T-Mobile US, Inc.
Form 10-K
February 14, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 1-33409
T-MOBILE US, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	20-0836269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12920 SE 38th Street, Bellevue, Washington	98006-1350
(Address of principal executive offices)	(Zip Code)

(425) 378-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.00001 par value per share	The NASDAQ Stock Market LLC
5.50% Mandatory Convertible Preferred Stock, Series A, $0.00001 par value per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of June 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $12.4 billion based on the closing sale price as reported on the New York Stock Exchange. As of February 8, 2017, there were 826,525,821 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference certain portions of the definitive Proxy Statement for the registrant's Annual Meeting of Stockholders, which definitive Proxy Statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K ("Form 10-K") includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including information concerning our future results of operations, are forward-looking statements. These forward-looking statements are generally identified by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "could" or simi expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties and may cause actual results to differ materially from the forward-looking statements. The following important factors, along with the Risk Factors included in Part I, Item 1A of this Form 10-K, could affect future results and cause those results to differ materially from those expressed in the forward-looking statements:

- adverse economic or political conditions in the U.S. and international markets;
- competition in the wireless services market, including new competitors entering the industry as technologies converge;
- the effects any future merger or acquisition involving us, as well as the effects of mergers or acquisitions in the technology, media and telecommunications industry;
- challenges in implementing our business strategies or funding our wireless operations, including payment for additional spectrum or network upgrades;
- the possibility that we may be unable to renew our spectrum licenses on attractive terms or acquire new spectrum licenses at reasonable costs and terms;
- difficulties in managing growth in wireless data services, including network quality;
- material changes in available technology;
- the timing, scope and financial impact of our deployment of advanced network and business technologies;
- the impact on our networks and business from major technology equipment failures;
- breaches of our and/or our third party vendors' networks, information technology ("IT") and data security;
- natural disasters, terrorist attacks or similar incidents;
- existing or future litigation;
- any changes in the regulatory environments in which we operate, including any increase in restrictions on the ability to operate our networks;
- any disruption or failure of our third parties' or key suppliers' provisioning of products or services;
- material adverse changes in labor matters, including labor campaigns, negotiations or additional organizing activity, and any resulting financial, operational and/or reputational impact;
- the ability to make payments on our debt or to repay our existing indebtedness when due;
- adverse change in the ratings of our debt securities or adverse conditions in the credit markets;
- changes in accounting assumptions that regulatory agencies, including the Securities and Exchange Commission ("SEC"), may require, which could result in an impact on earnings; and,
- changes in tax laws, regulations and existing standards and the resolution of disputes with any taxing jurisdictions.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. In this Form 10-K, unless the context indicates otherwise, references to "T-Mobile," "T-Mobile US," "our Company," "the Company," "we," "our," and "us" refer to T-Mobile US, Inc., Delaware corporation, and its wholly-owned subsidiaries.

PART I.

Item 1. Business

Business Overview

We are the Un-carrier®. Un-satisfied with the status quo. Un-afraid to innovate. T-Mobile is the fastest growing wireless company in the U.S. based on customer growth in 2016. T-Mobile provides wireless communications services, including voice, messaging and data, to more than 71 million customers in the postpaid, prepaid and wholesale markets. The Un-carrier strategy is an approach that seeks to listen to the customer, address their pain points, bring innovation to the industry and improve the wireless experience for all. In practice, this means offering our customers a great service on a nationwide 4G Long-Term Evolution ("LTE") network, offering devices when and how our customers want them, and providing plans that are simple, affordable and without unnecessary restrictions. Going forward, we will continue to listen and respond to our customers, refine and improve the Un-carrier strategy and deliver the best value experience in the industry.

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History

T-Mobile USA, Inc. ("T-Mobile USA") was formed in 1994 as VoiceStream Wireless PCS ("VoiceStream"), a subsidiary of Western Wireless Corporation ("Western Wireless"). VoiceStream was spun off from Western Wireless in 1999, acquired by Deutsche Telekom AG ("Deutsche Telekom") in 2001 and renamed T-Mobile USA, Inc. in 2002.

In 2013, T-Mobile US, Inc. was formed through the business combination between T-Mobile USA and MetroPCS Communications, Inc. ("MetroPCS"). The business combination was accounted for as a reverse acquisition with T-Mobile USA as the accounting acquirer. Accordingly, T-Mobile USA's historical financial statements became the historical financial statements of the combined company.

Our common stock and our 5.50% mandatory convertible preferred stock, Series A ("preferred stock") trade on the NASDAQ Global Select Market of The NASDAQ Stock Market LLC ("NASDAQ") under the symbols "TMUS" and "TMUSP," respectively.

Business Strategy

We generate revenue by offering affordable wireless communication services to our postpaid, prepaid and wholesale customers, as well as a wide selection of wireless devices and accessories. Our most significant expenses are related to acquiring and retaining high-quality customers, providing a full range of devices, compensating employees, and operating and expanding our network. We provide service, devices and accessories across our flagship brands, T-Mobile and MetroPCS, through our owned and operated retail stores, third party distributors and our websites (www.T-Mobile.com and www.MetroPCS.com). The information on our websites is not part of this Form 10-K.

We continue to aggressively pursue our strategy, which includes the following elements:

Un-carrier Strategy

We introduced our Un-carrier strategy in 2013 and continue to aggressively focus on addressing customer pain points with the launch of additional signature moves. Un-carrier initiatives have included, but are not limited to, offering the following to qualifying customers:

- providing customers with affordable rate plans while eliminating annual service contracts;
- allowing customers easier options to upgrade their eligible devices when they want;
- reimbursing qualifying customers' early termination fees and/or remaining phone payments when they switch from other carriers and trade-in their phones;
- allowing customers to stream music without it counting against their high speed data allotment;
- providing Wi-Fi calling and texting for customers with capable smartphones;
- giving qualified customers the ability to roll-over up to 20 GB per year of their unused high-speed data automatically each month;
- providing reduced United States to international calling rates, and providing messaging and data roaming while traveling abroad at no extra charge;
- allowing customers to access coverage and calling, as well as 4G LTE data, across the U.S., Mexico and Canada at no extra charge;
- providing select video streaming services without it counting against their high speed data allotment on qualifying plans;
- offering eligible new (through December 31, 2016) or existing (as of June 6, 2016) customers ownership in the Company with a free share of T-Mobile stock or an additional share of T-Mobile stock for every new active account each customer refers through December 31, 2016, subject to a maximum of 100 shares in a calendar

year;

- enabling eligible customers who download the T-Mobile Tuesday app to be informed about and to redeem products and services offered by participating business partners each Tuesday;
- offering eligible customers a full hour of free in-flight Wi-Fi on their smartphone on all Gogo-equipped domestic flights;
- giving our customers one simple rate plan, T-Mobile ONE™, that includes unlimited calls, unlimited text and unlimited high-speed 4G LTE data on their device; and

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- beginning in 2017, with our introduction of Un-carrier Next, T-Mobile ONE includes:

- monthly wireless service fees and taxes in the advertised monthly recurring charge;
- paying participating customers back for data that is not used in a month if they use less than 2GB high-speed data/month; and
- giving customers the first-ever price guarantee on an unlimited 4G LTE plan and allowing our customers to keep their T-Mobile ONE price until they decide to change it.

Customer Experience

The ongoing success of our Un-carrier strategy and continued transformation of the network has strengthened T-Mobile's position as a provider of dependable high-speed 4G LTE service. Additionally, we have continued to focus on retaining customers by delivering an improved wireless customer experience. Branded postpaid phone churn improved to 1.30% in 2016, compared to 1.39% in 2015 and 1.58% in 2014. On September 1, 2016, we sold our marketing and distribution rights to certain existing T-Mobile co-branded customers to a current Mobile Virtual Network Operators ("MVNO") partner for nominal consideration. The impact of this transaction resulted in improvements to branded postpaid phone churn for the year ended December 31, 2016. See Performance Measures of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation of this Form 10-K for information regarding this transaction. Our branded postpaid net customer additions remained strong with 4.1 million in 2016, compared to 4.5 million in 2015 and 4.9 million in 2014, primarily driven by strong customer response to our Un-carrier initiatives, ongoing improvements to network quality, and promotions for services and devices. In addition, we continue to buildout our Extended Range LTE, which operates on our low-band 700 MHz A-Block spectrum. These results reinforce our position as an organization with a strong focus and commitment to providing an outstanding customer experience.

Aligned Cost Structure

We continue to pursue a low-cost business operating model to drive cost savings, which can then be reinvested in the business. These cost-reduction programs are on-going as we continue to simplify our business and drive operational efficiencies and cost savings in areas, such as network optimization, customer roaming and customer service. A portion of these savings have been, and will continue to be, reinvested into growth of our business.

Customers

We provide wireless communication services to three primary categories of customers:

- Branded postpaid customers generally include customers that are qualified to pay after using wireless communication services;
- Branded prepaid customers generally include customers who pay for wireless communication services in advance. Our branded prepaid customers include customers of T-Mobile and MetroPCS; and
- Wholesale customers include Machine-to-Machine ("M2M") and MVNO that operate on our network, but are managed by wholesale partners.

We generate the majority of our service revenues by providing wireless communication services to branded postpaid and branded prepaid customers. Our ability to acquire and retain branded postpaid and prepaid customers is important to our business in the generation of service revenues, equipment revenues and other revenues. In 2016, our service revenues generated by providing wireless communication services by customer category were:

- 65% branded postpaid customers;

- 31% branded prepaid customers; and
- 4% wholesale customers, roaming and other services.

Services and Products

We provide wireless communication services through a variety of service plan options. We also offer a wide selection of wireless devices, including smartphones, tablets and other mobile communication devices, which are manufactured by various suppliers. Services, devices and accessories are offered directly to consumers through our owned and operated retail stores, as

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well as through our websites. In addition, we sell devices to dealers and other third party distributors for resale through independent third-party retail outlets and a variety of third-party websites.

