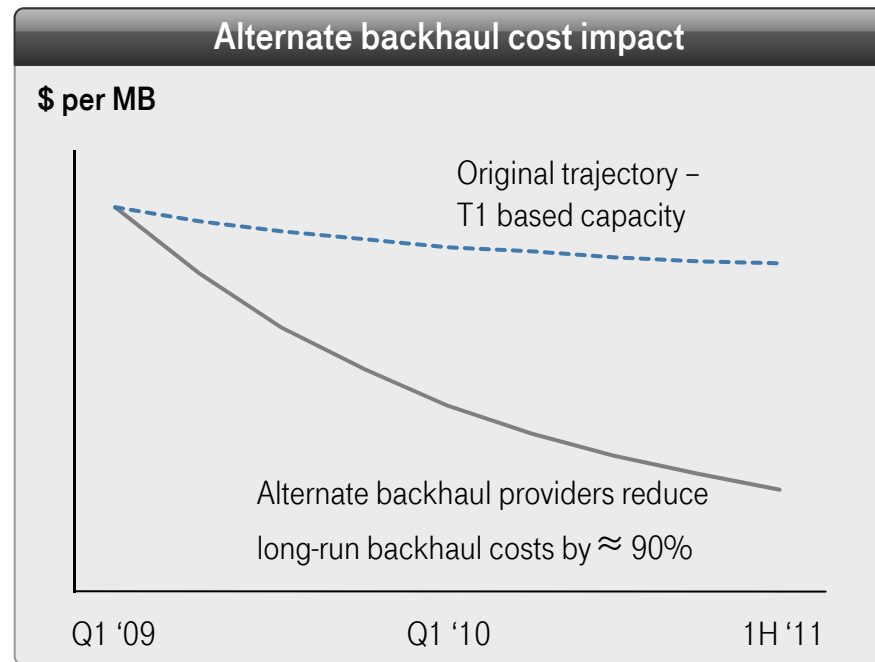
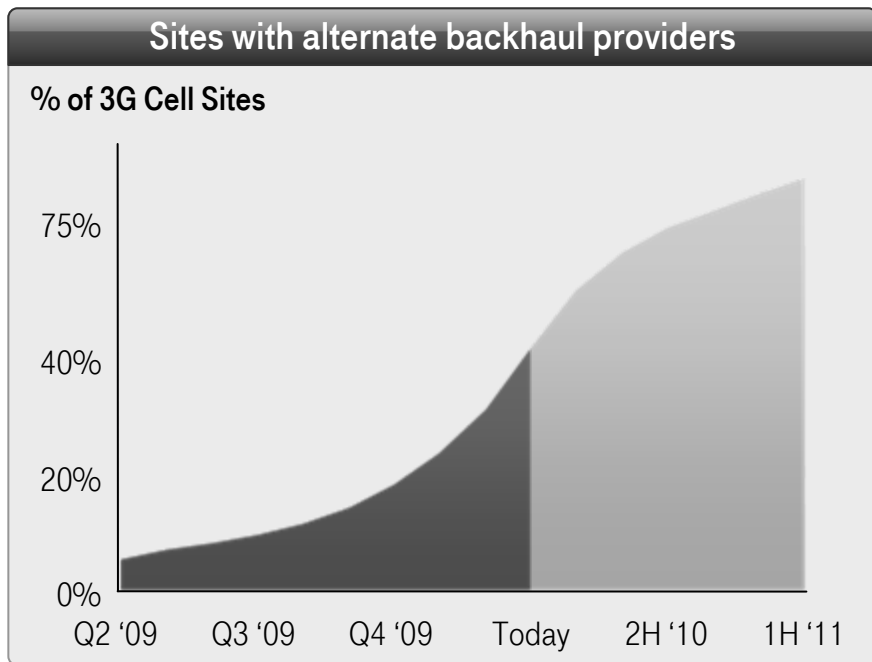