Our service plan offerings, which allow customers to subscribe for wireless services separately from the purchase of a device include:

- Our T-Mobile ONE plan (T-Mobile ONE), which was launched in September 2016 as phase 12.0 of our Un-carrier initiatives. T-Mobile ONE gives our customers unlimited calls, unlimited text and unlimited high-speed 4G LTE data on their device. On T-Mobile ONE, video typically streams at DVD (480p) quality and tethering is at maximum 3G speeds. Customers can choose to add on additional features to T-Mobile ONE for an additional cost. On T-Mobile ONE Plus customers also receive unlimited High Definition Video Day Passes, Voicemail to Text, NameID, unlimited Gogo in-flight internet passes on capable domestic flights and up to two times faster speeds when traveling abroad in 140+ countries and destinations. On T-Mobile ONE Plus International, customers receive the benefits of T-Mobile ONE Plus as well as free and reduced calling from the U.S. to foreign countries and unlimited high-speed 4G LTE mobile hotspot data in the U.S., Mexico and Canada.
- In January 2017, we introduced the latest in our Un-carrier initiatives, Un-carrier Next, where monthly wireless service fees and taxes are included in the advertised monthly recurring charge for T-Mobile ONE. We also unveiled Kickback on T-Mobile ONE, where participating customers who use 2 GB or less of data in a month, will get an up to a $10 credit on their next month's bill per qualifying line. In addition, we introduced the Un-contract for T-Mobile ONE with the first-ever price guarantee on an unlimited 4G LTE plan, which allows T-Mobile ONE customers to keep their price for service until they decide to change it.
- Simple Choice plans, which were launched in 2013 as part of phase 1.0 of our Un-carrier initiatives, eliminated annual service contracts and simplified the lineup of consumer rate plans to one affordable plan for unlimited voice and messaging services with the option to add data services. On January 25, 2017, we streamlined our Simple Choice plan offerings to new customers into our T-Mobile ONE plan.

Depending on their credit profile, customers are qualified either for postpaid or prepaid service.

Our device options for customers on T-Mobile ONE, and previously on Simple Choice plans, include:

- Depending on their credit profile, qualifying customers who purchase a device from us have the option of financing all or a portion of the purchase price at the time of sale over an installment period of up to 24 months using our Equipment Installment Plan ("EIP").
- In addition, qualifying customers who finance their initial device with an EIP can enroll in our JUMP!® program ("JUMP!") to later upgrade their device. Upon a qualifying JUMP! upgrade, the customer's remaining EIP balance is settled provided they trade-in their used device at the time of upgrade in good working condition and purchase a new device from us on a new EIP.
- In 2015, we introduced JUMP! On Demand. With JUMP! On Demand, a low monthly payment covers the cost of leasing a new device and gives qualified customers the freedom to exchange it for a new device up to three times in 12 months for no extra fee. Upon device upgrade or at lease end, customers must return their device in good working condition or purchase their device.

Network Transformation Update

We continue to increase the depth, breadth and functionality of the nation's densest LTE network by adding new spectrum to increase coverage, and re-farming existing spectrum and implementing new technology to augment capacity. Collectively, these network advancements help provide improved network performance and reliability for our customers.

Spectrum Growth

We provide mobile communication services utilizing mid-band spectrum licenses, such as Advanced Wireless Services (“AWS”) and Personal Communications Service (“PCS”), and low-band spectrum licenses utilizing our 700 MHz A-Block spectrum.

- We owned or had agreements to own an average of 86 MHz of spectrum across the top 25 markets in the U.S. as of December 31, 2016, comprised of an average of 12 MHz in the 700 MHz band, 30 MHz in the 1900 MHz PCS band and 44 MHz in the AWS band. This is compared to an average of 85 MHz of spectrum across the top 25 markets in the U.S. as of December 31, 2015.

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- Over the last year, we have entered into and closed on various agreements for the acquisition and exchange of 700 MHz A-Block, AWS and PCS spectrum licenses. See Note 5 – Goodwill, Spectrum Licenses and Other Intangible Assets of the Notes to the Consolidated Financial Statements.
- In addition, we intend to opportunistically acquire spectrum licenses in private party transactions and future Federal Communications Commissions ("FCC") spectrum license auctions, including the broadcast incentive auction of low-band 600 MHz spectrum licenses that is currently in-progress.
- We have continued to build out our network to concentrate our cell sites where our customers need data most. We had approximately 66,000 cell sites, including macro sites and distributed antenna system network nodes as of December 31, 2016, compared to approximately 64,000 cell sites as of December 31, 2015.
- In 2015, we completed the shutdown of the MetroPCS Code Division Multiple Access ("CDMA") network. The migration of customers from the MetroPCS CDMA network onto T-Mobile's LTE and Evolved High Speed Packet Access Plus network provides faster network performance for MetroPCS customers with compatible handsets.

Network Coverage Growth

- We continue to expand our coverage breadth and currently provide 4G LTE coverage to 314 million people, up from zero 4G LTE coverage four years ago. We are targeting to provide 320 million people with 4G LTE coverage by year-end 2017.
- We own 700 MHz A-Block spectrum covering 272 million people or approximately 84% of the U.S. population. The spectrum covers all of the top 10 market areas and 29 of the top 30 market areas in the U.S.
- We have deployed our 700 MHz A-Block spectrum in over 500 market areas covering more than 252 million people under the name "Extended Range LTE." We expect to continue to aggressively roll-out new 700 MHz market areas in 2017 including Chicago, Eastern Montana, and substantially all of the remaining population in 700 MHz licensed areas.

Network Capacity Growth

We continue to expand our capacity through the re-farming of existing spectrum and implementation of new technologies including Voice over LTE ("VoLTE"), Carrier Aggregation, 4x4 MIMO, and 256 Quadrature Amplitude Modulation ("QAM").

- At the end of the fourth quarter of 2016, approximately 70% of spectrum was being used for 4G LTE compared to 52% at the end of the fourth quarter of 2015. We expect to continue to re-farm spectrum currently committed to 2G and 3G technologies.
- Re-farmed spectrum enables us to continue expanding Wideband LTE, which currently covers 232 million people. Wideband LTE refers to markets that have bandwidth of at least 15+15 MHz dedicated to 4G LTE.
- VoLTE currently comprises approximately 67% of total voice calls compared to 39% in December 2015. Moving voice traffic to VoLTE frees up spectrum and allows for the transition of spectrum currently used for 2G and 3G to 4G LTE. We are leading the U.S. wireless industry in terms of VoLTE migration.
- Carrier aggregation is live for our customers in 674 cities. This advanced technology delivers superior speed and performance by bonding two or three discrete spectrum channels together.
- 4x4 MIMO is currently available in more than 300 cities. This technology effectively delivers twice the speed, and incremental network capacity, to customers by doubling the number of data paths between the cell site and a customer's device.
- We have rolled out 256 QAM, which increases the number of bits delivered per transmission to enable faster speed.
- Innovative programs like Binge On and T-Mobile ONE also create capacity by optimizing video for mobile viewing. These programs deliver material capacity benefits to both customers and our network. Since the launch of Binge On, our customers have watched more than 4 billion hours of optimized video.

Network Speed Leadership

We continue to have the fastest nationwide 4G LTE network in the U.S. based on both download and upload speeds from millions of user-generated tests. This is the twelfth consecutive quarter that we have led the industry in both download and upload speeds.

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Distribution

We had approximately 52,000 total points of distribution, including approximately 13,000 T-Mobile and MetroPCS branded locations and 39,000 third-party and national retailer locations, as well as distribution through our websites, as of December 31, 2016. Our distribution density in major metropolitan areas provides customers with the convenience of having retail and service locations close to where they live and work.

Competition

The wireless telecommunications industry is highly competitive. We are the third largest provider of postpaid service plans and the largest provider of prepaid service plans in the U.S. as measured by customers. Our competitors include other national carriers, such as AT&T Inc. (“AT&T”), Verizon Communications, Inc. (“Verizon”) and Sprint Corporation. AT&T and Verizon are significantly larger than us and may enjoy greater resources and scale advantages as compared to us. In addition, our competitors include numerous smaller regional carriers, existing MVNOs, such as TracFone Wireless, Inc., and future MVNOs, such as Comcast Corporation and Charter Communications, Inc., many of which offer or plan to offer no-contract, prepaid service plans. Competitors also include providers who offer similar communication services, such as voice and messaging, using alternative technologies or services. Competitive factors within the wireless telecommunications industry include pricing, market saturation, service and product offerings, customer experience, network investment and quality, development and deployment of technologies, availability of additional spectrum licenses and regulatory changes. Some competitors have shown a willingness to use aggressive pricing as a source of differentiation. Other competitors have sought to add ancillary services, like mobile video, to enhance their offerings. Taken together, the competitive factors we face continue to put pressure on margins as companies compete to retain the current customer base and continue to add new customers.

Employees

As of December 31, 2016, we employed approximately 50,000 full-time and part-time employees, including network, retail, administrative and customer support functions.

Regulation

The FCC regulates many key aspects of our business, including licensing, construction, the operation and use of our network, modifications of our network, control and ownership of our licenses and authorizations, the sale, transfer and acquisition of certain licenses, domestic roaming arrangements and interconnection agreements, pursuant to its authority under the Communications Act of 1934, as amended (“Communications Act”). The FCC has a number of complex requirements and proceedings that affect our operations and that could increase our costs or diminish our revenues. For example, the FCC has rules regarding provision of 911 and E-911 services, porting telephone numbers, interconnection, roaming, internet openness or net neutrality, disabilities access, privacy and cybersecurity, consumer protection, and the universal service and Lifeline programs. Many of these and other issues are being considered in ongoing proceedings, and we cannot predict whether or how such actions will affect our business, financial condition or results of operations. Our ability to provide services and generate revenues could be harmed by adverse regulatory action or changes to existing laws and regulations. In addition, regulation of companies that offer competing services can impact our business indirectly.