# Network buildout.

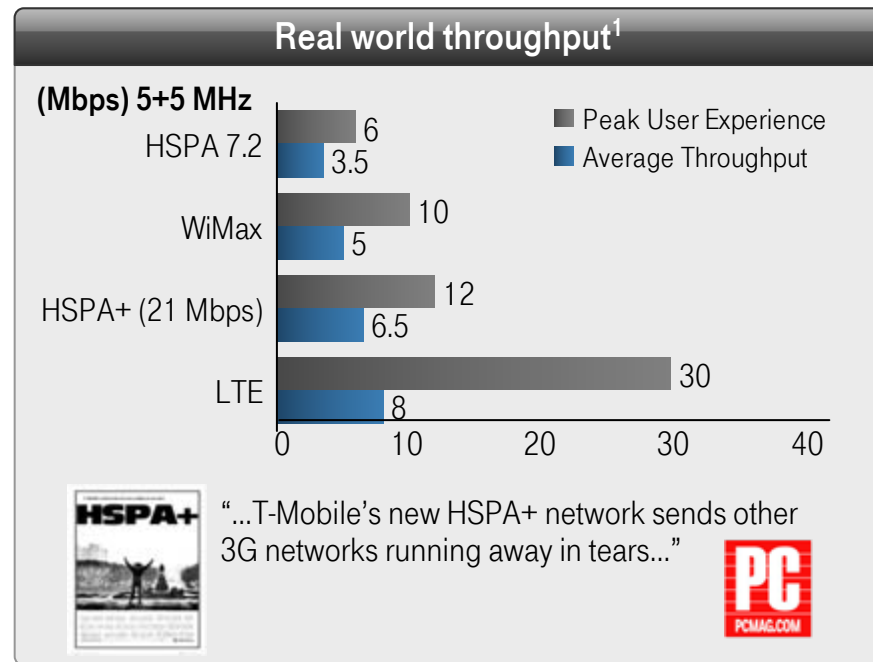
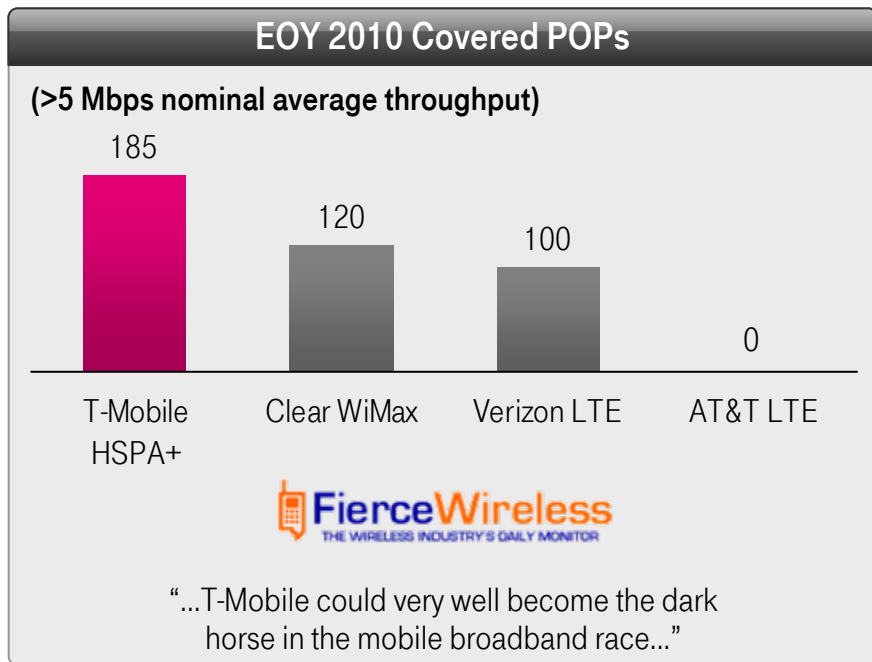
- Focusing on national scale
- Decreasing dependencies on roaming partners
  - Overbuilt 13% of roaming footprint by end of 2009
- Continuing to develop partnerships to deploy fiber for optimized backhaul capacity and cost
- Launched HSPA+ (21 Mbps) network build
  - HSPA+ upgrade  $\approx$  90% complete by EOY 2010



# Using alternate backhaul providers to reduce costs.

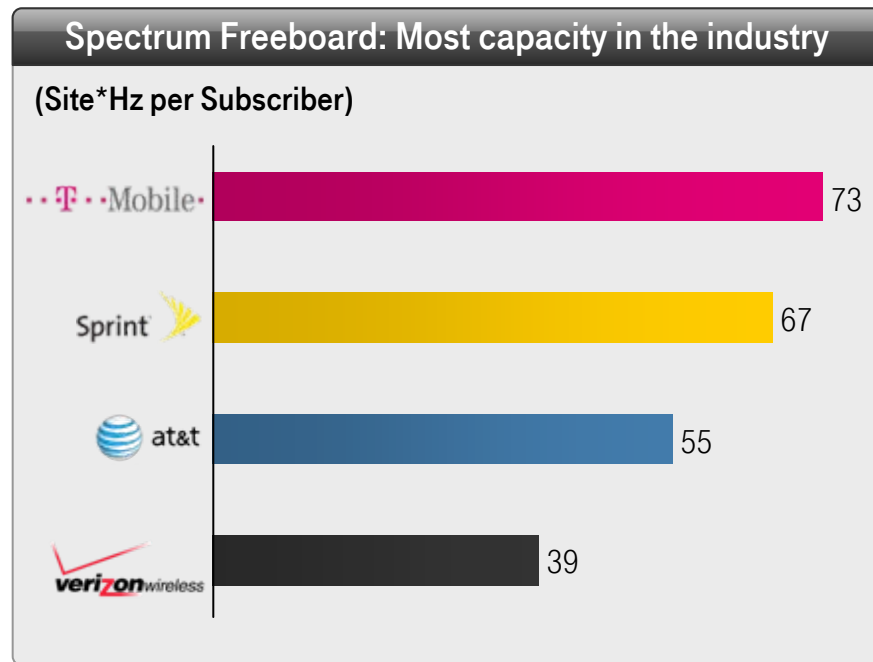
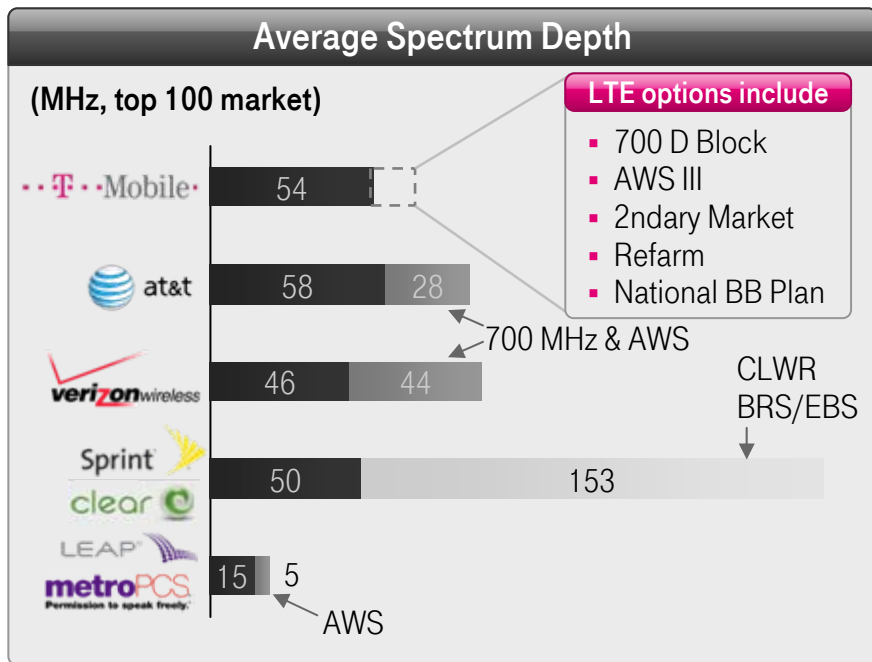