Wireless communications providers must be licensed by the FCC to provide communications services at specified spectrum frequencies within specified geographic areas and must comply with the rules and policies governing the use of the spectrum as adopted by the FCC. The FCC issues each license for a fixed period of time, typically 10 years in the case of cellular, PCS and point-to-point microwave licenses. AWS licenses have an initial term of 15 years, with successive 10-year terms thereafter. While the FCC has generally renewed licenses given to operating companies like us, the FCC has authority to both revoke a license for cause and to deny a license renewal if a renewal is not in the public interest. Furthermore, we could be subject to fines, forfeitures and other penalties for failure to comply with FCC regulations, even if any such non-compliance was unintentional. In extreme cases, penalties can include revocation of our licenses. The loss of any licenses, or any related fines or forfeitures, could adversely affect our business, results of operations and financial condition.

Additionally, Congress' and the FCC's allocation of additional spectrum for broadband commercial mobile radio service ("CMRS"), which includes cellular, PCS and specialized mobile radio, could significantly increase competition. We cannot assess the impact that any developments that may occur in the U.S. economy or any future spectrum allocations by the FCC may have on license values. FCC spectrum auctions and other market developments may adversely affect the market value of our licenses in the future. A significant decline in the value of our licenses could adversely affect our financial condition and results of operations. In addition, the FCC periodically reviews its policies on how to evaluate carriers' spectrum holdings. A change in these policies could affect spectrum resources and competition among us and other carriers.

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Congress and the FCC have imposed limitations on foreign ownership of CMRS licensees that exceed 20% direct ownership or 25% indirect ownership. The FCC has ruled that higher levels of indirect foreign ownership, even up to 100%, are presumptively consistent with the public interest albeit subject to review. Consistent with that established policy, the FCC has issued a declaratory ruling authorizing up to 100% ownership of our company by Deutsche Telekom. This declaratory ruling, and our licenses, are conditioned on Deutsche Telekom's and the Company's compliance with a network security agreement with the Department of Justice, the Federal Bureau of Investigation and the Department of Homeland Security. Failure to comply with the terms of this agreement could result in fines, injunctions and other penalties, including potential revocation of our spectrum licenses.

While the Communications Act generally preempts state and local governments from regulating the entry of, or the rates charged by, wireless communication providers, certain state and local governments regulate other terms and conditions of wireless service, including billing, termination of service arrangements and the imposition of early termination fees, advertising, network outages, the use of devices while driving, zoning and land use. Additionally, the Federal Trade Commission ("FTC") and other federal agencies have asserted that they have jurisdiction over some consumer protection and elimination and prevention of anticompetitive business practices with respect to the provision of non-common carrier services. Further, the FCC and the Federal Aviation Administration regulate the siting, lighting and construction of transmitter towers and antennae. Tower siting and construction are also subject to state and local zoning, as well as federal statutes regarding environmental and historic preservation. The future costs to comply with all relevant regulations are to some extent unknown and changes to regulations, or the applicability of regulations, could result in higher operating and capital expenses, or reduced revenues in the future.

Available Information

Our Form 10-K and all other reports and amendments filed with or furnished to the SEC, are publicly available free of charge on the Investor Relations section of our website at investor.t-mobile.com or at www.sec.gov as soon as reasonably practicable after these materials are filed with or furnished to the SEC. Our corporate governance guidelines, code of business conduct, code of ethics for senior financial officers and charters for the audit, compensation, nominating and corporate governance and executive committees of our board of directors are also posted on the Investor Relations section of our website at investor.t-mobile.com. The information on our websites is not part of this or any other report we file with, or furnishes to, the SEC.

Investors and others should note that we announce material financial and operational information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We intend to also use the @TMobileIR Twitter account (https://twitter.com/TMobileIR) and the @JohnLegere Twitter (https://twitter.com/JohnLegere), Facebook and Periscope accounts, which Mr. Legere also uses as means for personal communications and observations, as means of disclosing information about the Company and its services and for complying with its disclosure obligations under Regulation FD. The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these social media channels in addition to following the Company's press releases, SEC filings and public conference calls and webcasts. The social media channels that we intend to use as a means of disclosing the information described above may be updated from time to time as listed on the Company's investor relations website.

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating T-Mobile. Our business, financial condition, liquidity, or operating results, as well as the price of our common stock and other securities, could be materially adversely affected by any of these risks.

Risks Related to Our Business and the Wireless Industry

The scarcity and cost of additional wireless spectrum, and regulations relating to spectrum use, may adversely affect our business strategy and financial performance.

We will need to acquire additional spectrum in order to continue our customer growth, expand and deepen our coverage, maintain our quality of service, meet increasing customer demands and deploy new technologies. We will be at a competitive disadvantage and possibly experience erosion in the quality of service in certain markets if we fail to gain access to necessary spectrum before reaching capacity. As a result, we are actively seeking to make additional investment in spectrum, which could be significant.

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The continued interest in, and acquisition of, spectrum by existing carriers and others may reduce our ability to acquire and/or raise the cost of acquiring spectrum in the secondary market or negatively impact our ability to gain access to spectrum through other means, including government auctions. We may need to enter into spectrum sharing or leasing arrangements, which are subject to certain risks and uncertainties and may involve significant expenditures. Although the FCC is conducting an auction for low band spectrum, in which we are participating, gaining access to that spectrum may take up to three years or more. Any material delay could adversely impact our ability to implement our plans and efforts to improve our network. In addition, our return on investment in spectrum depends on our ability to attract additional customers and to provide additional services and usage to existing customers. As a result, the return on any investment in spectrum that we make may not be as much as we anticipate or take longer than expected. Additionally, we may be unable to secure the spectrum we need in any auction we may elect to participate in or in the secondary market, on favorable terms or at all.

The FCC may impose conditions on the use of new wireless broadband mobile spectrum, including new restrictions or rules governing the use or access to current or future spectrum. This could increase pressure on capacity. Additional conditions that may be imposed by the FCC include heightened build-out requirements, limited renewal rights, clearing obligations, or open access or net neutrality requirements that may make it less attractive or less economical to acquire spectrum. In addition, rules may be established for future government spectrum auctions that may negatively impact our ability to obtain spectrum economically or in appropriate configurations or coverage areas.

If we cannot acquire needed spectrum from the government or otherwise, if competitors acquire spectrum that will allow them to provide services competitive with our services, or if we cannot deploy services over acquired spectrum on a timely basis without burdensome conditions, at reasonable cost, and while maintaining network quality levels, then our ability to attract and retain customers and our associated financial performance could be materially adversely affected.

Competition, industry consolidation, and changes in the market for wireless services could negatively affect our ability to attract and retain customers and adversely affect our business, financial condition, and operating results.

We have multiple wireless competitors, some of which have greater resources than us and compete for customers based principally on service/device offerings; price; network coverage, speed and quality; and customer service. We expect market saturation to continue to cause the wireless industry’s customer growth rate to be moderate in comparison with historical growth rates or possibly negative, leading to ongoing competition for customers. Customer churn may increase as the wireless industry shifts away from service contracts. We also expect that our customers’ appetite for data services will place increasing demands on our network capacity. This competition and our capacity will continue to put pressure on pricing and margins as companies compete for potential customers. Our ability to compete will depend on, among other things, continued absolute and relative improvement in network quality and customer services, effective marketing and selling of products and services, attractive pricing, and cost management, all of which will involve significant expenses.

Joint ventures, mergers, acquisitions and strategic alliances in the wireless sector have resulted in and are expected to result in larger competitors competing for a limited number of customers. The two largest national wireless communication providers currently serve a significant percentage of all wireless customers and hold significant spectrum and other resources. Our largest competitors may be able to enter into exclusive handset, device, or content arrangements, execute pervasive advertising and marketing campaigns, or otherwise improve their cost position relative to ours. In addition, refusal of our large competitors to provide critical access to resources and inputs, such as roaming services on reasonable terms, could improve their position within the wireless broadband mobile services industry.

We are also facing competition from other service providers as industry sectors converge, such as telecom services and content; satellite, wireless, and fiber; and other service providers. Companies like Comcast and AT&T/DirecTV (and AT&T's proposed acquisition of Time Warner) will have the scale and assets to aggressively compete in a converging industry. Verizon is also a significant competitor focusing on premium content offerings as well as acquisitions and proposed acquisitions like AOL and Yahoo to diversify outside of core wireless. Further, some of our competitors now provide content services in addition to voice and broadband services, and consumers are increasingly accessing video content from Internet-based providers and applications, all of which create increased competition in this area. These factors, together with the effects of the increasing aggregate penetration of wireless services in all metropolitan areas and the ability of our larger competitors to use resources to build out their networks and to quickly deploy advanced technologies, could make it more difficult for us to continue to attract and retain customers, and may adversely affect our competitive position and ability to grow, which would have a material adverse effect on our business, financial condition and operating results.

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If we are unable to take advantage of technological developments on a timely basis, we may experience a decline in demand for our services or face challenges in implementing or evolving our business strategy.

Significant technological changes continue to impact the communications industry. In general, these technological changes enhance communications and enable a broader array of companies to offer services competitive with ours. In order to grow and remain competitive with new and evolving technologies in our industry, we will need to adapt to future changes in technology, continually invest in our network, enhance our existing offerings, and introduce new offerings to address our current and potential customers' changing demands. Enhancing our network, such as deploying 5G, is subject to risk from equipment changes and migration of customers from existing spectrum bands and the potential inability to secure spectrum necessary to deploy advanced technologies. Adopting new and sophisticated technologies may result in implementation issues such as scheduling and supplier delays, unexpected or increased costs, technological constraints, regulatory permitting issues, customer dissatisfaction, and other issues that could cause delays in launching new technological capabilities, which in turn could result in significant costs or reduce the anticipated benefits of the upgrades. In general, the development of new services in the wireless telecommunications industry will require us to anticipate and respond to the continuously changing demands of our customers, which we may not be able to do accurately or timely. We could experience a material adverse effect on our business, operations, financial condition and operating results if our new services fail to retain or gain acceptance in the marketplace or if costs associated with these services are higher than anticipated.

We could be harmed by data loss or other security breaches, whether directly or by way of third parties.