# HSPA+ Yields Most Capable 3G+ National Network in 2010-2011.

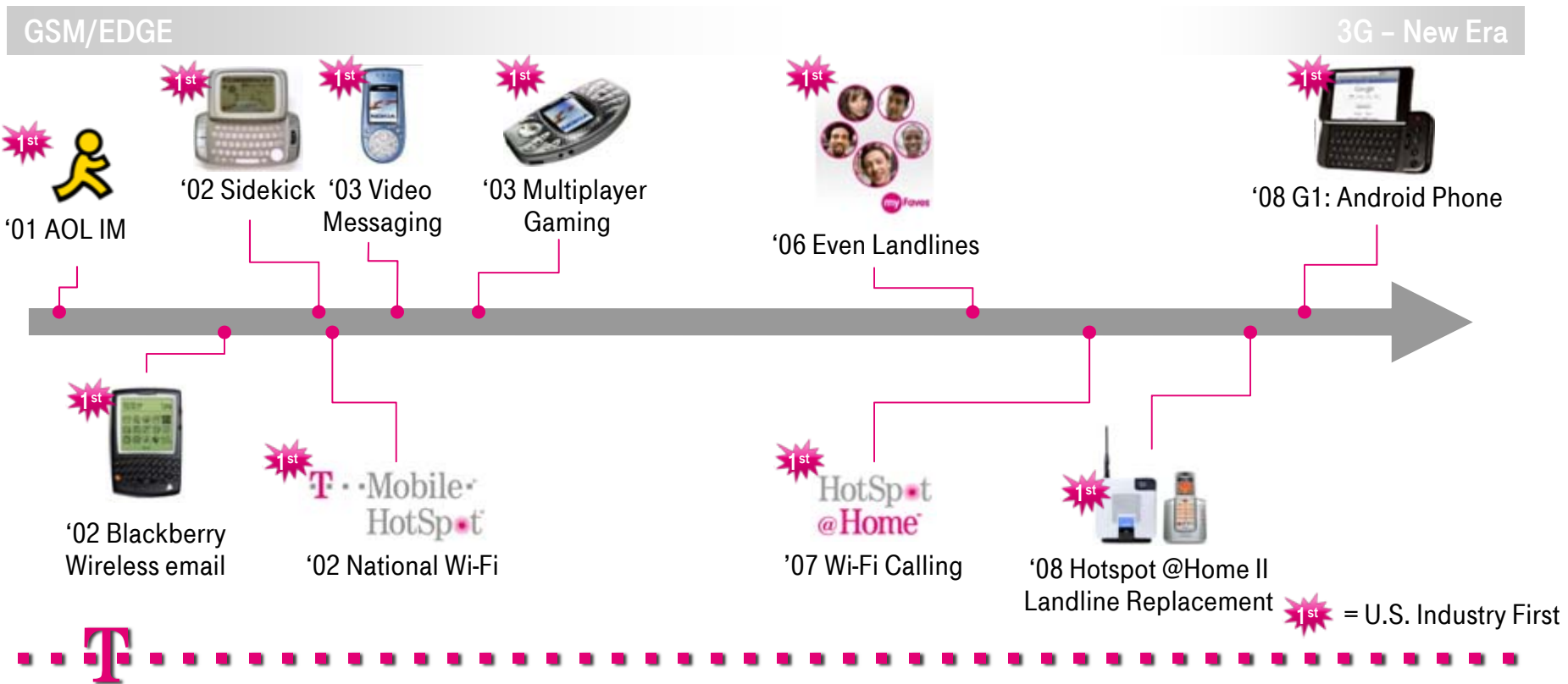


1) HSPA+: TMUS Market Trial Results; LTE: Verizon Trial Results (interpreted); WiMax: Clearwire Press Release (9/15/09).  
Sources: Company reports and TMUS estimates.