Our business, like that of most retailers and wireless companies, involves the receipt, storage, and transmission of confidential information, including sensitive personal information and payment card information, confidential information about our employees and suppliers, and other sensitive information about our company, such as our business plans, transactions and intellectual property ("confidential information"). Unauthorized access may be difficult to anticipate, detect, or prevent, particularly given that the methods of unauthorized access constantly change and evolve. We may experience unauthorized access or distribution of confidential information by third parties or employees, errors or breaches by third party suppliers, or other breaches of security that compromise the integrity of confidential information, and such breaches can have a materially adverse effect on our business or damage our reputation.

In addition, cyber-attacks, such as denial of service and other malicious attacks, could disrupt our internal systems and applications, impair our ability to provide services to our customers, and have other adverse effects on our business and that of others who depend on our services. As a telecommunications carrier, we are considered a critical infrastructure provider and therefore may be more likely to be the target of such attacks. Such attacks against companies may be perpetrated by a variety of groups or persons, including those in jurisdictions where U.S. law enforcement is or has been unable to effectively address such attacks.

In addition, we provide confidential, proprietary and personal information to third-party service providers when it is necessary to pursue business objectives. We and our third-party service providers have been subject to unauthorized access to confidential information in the past, including a breach at one of our credit check providers in September 2015 in which a subset of records containing current and potential customer information was compromised by an external party.

Although we regularly review our procedures and safeguards to prevent unauthorized access to sensitive data and to defend against attacks seeking to disrupt our services, the ever-evolving threat landscape requires us to continually evaluate and adapt our systems and processes. We cannot assure you that the preventive actions we take will be adequate to repel a significant attack or prevent information security breaches or the misuses of data, unauthorized access by third parties or employees, or exploits against third-party supplier environments. If we are subject to such attacks or compromise, we may incur significant costs, be subject to regulatory investigations, sanctions and private litigation, experience disruptions to our operations or suffer damage to our reputation. Although the cyber-attacks that we and our third-party service providers have been subjected to in the past have not caused significant harm to our company, future cyber-attacks may materially adversely affect our business, financial condition, and operating results.

System failures and business disruptions may allow unauthorized use of or interference with our network and other systems which could be materially adversely affect our reputation and financial condition.

To be successful, we must provide our customers with reliable, trustworthy service and protect the communications, location, and personal information shared or generated by our customers. We rely upon both our systems and networks and the systems and networks of other providers and suppliers to provide and support our services and, in some cases, protect our customers' and our information. Failure of our or others' systems, networks, or infrastructure may prevent us from providing reliable service or may allow for the unauthorized use of or interference with our networks and other systems or for the compromise of

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customer information. Examples of these risks include:

- human error such as responding to deceptive communications or unintentionally executing malicious code;
- physical damage, power surges or outages, or equipment failure, including those as a result of severe weather, natural disasters, terrorist attacks, and acts of war;
- theft of customer and/or proprietary information offered for sale for competitive advantage or corporate extortion;
- unauthorized access to our IT and business systems or to our network and critical infrastructure and those of our suppliers and other providers;
- supplier failures or delays; and
- system failures or outages of our business systems or communications network.

Such events could cause us to lose customers, lose revenue, incur expenses, suffer reputational and goodwill damages, and subject us to litigation or governmental investigation. Remediation costs could include liability for information loss, repairing infrastructure and systems, and/or costs of incentives offered to customers. Our insurance may not cover, or be adequate to fully reimburse us for, costs and losses associated with such events.

We are in the process of implementing a new billing system, which will support a portion of our subscribers, while maintaining our legacy billing system. Any unanticipated difficulties, disruption, or significant delays could have adverse operational, financial, and reputational effects on our business.

We are currently implementing a new customer billing system, which involves a new third-party supported platform and utilization of a phased deployment approach. Post implementation, we plan to operate both the existing and new billing systems in parallel to aid in the transition to the new system until all phases of the conversion are complete.

The implementation may cause major system or business disruptions, or we may fail to implement the new billing system in a timely or effective manner. In addition, the third-party billing services supporting vendor may experience errors, cyber-attacks, or other operational disruptions that could negatively impact us and over which we may have limited control. Interruptions and/or failure of this new billing services system could disrupt our operations and impact our ability to provide or bill for our services, retain customers, attract new customers, or negatively impact overall customer experience. Any occurrence of the foregoing could cause material adverse effects on our operations and financial condition, material weaknesses in our internal control over financial reporting, and reputational damage.

We rely on third parties to provide products or services for the operation of our business, and a failure or inability by such parties to provide these products or services could adversely affect our business, financial condition, and operating results.

We depend heavily on suppliers, their subcontractors, and other third parties in order for us to efficiently operate our business. Our business is complex, and it is not unusual for multiple vendors located in multiple locations to help us to develop, maintain, and troubleshoot products and services, such as network components, software development services, and billing and customer service support. Our suppliers may provide services outside of the United States, which carries associated additional regulatory and legal obligations. We generally rely upon the suppliers to provide contractual assurances and accurate information regarding risks associated with their provision of products or services in accordance with our expectations and standards such as our supplier code of conduct and our third party-risk management standard, and they may fail to do so.

Generally, there are multiple sources for the types of products and services we purchase or use. However, we currently rely on a limited number of suppliers for billing services, voice and data communications transport services, network infrastructure, equipment, handsets, other devices, and payment processing services, among other products and services. Disruptions or failure of such suppliers to adequately perform could have a material adverse effect on our business, operations, and financial performance.

In the past, our suppliers, contractors and third-party retailers may not have always performed at the levels we expected or at the levels required by their contracts. Our business could be severely disrupted if key suppliers, contractors, service providers, or third-party retailers fail to comply with their contracts or become unable to continue the supply due to patent or other intellectual property infringement actions or other disruptions. Our business could also be disrupted if we experience delays or service degradation during any transition to a new outsourcing provider or other supplier or we were required to replace the supplied products or services with those from another source, especially if the replacement became necessary on short notice. Any such disruptions could have a material adverse effect on our business, financial condition, and operating results.

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Economic, political, and market conditions may adversely affect our business and financial performance, as well as our access to financing on favorable terms or at all.

Our business and financial performance are sensitive to changes in general economic conditions, including interest rates, consumer credit conditions, consumer debt levels, consumer confidence, rates of inflation (or concerns about deflation), unemployment rates, economic growth, energy costs, and other macro-economic factors. Difficult, or worsening, general economic conditions could have a material adverse effect on our business, financial condition, and operating results.

Market volatility, political and economic uncertainty, and weak economic conditions may materially adversely affect our business and financial performance in a number of ways. Our services are available to a broad customer base, a significant segment of which may be more vulnerable to weak economic conditions. We may have greater difficulty in gaining new customers within this segment, and existing customers may be more likely to terminate service due to an inability to pay.

Weak economic conditions and credit conditions may also adversely impact our suppliers and dealers, some of which have filed for or may be considering bankruptcy, or may experience cash flow or liquidity problems, or are unable to obtain or refinance credit such that they may no longer be able to operate. Any of these could adversely impact our ability to distribute, market, or sell our products and services.

In addition, instability in the global financial markets could lead to periodic volatility in the credit, equity, and fixed income markets. This volatility could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are acceptable to us or at all.

The agreements governing our indebtedness and other financing arrangements include restrictive covenants that limit our operating flexibility.

The agreements governing our indebtedness impose significant operating and financial restrictions on us. These restrictions, subject in certain cases to customary baskets, exceptions, and incurrence-based ratio tests, may limit our or our subsidiaries' ability to engage in some transactions, including the following:

- incurring additional indebtedness and issuing preferred stock;
- paying dividends, redeeming capital stock, or making other restricted payments or investments;
- selling or buying assets, properties, or licenses, including participating in future FCC auctions of spectrum or private sales of spectrum;
- developing assets, properties, or licenses that we have or in the future may procure;
- creating liens on assets;
- engaging in mergers, acquisitions, business combinations, or other transactions;
- entering into transactions with affiliates; and
- placing restrictions on the ability of subsidiaries to pay dividends or make other payments.

These restrictions could limit our ability to react to changes in our operating environment or the economy. Any future indebtedness that we incur may contain similar or more restrictive covenants. Any failure to comply with the restrictions of our debt agreements may result in an event of default under these agreements, which in turn may result in defaults or acceleration of obligations under these agreements and other agreements, giving our lenders the right to terminate any commitments they had made to provide us with further funds and to require us to repay all amounts then outstanding. Any of these events would have a material adverse effect on our business, financial condition, and operating results.

Our significant indebtedness could adversely affect our business, financial condition and operating results.

Our ability to make payments on our debt, to repay our existing indebtedness when due, and to fund our capital intensive business and operations, and significant planned capital expenditures will depend on our ability to generate cash in the future, which is in turn subject to the operational risks described elsewhere in this report. Our debt service obligations could have material adverse effects on our business, financial condition, and operating results, including by:

- limiting our flexibility in planning for, or reacting to, changes in our business or the communications industry or pursuing growth opportunities;
- reducing the amount of cash available for other operational or strategic needs; and

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- placing us at a competitive disadvantage to competitors who are less leveraged than we are.

Some of our debt also has a floating rate of interest linked to various indices. If the resets or the change in indices result in interest rate increases, debt service requirements will increase, which could adversely affect our cash flow and operating results. While we have and may enter into agreements limiting our exposure to higher interest rates in the future, any such agreements may not offer complete protection from this risk, and any portion not subject to such agreements would have full exposure to higher interest rates. Any of these risks could have a material adverse effect on our business, financial condition and operating results.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could result in a loss of investor confidence regarding our financial statements or may have a material adverse effect on our business.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we along with our independently registered public accounting firm are required to report on the effectiveness of our internal controls over financial reporting. We rely heavily on IT systems as an important part of our internal controls in order to operate, transact, and otherwise manage our business, as well as provide effective and timely reporting of our financial results. Failure to design and maintain effective internal controls, including those over our IT systems, could constitute a material weakness that could result in inaccurate financial statements, inaccurate disclosures, or failure to prevent fraud. If we or our independent registered public accounting firm were unable to conclude that we have effective internal controls, investor confidence regarding our financial statements and our business could be materially adversely affected.