# Viable spectrum position – Pursuing options for the future.

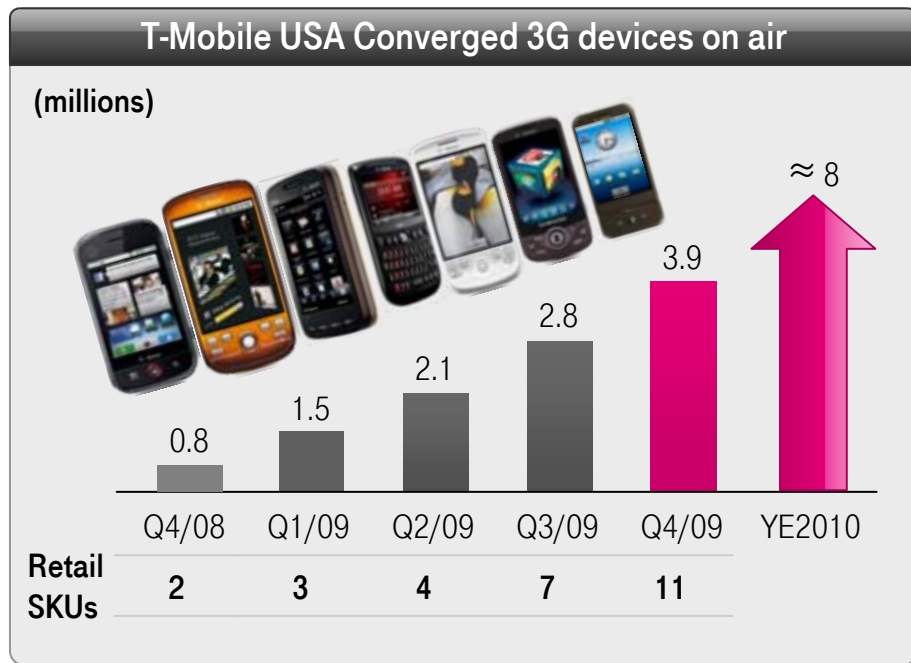


# Innovation leadership.





# 400% increase in 3G converged devices on air during 2009.



**Converged 3G**  
Advanced & Affordable

**HSPA+ Data Sticks**  
Full 21Mbps capable

**Netbooks**  
Fastest connectivity on the go



# Product strategy focused to meet the needs of target segments.

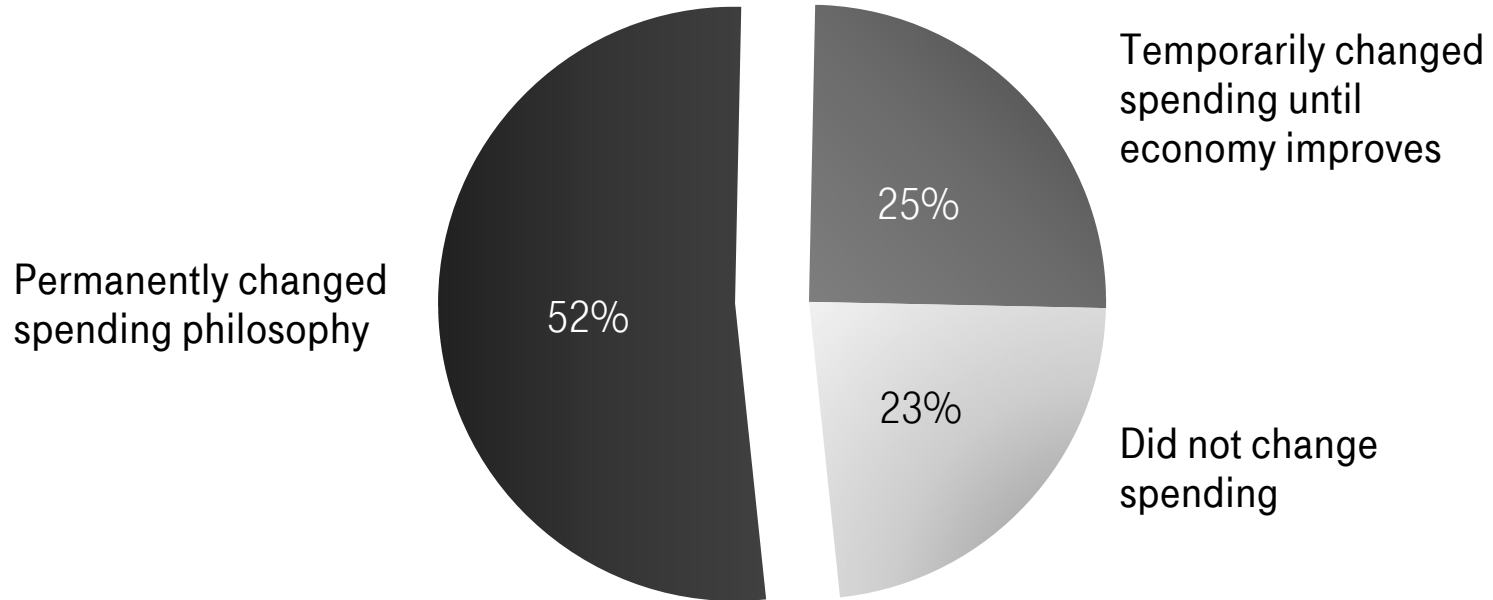
- Drive higher volumes with a smaller set of strategic vendors
- Narrow OS footprint to reduce support costs
- Challenge iPhone with iconic devices like myTouch
- Leverage Android for a consistent experience across the device lineup
- Ride the growing wave of the Android application ecosystem
- Develop proprietary services that meet customer needs



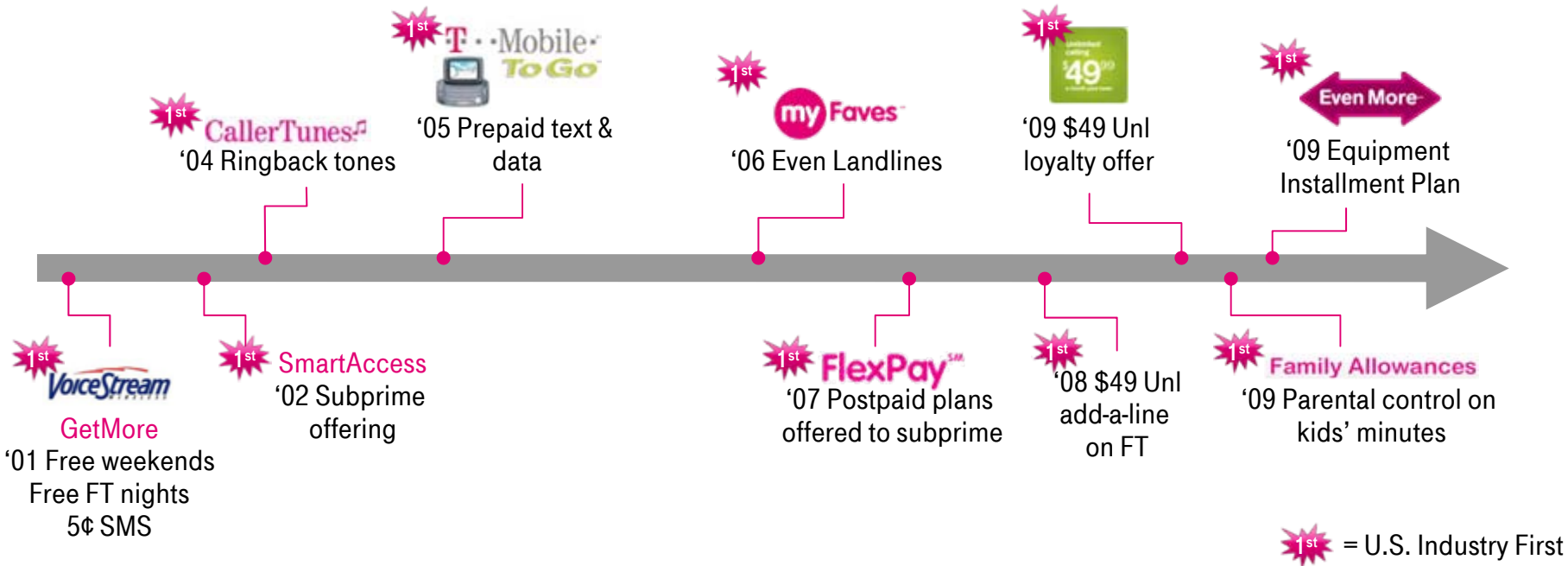
New Products for 2010	Category	Device Count
	Voice & text	13
	Smartphones	11
	Data sticks	3
	Computing devices	4
	Emerging devices	2