Our financial performance will be impaired if we experience high fraud rates related to device financing, credit cards, dealers, or subscriptions.

Our operating costs could increase substantially as a result of fraud, including device financing, customer credit card, subscription, or dealer fraud. If our fraud detection strategies and processes are not successful in detecting and controlling fraud, whether directly or by way of the systems, processes, and operations of third parties such as national retailers, dealers, and others, the resulting loss of revenue or increased expenses could have a materially adverse impact on our financial condition and operating results.

We rely on highly-skilled personnel throughout all levels of our business. Our business could be harmed if we are unable to retain or motivate key personnel, hire qualified personnel or maintain our corporate culture.

The market for highly skilled workers and leaders in our industry is extremely competitive. We believe that our future success depends in substantial part on our ability to recruit, hire, motivate, develop, and retain talented and highly-skilled personnel for all areas of our organization. Doing so may be difficult due to many factors, including fluctuations in economic and industry conditions, changes to U.S. immigration policy, competitors' hiring practices, employee tolerance for the significant amount of change within and demands on our company and our industry, and the effectiveness of our compensation programs. Our continued ability to compete effectively depends on our ability to retain and motivate our existing employees and to attract new employees. If we do not succeed in retaining and motivating our existing key employees and attracting new key personnel, we may not be able to meet our business plan and, as a result, our revenue growth and profitability may be materially adversely affected.

Any acquisition, investment, or merger may subject us to significant risks, any of which may harm our business.

We may pursue acquisitions of, investments in or mergers with businesses, technologies, services and/or products that complement or expand our business. Some of these potential transactions could be significant relative to the size of our business and operations. Any such transaction would involve a number of risks and could present financial, managerial and operational challenges, including:

- diversion of management attention from running our existing business;
- increased costs to integrate the networks, spectrum, technology, personnel, customer base and business practices of the business involved in any such transaction with our business;
- difficulties in effectively integrating the financial and operational reporting systems of the business involved in any such transaction into (or supplanting such systems with) our financial and operational reporting infrastructure and internal control framework in an effective and timely manner;
- potential exposure to material liabilities not discovered in the due diligence process or as a result of any litigation arising in connection with any such transaction;
- significant transaction expenses in connection with any such transaction, whether consummated or not;

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- risks related to our ability to obtain any required regulatory approvals necessary to consummate any such transaction;
- acquisition financing may not be available on reasonable terms or at all and any such financing could significantly increase our outstanding indebtedness or otherwise affect our capital structure or credit ratings; and
- any business, technology, service, or product involved in any such transaction may significantly under-perform relative to our expectations, and we may not achieve the benefits we expect from our transaction, which could, among other things, also result in a write-down of goodwill and other intangible assets associated with such transaction.

For any or all of these reasons, our pursuit of an acquisition, investment, or merger may have a material adverse effect on our business, financial condition, and operating results.

Risks related to Legal and Regulatory Matters

Changes in regulations or in the regulatory framework under which we operate could adversely affect our business prospects or operating results.

The FCC regulates the licensing, construction, modification, operation, ownership, sale, and interconnection of wireless communications systems, as do some state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to how radio spectrum is used by licensees, the nature of the services that licensees may offer and how the services may be offered, and resolution of issues of interference between spectrum bands. Additionally, the FTC and other federal agencies have asserted that they have jurisdiction over some consumer protection, and elimination and prevention of anticompetitive business practices with respect to the provision of wireless products and services. We are subject to regulatory oversight by various federal, state and local agencies, as well as judicial review and actions, on issues related to the wireless industry that include, but are not limited to: roaming, spectrum allocation and licensing, facilities siting, pole attachments, intercarrier compensation, Universal Service Fund ("USF"), net neutrality, special access, 911 services, consumer protection, consumer privacy, and cybersecurity. We are also subject to regulations in connection with other aspects of our business, including handset financing and insurance activities.

We cannot assure you that the FCC or any other federal, state or local agencies will not adopt regulations or take other enforcement or other actions that would adversely affect our business, impose new costs, or require changes in current or planned operations. For example, in June 2015, the FCC's new net neutrality rules became effective, with the exception of enhanced transparency requirements, a portion of which became effective January 2017. In 2016, the FCC also adopted a new broadband privacy regime that applies to our operations. Both sets of rules potentially subject some of our initiatives and practices to more burdensome requirements and heightened scrutiny by federal and state regulators, the public, edge providers, and private litigants regarding whether such initiatives or practices are compliant.

In addition, states are increasingly focused on the quality of service and support that wireless communication providers provide to their customers and several states have proposed or enacted new and potentially burdensome regulations in this area. We also face potential investigations by, and inquiries from or actions by state Public Utility Commissions. We also cannot assure you that Congress will not amend the Communications Act, from which the FCC obtains its authority and which serves to limit state authority, or enact other legislation in a manner that could be adverse to our business.

Failure to comply with applicable regulations could have a material adverse effect on our business, financial condition and operating results. We could be subject to fines, forfeitures, and other penalties (including, in extreme cases, revocation of our spectrum licenses) for failure to comply with FCC or other governmental regulations, even if any such non-compliance was unintentional. The loss of any licenses, or any related fines or forfeitures, could adversely affect our business, financial condition, and operating results.

Unfavorable outcomes of legal proceedings may adversely affect our business and financial condition.

We are regularly involved in a number of legal proceedings before various state and federal courts, the FCC, the FTC, other federal agencies, and state and local regulatory agencies, including state attorneys general. Such legal proceedings can be complex, costly, and highly disruptive to business operations by diverting the attention and energies of management and other key personnel. The assessment of the outcome of legal proceedings, including our potential liability, if any, is a highly subjective process that requires judgments about future events that are not within our control. The amounts ultimately received or paid upon settlement or pursuant to final judgment, order or decree may differ materially from amounts accrued in our financial statements. In addition, litigation or similar proceedings could impose restraints on our current or future manner of doing business. Such potential outcomes including judgments, awards, settlements or orders could have a material adverse effect on our business, financial condition, operating results or ability to do business.

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We offer highly regulated financial services products. These products expose us to a wide variety of state and federal regulations.

The financing of devices, including through our EIP and JUMP! On Demand programs, has expanded our regulatory compliance obligations. If we fail to remain compliant with any of these regulations, then we face the risk of:

- increased consumer complaints and potential examinations or enforcement actions by federal and state regulatory agencies, including but not limited to the Consumer Financial Protection Board, the FCC and the FTC;
- violation of financial services and consumer protections regulations may result in regulatory fines, penalties, enforcement actions, civil litigation, and/or class action lawsuits.

Failure to comply with applicable regulations and the realization of any of these risks could have a material adverse effect on our business, financial condition, and operating results.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.

We rely on a combination of patent, service mark, trademark, and trade secret laws and contractual restrictions to establish and protect our proprietary rights, all of which offer only limited protection. The steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary rights. We may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to ours. Also, we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Unauthorized use of our intellectual property rights may increase the cost of protecting these rights or reduce our revenues. We cannot be sure that any legal actions against such infringers will be successful, even when our rights have been infringed. We cannot assure you that our pending or future patent applications will be granted or enforceable, or that the rights granted under any patent that may be issued will provide us with any competitive advantages. In addition, we cannot assure you that any trademark or service mark registrations will be issued with respect to pending or future applications or will provide adequate protection of our brands. We do not have insurance coverage for intellectual property losses, and as such, a charge for an anticipated settlement or an adverse ruling awarding damages represents unplanned loss events. Any of these factors could have material adverse effects on our business, financial condition, and operating results.

Third parties may claim we infringe their intellectual property rights. We are a defendant in numerous intellectual property lawsuits, including patent infringement lawsuits, which exposes us to the risk of adverse financial impact either by way of significant settlement amounts or damage awards. As we adopt new technologies and new business systems, and provide customers with new products and/or services, we may face additional infringement claims. These claims could require us to cease certain activities or to cease selling relevant products and services. These claims can be time-consuming and costly to defend, and divert management resources, and expose us to significant damages awards or settlements, any or all of which could have a material adverse effect on our operations and financial condition. In addition to litigation directly involving our company, our vendors and suppliers can be threatened with patent litigation and/or subjected to the threat of disruption or blockage of sale, use, or importation of products, posing the risk of supply chain interruption to particular products and associated services exposing us to material adverse operational and financial impacts.

Our business may be impacted by new or changing tax laws or regulations and actions by federal, state, and/or local agencies, or how judicial authorities apply tax laws.

In connection with the products and services we sell, we calculate, collect, and remit various federal, state, and local taxes, surcharges and regulatory fees (“tax” or “taxes”) to numerous federal, state and local governmental authorities, including federal USF contributions and common carrier regulatory fees. In addition, we incur and pay state and local taxes and fees on purchases of goods and services used in our business.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In many cases, the application of tax laws are uncertain and subject to differing interpretations, especially when evaluated against new technologies and telecommunications services, such as broadband internet access and cloud related services. Changes in tax laws could impact revenue on tax inclusive plans.

In the event that we have incorrectly described, disclosed, calculated, assessed, or remitted amounts that were due to governmental authorities, we could be subject to additional taxes, fines, penalties, or other adverse actions, which could materially impact our operations or financial condition. In the event that federal, state, and/or local municipalities were to

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significantly increase taxes on our network, operations, or services, or seek to impose new taxes, it could have a material adverse effect on our margins and financial and operational results.

Our wireless licenses are subject to renewal and may be revoked in the event that we violate applicable laws.

Our existing wireless licenses are subject to renewal upon the expiration of the 10-year or 15-year period for which they are granted. Historically, the FCC has approved our license renewal applications. However, the Communications Act provides that licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. In addition, our licenses are subject to our compliance with the terms set forth in the agreement pertaining to national security among Deutsche Telekom, the Federal Bureau of Investigation, the Department of Justice, the Department of Homeland Security and the Company. The failure of Deutsche Telekom or the Company to comply with the terms of this agreement could result in fines, injunctions and other penalties, including potential revocation or non-renewal of our spectrum licenses. If we fail to timely file to renew any wireless license or fail to meet any regulatory requirements for renewal, including construction and substantial service requirements, we could be denied a license renewal. Many of our wireless licenses are subject to interim or final construction requirements and there is no guarantee that the FCC will find our construction, or the construction of prior licensees, sufficient to meet the build-out or renewal requirements. The FCC has pending a rulemaking proceeding to reevaluate, among other things, its wireless license renewal showings and standards and may in this or other proceedings promulgate changes or additional substantial requirements or conditions to its renewal rules, including revising license build out requirements. Accordingly, we cannot assure you that the FCC will renew our wireless licenses upon their expiration. If any of our wireless licenses were to be revoked or not renewed upon expiration, we would not be permitted to provide services under that license, which could have a material adverse effect on our business, financial condition, and operating results.

Our business could be adversely affected by findings of product liability for health/safety risks from wireless devices and transmission equipment, as well as by changes to regulations/radio frequency emission standards.

We do not manufacture the devices or other equipment that we sell, and we depend on our suppliers to provide defect-free and safe equipment. Suppliers are required by applicable law to manufacture their devices to meet certain governmentally imposed safety criteria. However, even if the devices we sell meet the regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We generally seek to enter into indemnification agreements with the manufacturers who supply us with devices to protect us from losses associated with product liability, but we cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Allegations have been made that the use of wireless handsets and wireless transmission equipment, such as cell towers, may be linked to various health concerns, including cancer and brain tumors. Lawsuits have been filed against manufacturers and carriers in the industry claiming damages for alleged health problems arising from the use of wireless handsets. In addition, the FCC has from time to time gathered data regarding wireless handset emissions and its assessment of this issue may evolve based on its findings. The media has also reported incidents of handset battery malfunction, including reports of batteries that have overheated. These allegations may lead to changes in regulatory standards. There have also been other allegations regarding wireless technology, including allegations that wireless handset emissions may interfere with various electronic medical devices (including hearing aids and pacemakers), airbags and anti-lock brakes. Defects in the products of our suppliers, such the recent recalls by a handset Original Equipment Manufacturer (“OEM”) on one of its smartphone devices, could have an adverse impact on our operating results.

Additionally, there are safety risks associated with the use of wireless devices while operating vehicles or equipment. Concerns over any of these risks and the effect of any legislation, rules or regulations that have been and may be adopted in response to these risks could limit our ability to sell our wireless services.

Related to Ownership of our Common Stock

We are controlled by Deutsche Telekom, whose interests may differ from the interests of our other stockholders.

Deutsche Telekom beneficially owns and possesses majority voting power of the fully diluted shares of our common stock.

Through its control of the voting power of our common stock and the rights granted to Deutsche Telekom in our certificate of incorporation and the Stockholder's Agreement, Deutsche Telekom controls the election of our directors and all other matters requiring the approval of our stockholders. By virtue of Deutsche Telekom's voting control, we are a "controlled company," as defined in the NASDAQ listing rules, and are not subject to NASDAQ requirements that would otherwise require us to have a

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majority of independent directors, a nominating committee composed solely of independent directors or a compensation committee composed solely of independent directors. Accordingly, our stockholders will not be afforded the same protections generally as stockholders of other NASDAQ-listed companies with respect to corporate governance for so long as we rely on these exemptions from the corporate governance requirements.

In addition, our certificate of incorporation and the Stockholder's Agreement restrict us from taking certain actions without Deutsche Telekom's prior written consent as long as Deutsche Telekom beneficially owns 30% or more of the outstanding shares of our common stock, including:

- the incurrence of debt (excluding certain permitted debt) if our consolidated ratio of debt to cash flow for the most recently ended four full fiscal quarters for which financial statements are available would exceed 5.25 to 1.0 on a pro forma basis;
- the acquisition of any business, debt or equity interests, operations or assets of any person for consideration in excess of $1 billion;
- the sale of any of our or our subsidiaries' divisions, businesses, operations or equity interests for consideration in excess of $1 billion;
- any change in the size of our board of directors;
- the issuances of equity securities in excess of 10% of our outstanding shares or to repurchase debt held by Deutsche Telekom;
- the repurchase or redemption of equity securities or the declaration of extraordinary or in-kind dividends or distributions other than on a pro rata basis; or
- the termination or hiring of our chief executive officer.

These restrictions could prevent us from taking actions that our board of directors may otherwise determine are in the best interests of the Company and our stockholders or that may be in the best interests of our other stockholders.

Deutsche Telekom effectively has control over all matters submitted to our stockholders for approval, including the election or removal of directors, changes to our certificate of incorporation, a sale or merger of our company and other transactions requiring stockholder approval under Delaware law. Deutsche Telekom's controlling interest may have the effect of making it more difficult for a third party to acquire, or discouraging a third party from seeking to acquire, the Company. Deutsche Telekom may have strategic, financial, or other interests different from our other stockholders, including as the holder of a substantial amount of our indebtedness and as the counter-party in a number of commercial arrangements, and may make decisions adverse to the interests of our other stakeholders.

Future sales or issuances of our common stock, including sales by Deutsche Telekom, could have a negative impact on our stock price.

We cannot predict the effect, if any, that market sales of shares or the availability of shares of our common stock will have on the prevailing trading price of our common stock from time to time. Sales of a substantial number of shares of our common stock could cause our stock price to decline and could result in dilution of your shares.

We and Deutsche Telekom are parties to the Stockholder's Agreement pursuant to which Deutsche Telekom is free to transfer its shares in public sales without notice, as long as such transactions would not result in the transferee owning 30% or more of the outstanding shares of our common stock. If a transfer would exceed the 30% threshold, it is prohibited unless the transferee makes a binding offer to purchase all of the other outstanding shares on the same price and terms. The Stockholder's Agreement does not otherwise impose any other restrictions on the sales of common stock by Deutsche Telekom. Moreover, we have filed a shelf registration statement with respect to the common stock and certain debt securities held by Deutsche Telekom, which would facilitate the resale by Deutsche Telekom of all or any portion of the shares of our common stock it holds. The sale of shares of our common stock by Deutsche Telekom (other than in transactions involving the purchase of all of our outstanding shares) could significantly increase the number of shares available in the market, which could cause a decrease in our stock price. In addition, even if Deutsche Telekom does not sell a large number of its shares into the market, its right to transfer a large number of shares into the market may depress our stock price.

In addition, we have reserved up to 38.684 million shares of common stock for issuance upon conversion of our preferred stock, subject to certain anti-dilution adjustments. The dividends on the preferred stock may also be paid in cash or, subject to certain limitations, shares of common stock or any combination of cash and shares of common stock. The issuance of additional shares of common stock upon conversion of, or in connection with the payment of dividends upon, the mandatory

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convertible preferred stock may depress our stock price.

Our stock price may be volatile, and may fluctuate based upon factors that have little or nothing to do with our business, financial condition and operating results.

The trading prices of the securities of communications companies historically have been highly volatile, and the trading price of our common stock may be subject to wide fluctuations. Our stock price may fluctuate in reaction to a number of events and factors that may include, among other things:

- our or our competitors' actual or anticipated operating and financial results; introduction of new products and services by us or our competitors or changes in service plans or pricing by us or our competitors;
- analyst projections, predictions and forecasts, analyst target prices for our securities and changes in, or our failure to meet, securities analysts' expectations;
- transaction in our common stock by major investors;
- Deutsche Telekom's financial performance, results of operation, or actions implied or taken by Deutsche Telekom;
- entry of new competitors into our markets or perceptions of increased price competition, including a price war;
- our performance, including subscriber growth, and our financial and operational metric performance;
- market perceptions relating to our services, network, handsets, and deployment of our LTE platform and our access to iconic handsets, services, applications, or content;
- market perceptions of the wireless communications industry and valuation models for us and the industry;
- conditions or trends in the Internet and the industry sectors we operate in;
- changes in our credit rating or future prospects;
- changes in interest rates;
- changes in our capital structure, including issuance of additional debt or equity to the public;
- the availability or perceived availability of additional capital in general and our access to such capital;
- actual or anticipated consolidation, or other strategic mergers or acquisition activities involving us or our competitors, or other participants in related or adjacent industries, or market speculations regarding such activities;
- disruptions of our operations or service providers or other vendors necessary to our network operations;
- the general state of the U.S. and world politics and economies, including changes in interest rates; and
- availability of additional spectrum, whether by the announcement, commencement, bidding and closing of auctions for new spectrum or the acquisition of companies that own spectrum, and the extent to which we or our competitors succeed in acquiring additional spectrum.

In addition, the stock market has been volatile in the recent past and has experienced significant price and volume fluctuations, which may continue for the foreseeable future. This volatility has had a significant impact on the trading price of securities issued by many companies, including companies in the communications industry. These changes frequently occur irrespective of the operating performance of the affected companies. Hence, the trading price of our common stock could fluctuate based upon factors that have little or nothing to do with our business, financial condition and operating results.

We have never paid or declared any cash dividends on our common stock, and we do not intend to declare or pay any cash dividends on our common stock in the foreseeable future.

We have never paid or declared any cash dividends on our common stock, and we do not intend to declare or pay any cash dividends on our common stock in the foreseeable future. Our credit facilities and the indentures and supplemental indentures governing our long-term debt to affiliates and third parties contain covenants that, among other things, restrict our ability to declare or pay dividends on our common stock. In addition, no dividend may be declared or paid on our common stock, other than dividends payable solely in Shares of our common stock, unless all accrued dividends for all completed dividend periods have been declared and paid on our preferred stock. Other than to pay dividends on our preferred stock, we currently intend to retain future earnings, if any, to invest in our business.

Our stockholder rights plan could prevent a change in control of our Company in instances in which some stockholders may believe a change in control is in their best interests.