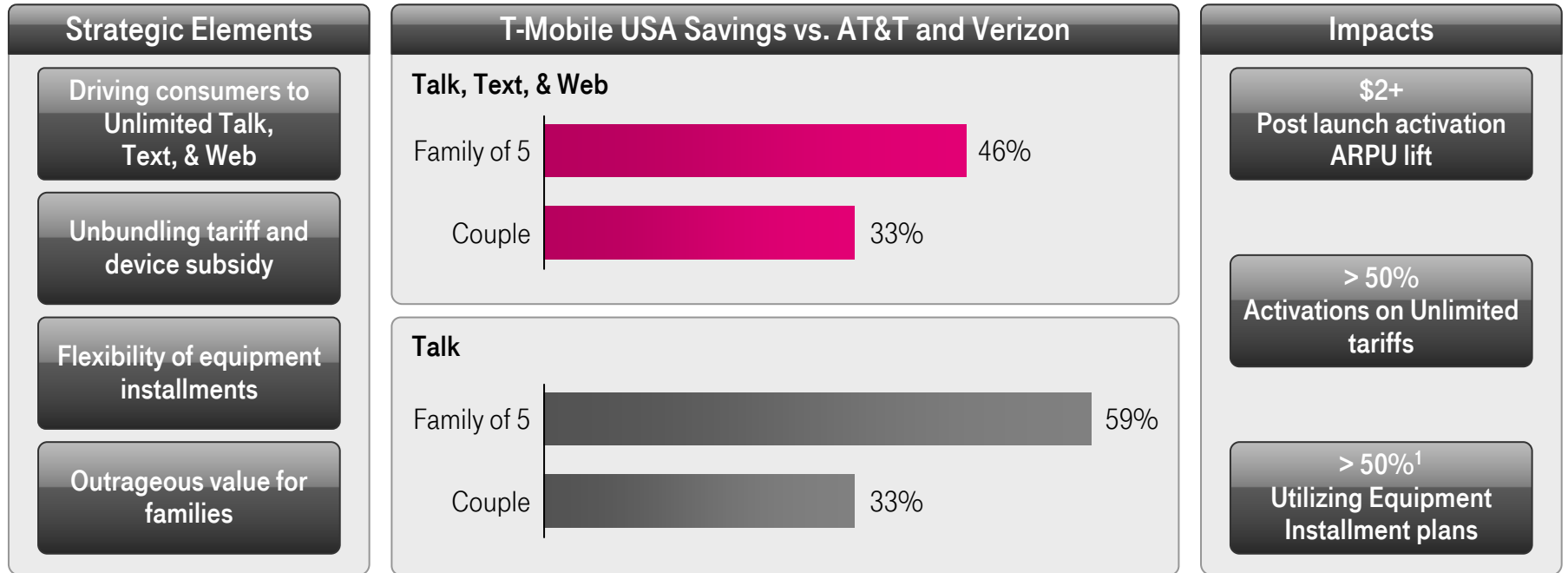
# US consumer driven by value in wake of recession.



# Unmatched track record of value leadership.



# “Even More” is value delivery vehicle.



Source: Tariff pricing from carrier websites. Excludes usage, taxes, fees, etc.  
1) Of eligible customers.