We have a stockholder rights plan ("Rights Plan") in effect that will expire in March 2017, unless renewed. The Rights Plan will cause substantial dilution to a person or group that attempts to acquire our company on terms that our board of directors

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does not believe are in our and our stockholders' best interest. The Rights Plan is intended to protect stockholders in the event of an unfair or coercive offer to acquire the Company and to provide our board of directors with adequate time to evaluate unsolicited offers. The Rights Plan may prevent or make takeovers or unsolicited corporate transactions with respect to our company more difficult, even if stockholders may consider such transactions favorable, possibly including transactions in which stockholders might otherwise receive a premium for their shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2016, our significant properties used in connection with switching centers, data centers, call centers and warehouses were as follows:

	Approximate Number	Approximate Size in Square Feet
Switching centers	57	1,400,000
Data centers	8	600,000
Call center	16	1,300,000
Warehouses	16	500,000

As of December 31, 2016, we leased approximately 60,000 cell sites.

As of December 31, 2016, we leased approximately 2,000 T-Mobile and MetroPCS retail locations, including stores and kiosks ranging in size from approximately 100 square feet to 17,000 square feet.

We currently lease office space totaling approximately 950,000 square feet for our corporate headquarters in Bellevue, Washington. We use these offices for engineering and administrative purposes. We also lease space throughout the U.S., totaling approximately 1,200,000 square feet as of December 31, 2016, for use by our regional offices primarily for administrative, engineering and sales purposes.

Item 3. Legal Proceedings

See Note 12 – Commitments and Contingencies of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for information regarding certain legal proceedings in which we are involved.

Item 4. Mine Safety Disclosures

None.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NASDAQ Global Select Market of The NASDAQ Stock Market LLC ("NASDAQ") under the symbol "TMUS." As of December 31, 2016, there were 309 registered stockholders of record of our common stock, but we estimate the total number of stockholders to be much higher as a number of our shares are held by brokers or dealers for their customers in street name.

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The high and low common stock sales prices per share were as follows:

	High	Low
Year Ended December 31, 2016		
First Quarter	$41.23	$33.23
Second Quarter	44.13	37.93
Third Quarter	48.11	42.71
Fourth Quarter	59.19	44.91
Year Ended December 31, 2015		
First Quarter	$33.48	$26.46
Second Quarter	40.77	31.19
Third Quarter	43.43	36.33
Fourth Quarter	42.06	34.24

We have never paid or declared any cash dividends on our common stock, and we do not intend to declare or pay any cash dividends on our common stock in the foreseeable future. Our credit facilities and the indentures and supplemental indentures governing our long-term debt to affiliates and third parties, excluding capital leases, contain covenants that, among other things, restrict our ability to declare or pay dividends on our common stock. In addition, no dividend may be declared or paid on our common stock, other than dividends payable solely in shares of our common stock, unless all accrued dividends for all completed dividend periods have been declared and paid on our preferred stock. Other than to pay dividends on our preferred stock, we currently intend to retain future earnings, if any, to invest in our business. Subject to Delaware law, our board of directors will determine the payment of future dividends on our common stock, if any, and the amount of any dividends in light of:

- any applicable contractual or charter restrictions limiting our ability to pay dividends;
- our earnings and cash flows;
- our capital requirements;
- our future needs for cash;
- our financial condition; and
- other factors our board of directors deems relevant.

Performance Graph

The graph below compares the five-year cumulative total returns of T-Mobile, the NASDAQ Composite index, the S&P 500 index and the Dow Jones US Mobile Telecommunications TSM index. The graph tracks the performance of a $100 investment, with the reinvestment of all dividends, from December 31, 2011 to December 31, 2016. For periods prior to the closing of the business combination with MetroPCS, our stock price performance represents the stock price of MetroPCS, adjusted to reflect the 1-for-2 reverse stock split effected on April 30, 2013.

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	At December 31,					
	2011	2012	2013	2014	2015	2016
T-Mobile US, Inc.	$100.00	$114.52	$294.49	$235.83	$342.46	$503.44
S&P 500	100.00	116.00	153.58	174.60	177.01	198.18
NASDAQ Composite	100.00	116.41	165.47	188.69	200.32	216.54
Dow Jones US Mobile Telecommunications TSM	100.00	150.31	198.58	177.40	186.04	237.09

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

The following selected financial data are derived from our consolidated financial statements. In connection with the business combination with MetroPCS, the selected financial data prior to May 1, 2013 represents T-Mobile USA's historical financial data. The data below should be read together with Risk Factors included in Part 1, Item 1A, Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 and Financial Statements and Supplementary Data included in Part II, Item 8 of this Form 10-K.

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Selected Financial Data

(in millions, except per share and customer amounts)	As of and for the Year Ended December 31, 2016	2015	2014	2013	2012
Statement of Operations Data					
Total service revenues	$27,844	$24,821	$22,375	$19,068	$17,213
Total revenues	37,242	32,053	29,564	24,420	19,719
Operating income (loss)	3,802	2,065	1,416	996	(6,397)
Total other expense, net	(1,475)	(1,087)	(1,003)	(945)	(589)
Income tax (expense) benefit	(867)	(245)	(166)	16	350
Net income (loss)	1,460	733	247	35	(7,336)
Net income (loss) attributable to common stockholders	1,405	678	247	35	(7,336)
Earnings (loss) per share:					
Basic	1.71	0.83	0.31	0.05	(13.70)
Diluted	1.69	0.82	0.30	0.05	(13.70)
Balance Sheet Data					
Cash and cash equivalents	$5,500	$4,582	$5,315	$5,891	$394
Property and equipment, net	20,943	20,000	16,245	15,349	12,807
Spectrum licenses	27,014	23,955	21,955	18,122	14,550
Total assets	65,891	62,413	56,639	49,946	33,622
Total debt, excluding tower obligations	27,786	26,243	21,946	20,182	14,945
Stockholders' equity	18,236	16,557	15,663	14,245	6,115
Other Financial and Operational Data					
Net cash provided by operating activities	$6,135	$5,414	$4,146	$3,545	$3,862
Purchases of property and equipment	(4,702)	(4,724)	(4,317)	(4,025)	(2,901)
Purchases of spectrum licenses and other intangible assets, including deposits	(3,968)	(1,935)	(2,900)	(381)	(387)
Net cash provided by financing activities	463	3,413	2,524	4,044	57
Total customers (in thousands)	71,455	63,282	55,018	46,684	33,389

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The objectives of our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") are to provide users of our consolidated financial statements with the following:

- A narrative explanation from the perspective of management of our financial condition, results of operations, cash flows, liquidity and certain other factors that may affect future results;
- Context to the financial statements; and
- Information that allows assessment of the likelihood that past performance is indicative of future performance.

Our MD&A is provided as a supplement to, and should be read together with, our audited consolidated financial statements for the three years ended December 31, 2016 included in Part II, Item 8 of this Form 10-K. Except as expressly stated, the financial condition and results of operations discussed throughout our MD&A are those of T-Mobile US, Inc. and its consolidated subsidiaries.

Business Overview

We introduced our Un-carrier strategy in 2013 with the objective of eliminating customer pain points from the unnecessary complexity of the wireless communication industry. Since that time, we have continued our efforts with the launch of additional initiatives of our Un-carrier strategy. During 2016, we launched the following Un-carrier initiatives:

- In June 2016, we introduced #GetThanked, a history-making move dedicated exclusively to saying “thank you” to our customers. This program, offered to our customers as part of their T-Mobile service: (i) offers eligible new (through December 31, 2016) or existing (as of June 6, 2016) customers ownership in the Company with a free share of T-

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Mobile stock or an additional share of T-Mobile stock for every new active account each customer refers through December 31, 2016, subject to a maximum of 100 shares in a calendar year, (ii) enables eligible customers who download the T-Mobile Tuesday app to be informed about and to redeem products and services offered by participating business partners each Tuesday and (iii) offers eligible customers a full hour of free in-flight Wi-Fi on their smartphone on all Gogo-equipped domestic flights.

- In September 2016, we introduced our T-Mobile ONE plan, a move that gives our customers unlimited calls, unlimited text and unlimited high-speed 4G Long Term Evolution (LTE) data. On T-Mobile ONE, video typically streams at DVD (480p) quality and tethering is at maximum 3G speeds. Customers can choose to add on additional features to T-Mobile ONE for an additional cost. On T-Mobile ONE Plus customers also receive unlimited High Definition Video Day Passes, Voicemail to Text, NameID, unlimited Gogo in-flight internet passes on capable domestic flights and up to two times faster speeds when traveling abroad in 140+ countries and destinations. On T-Mobile ONE Plus International, customers receive the benefits of T-Mobile ONE Plus as well as free and reduced calling from the U.S. to foreign countries and unlimited high-speed 4G LTE mobile hotspot data.

- In January 2017, we introduced, Un-carrier Next, where monthly wireless service fees and all taxes are included in the advertised monthly recurring charge for T-Mobile ONE. We also unveiled Kickback on T-Mobile ONE, where participating customers who use 2 GB or less of data in a month, will get up to a $10 credit on their next month's bill per qualifying line. In addition, we introduced the Un-contract for T-Mobile ONE with the first-ever price guarantee on an unlimited 4G LTE plan which allows T-Mobile ONE customers to keep their price for service until they decide to change it.

Our ability to acquire and retain branded customers is important to our business in the generation of revenues and we believe our Un-carrier strategy, along with ongoing network improvements, has been successful in attracting and retaining customers as evidenced by continued branded customer growth and improved branded postpaid phone and branded prepaid customer churn.

	Year Ended December 31,			2016 Versus 2015		2015 Versus 2014	
(in thousands)	2016	2015	2014	# Change	% Change	# Change	% Change
Net customer additions							
Branded postpaid customers	4,097	4,510	4,886	(413)	(9)%	(376)	(8)%
Branded prepaid customers	2,508	1,315	1,244	1,193	91 %	71	6 %
Total branded customers	6,605	5,825	6,130	780	13 %	(305)	(5)%

	Year Ended December 31,			Bps Change 2016 Versus 2015	Bps Change 2015 Versus 2014
	2016	2015	2014		
Branded postpaid phone churn	1.30%	1.39%	1.58%	-9 bps	-19 bps
Branded prepaid churn	3.88%	4.45%	4.76%	-57 bps	-31 bps

On September 1, 2016, we sold our marketing and distribution rights to certain existing T-Mobile co-branded customers to a current MVNO partner for nominal consideration (the "MVNO Transaction"). Upon the sale, the MVNO Transaction resulted in a transfer of 1,365,000 branded postpaid phone customers and 326,000 branded prepaid customers to wholesale customers. Prospectively from September 1, 2016, revenue for these customers is recorded within wholesale revenues in our Consolidated Statements of Comprehensive Income. Additionally, the impact of the MVNO Transaction resulted in improvements to branded postpaid phone churn for year ended December 31, 2016.