# America's leading service provider.



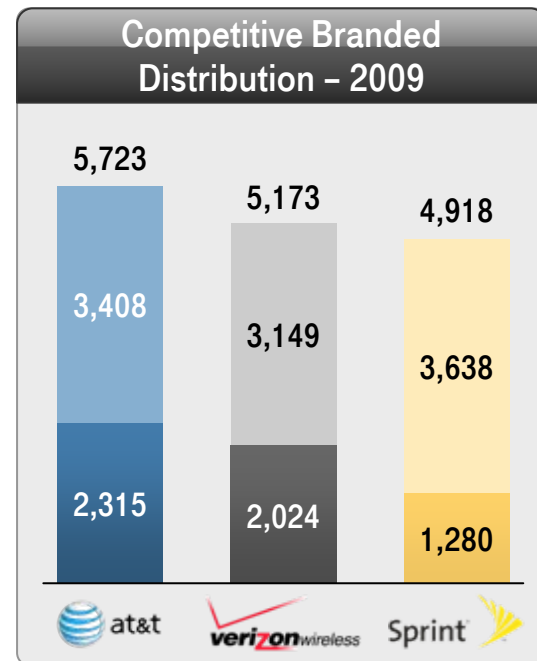
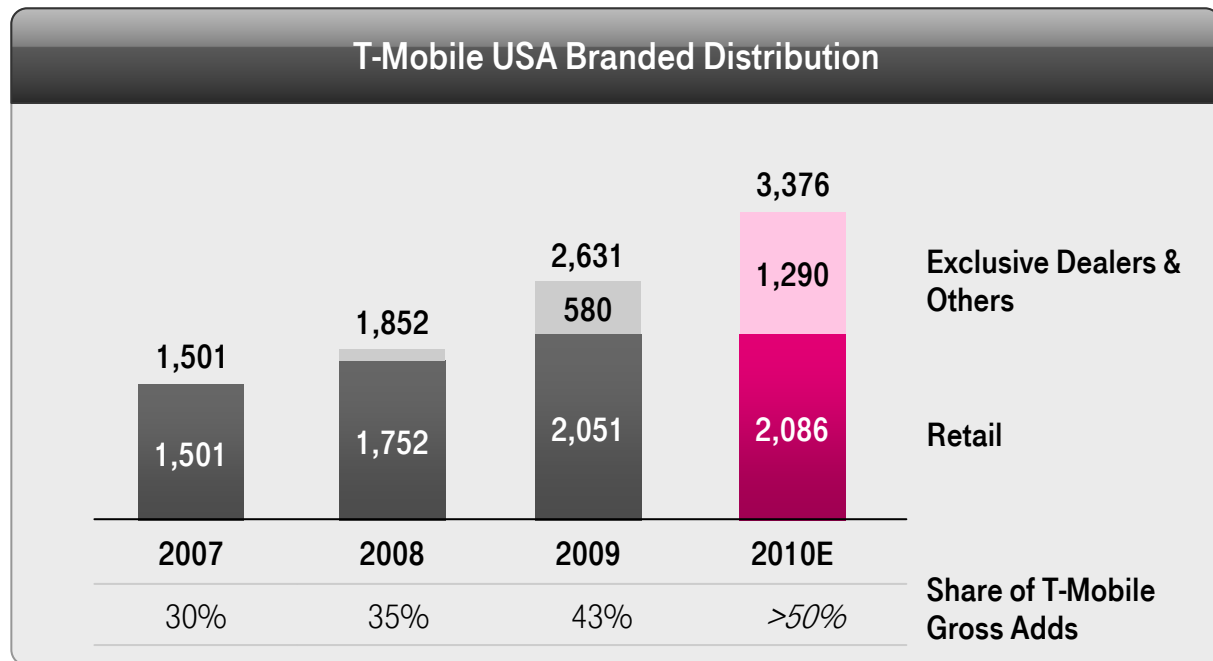
## T-Mobile USA Rank among US Wireless Carriers

<b>Customer Care</b>	Ranked <b>1<sup>st</sup></b> in <b>8 of last 10</b> biannual surveys
<b>Retail Sales Satisfaction</b>	Ranked <b>1<sup>st</sup></b> in <b>7 of last 10</b> biannual surveys

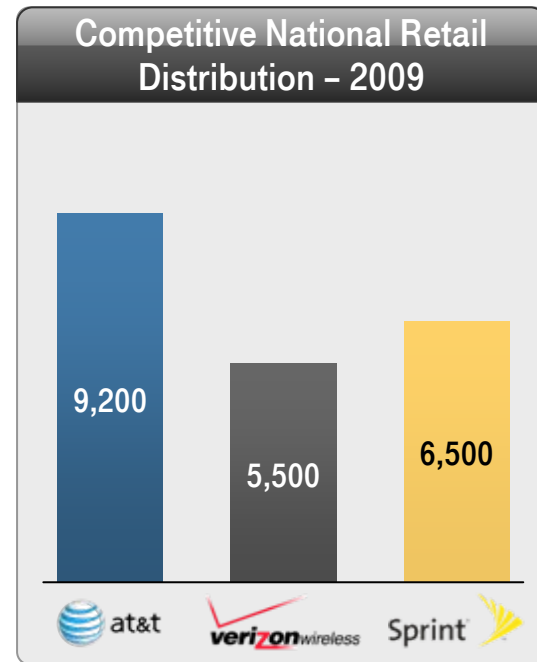
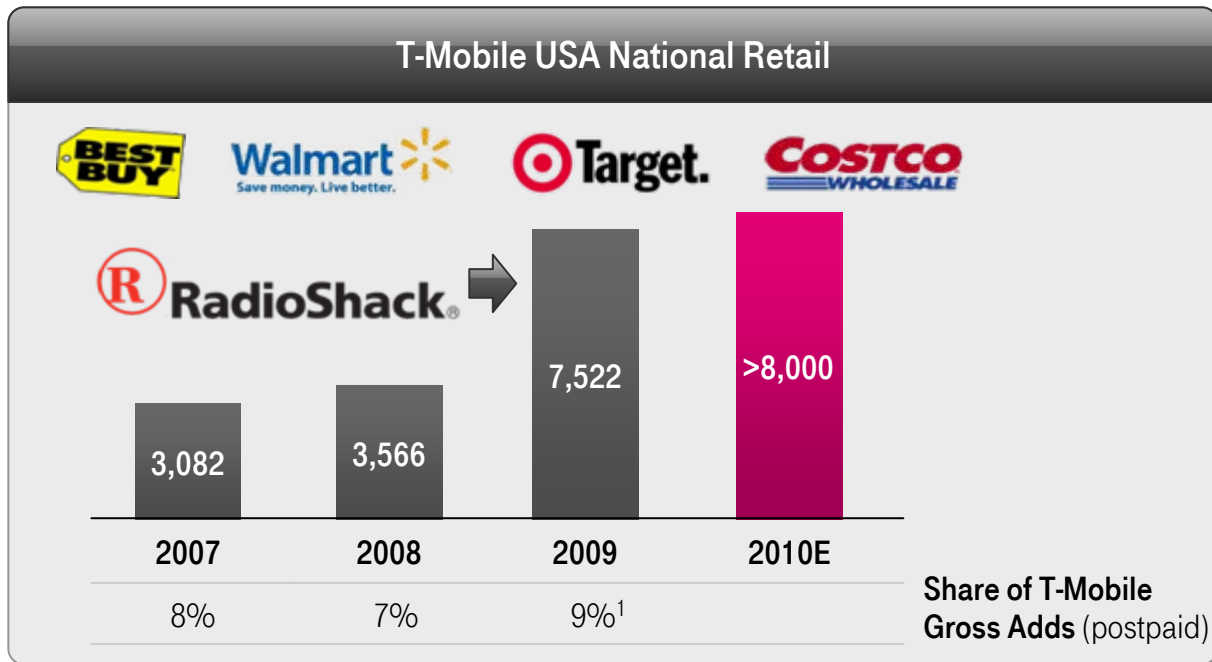
- Frontline employees and corporate culture are basis of strength



# Aggressively addressing branded distribution gap.



# Major retailer distribution on par with competition.



Source: Company reports and TMUS estimates.

1) Radio Shack impact in Q4 only.



# Laser-focused on measures of success.

Drivers	Key measures	2008	2009	2012 ambition level
Quality subscriber growth	Contract Net Adds	1,818K <sup>1</sup>	(42K)	Expansion of branded and national distribution Bolster value proposition for primary targets Share of contract gross adds > 20%
Revenue growth	Data ARPU	\$8.90	\$9.90	Smartphone penetration > 50% Data ARPU growth to close competitive gap by 60%
Churn reduction	Contract Churn	2.1%	2.3%	Stem outflow of most valuable customers Contract churn below 1.8%
Cost and margin discipline	Service Revenue Margin <sup>2</sup>	32%	31%	Maintain cost efficiency during pivot & yield management of data capacity Service revenue margin > 35%



1) Excluding SunCom customers.  
2) OIBDA margin in % of service revenues.

## Summary.

- Continued strong US wireless industry
- Better positioned in Q1/10 than in Q1/09
- Fundamental building blocks in place to stabilize 2010
- Action plan pivots off huge potential for mobile Internet w/leading position
- Strategy: network, devices, service & distribution, wrapped in leading value proposition



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