During the year ended December 31, 2016, a handset OEM announced recalls on certain of its smartphone devices. As a result, we recorded no revenue associated with the device sales to customers and impaired the devices to their net realizable value. The OEM has agreed to reimburse T-Mobile for direct and indirect costs associated with the recall, as such, we have recorded an amount due from the OEM as an offset to the loss recorded in Cost of equipment sales and the costs incurred within Selling, general and administrative in our Consolidated Statements of Comprehensive Income and a reduction to Accounts payable and accrued liabilities in our Consolidated Balance Sheets.

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Results of Operations

2016 Highlights

- Total revenues increased $5.2 billion, or 16%, to $37.2 billion in 2016 primarily driven by growth in service and equipment revenues as further discussed below. The MVNO Transaction shifted Branded postpaid revenues to Wholesale revenues, but did not materially impact total revenues.

- Service revenues increased $3.0 billion, or 12%, to $27.8 billion in 2016 primarily due to growth in our average branded customer base as a result of strong customer response to our Un-carrier initiatives and the success of our MetroPCS brand and continued growth in new markets.

- Equipment revenues increased $2.0 billion, or 30%, to $8.7 billion in 2016 primarily as a result of higher lease revenues, which are recognized over the lease term, resulting from the launch of our JUMP! On Demand program at the end of the second quarter of 2015, an increase in the number of devices sold and a higher average revenue per device sold.

- Operating income increased $1.7 billion, or 84%, to $3.8 billion in 2016 primarily due to higher total revenues as well as increased gains on disposals of spectrum licenses, partially offset by higher depreciation and amortization from an increase in the number of devices leased under our JUMP! On Demand Program, higher costs of equipment sales primarily from an increase in the number of devices sold and a higher average cost per device and higher Selling, general and administrative expenses to support customer growth and retention.

- Net income increased $727 million, or 99%, to $1.5 billion in 2016 primarily due to higher operating income driven by the factors described above, partially offset by higher interest expense related to higher average debt and higher income tax expense. Additionally, 2016 included $509 million of net, after-tax gains on disposal of spectrum licenses compared to $100 million in 2015.

- Adjusted EBITDA increased $3.0 billion, or 41%, to $10.4 billion in 2016 primarily from higher service revenues and gains on disposal of spectrum licenses, partially offset by increases in selling, general and administrative expenses to support customer growth. Lower losses on equipment in 2016 primarily due to an increase in lease revenues resulting from the launch of our JUMP! On Demand program at the end of the second quarter of 2015. Revenues associated with leased devices are recognized over the lease term.

- Net cash provided by operating activities increased $721 million, or 13%, to $6.1 billion in 2016. The increase was primarily due to an increase in net non-cash income and expenses included in Net income primarily due to changes in Depreciation and Amortization, Deferred income tax expense and Gains on disposal of spectrum licenses expense, as well as an increase in Net income. The increase was partially offset by an increase in net cash outflows from changes in working capital.

- Free Cash Flow increased $743 million, or 108%, to $1.4 billion in 2016. The increase was primarily from higher net cash provided by operating activities as discussed above. Cash purchases of property and equipment includes capitalized interest of $142 million and $246 million in 2016 and 2015, respectively.

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Set forth below is a summary of our consolidated results:

	Year Ended December 31,			2016 Versus 2015		2015 Versus 2014	
(in millions)	2016	2015	2014	$ Change	% Change	$ Change	% Change
Revenues							
Branded postpaid revenues	$18,138	$16,383	$14,392	$1,755	11 %	$1,991	14 %
Branded prepaid revenues	8,553	7,553	6,986	1,000	13 %	567	8 %
Wholesale revenues	903	692	731	211	30 %	(39)	(5)%
Roaming and other service revenues	250	193	266	57	30 %	(73)	(27)%
Total service revenues	27,844	24,821	22,375	3,023	12 %	2,446	11 %
Equipment revenues	8,727	6,718	6,789	2,009	30 %	(71)	(1)%
Other revenues	671	514	400	157	31 %	114	29 %
Total revenues	37,242	32,053	29,564	5,189	16 %	2,489	8 %
Operating expenses							
Cost of services, exclusive of depreciation and amortization shown separately below	5,731	5,554	5,788	177	3 %	(234)	(4)%
Cost of equipment sales	10,819	9,344	9,621	1,475	16 %	(277)	(3)%
Selling, general and administrative	11,378	10,189	8,863	1,189	12 %	1,326	15 %
Depreciation and amortization	6,243	4,688	4,412	1,555	33 %	276	6 %
Cost of MetroPCS business combination	104	376	299	(272)	(72)%	77	26 %
Gains on disposal of spectrum licenses	(835)	(163)	(840)	(672)	NM	677	(81)%
Other, net	—	—	5	—	NM	(5)	NM
Total operating expenses	33,440	29,988	28,148	3,452	12 %	1,840	7 %
Operating income	3,802	2,065	1,416	1,737	84 %	649	46 %
Other income (expense)							
Interest expense	(1,418)	(1,085)	(1,073)	(333)	31 %	(12)	1 %
Interest expense to affiliates	(312)	(411)	(278)	99	(24)%	(133)	48 %
Interest income	261	420	359	(159)	(38)%	61	17 %
Other expense, net	(6)	(11)	(11)	5	(45)%	—	— %
Total other expense, net	(1,475)	(1,087)	(1,003)	(388)	36 %	(84)	8 %
Income before income taxes	2,327	978	413	1,349	138 %	565	137 %
Income tax expense	(867)	(245)	(166)	(622)	254 %	(79)	48 %
Net income	$1,460	$733	$247	$727	99 %	$486	197 %
Net cash provided by operating activities	$6,135	$5,414	$4,146	$721	13 %	$1,268	31 %
Net cash used in investing activities	(5,680)	(9,560)	(7,246)	3,880	(41)%	(2,314)	32 %
Net cash provided by financing activities	463	3,413	2,524	(2,950)	(86)%	889	35 %
Non-GAAP Financial Measures							
Adjusted EBITDA	$10,391	$7,393	$5,636	$2,998	41 %	$1,757	31 %
Free Cash Flow	1,433	690	(171)	743	108 %	861	(504)%

NM - Not Meaningful

Comparing 2016 Results with 2015 Results

Total revenues increased $5.2 billion or 16% primarily due to:

Branded postpaid revenues increased $1.8 billion or 11% primarily from:

- A 13% increase in the number of average branded postpaid phone and mobile broadband customers, driven by strong customer response to our Un-carrier initiatives and promotions for services and devices;
- Higher device insurance program revenues primarily from customer growth; and
- Higher regulatory program revenues; partially offset by
- An increase in the non-cash net revenue deferral for Data Stash; and
- The impact of reduced Branded postpaid revenues resulting from the MVNO Transaction.

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Branded prepaid revenues increased $1.0 billion or 13% primarily from:

- A 13% increase in the number of average branded prepaid customers driven by the success of our MetroPCS brand; and
- Continued growth in new markets.

Wholesale revenues increased $211 million or 30% primarily from:

- The impact of the increased Wholesale revenues resulting from the MVNO Transaction;
- Growth in customers of certain MVNO partners; and
- An increase in data usage per customer.

Roaming and other service revenues increased $57 million or 30% primarily due to higher international roaming revenues driven by an increase in inbound roaming volumes.

Equipment revenues increased $2.0 billion or 30% primarily from:

- An increase of $1.2 billion in lease revenues resulting from the launch of our JUMP! On Demand program at the end of the second quarter of 2015. Revenues associated with leased devices are recognized over the lease term.
- An increase of $570 million in device sales revenues, primarily due to a 9% increase in the number of devices sold. Device sales revenue is recognized at the time of sale.

Gross EIP device financing to our customers increased by $923 million to $6.1 billion primarily due to an increase in devices financed due to our focus on EIP sales in 2016, compared to focus on devices financed on JUMP! On Demand after the launch of the program at the end of the second quarter of 2015.

Other revenues increased $157 million or 31% primarily from:

- Higher revenue from revenue share agreements with third parties; and
- An increase in co-location rental income from leasing space on wireless communication towers to third parties.

Our operating expenses consist of the following categories:

- Cost of services consists primarily of costs directly attributable to providing wireless service through the operation of our network, including direct switch and cell site costs, such as rent, network access and transport costs, utilities, maintenance, associated labor costs, long distance costs, regulatory program costs, roaming fees paid to other carriers and data content costs.

- Cost of equipment sales consists primarily of costs of devices and accessories sold to customers and dealers, device costs to fulfill insurance and warranty claims, costs related to returned and purchased leased devices, write-downs of inventory related to shrinkage and obsolescence, and shipping and handling costs.

- Selling, general and administrative consists of costs not directly attributable to providing wireless service for the operation of sales, customer care and corporate activities. These include commissions paid to dealers and retail employees for activations and upgrades, labor and facilities costs associated with retail sales force and administrative space, marketing and promotional costs, customer support and billing, bad debt expense, losses from sales of receivables and back office administrative support activities.

Operating expenses increased $3.5 billion or 12% primarily due to:

Cost of services increased $177 million or 3% primarily from:

- Higher regulatory program costs and expenses associated with network expansion and the build-out of our network to utilize our 700 MHz A-Block spectrum licenses, including higher employee-related costs; partially offset by
- Lower long distance and toll costs; and
- Synergies realized from the decommissioning of the MetroPCS CDMA network.

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Cost of equipment sales increased $1.5 billion or 16% primarily from:

- A 9% increase in the number of devices sold; and
- An increase in the impact from returned and purchased leased devices.

Under our JUMP! On Demand program, the cost of the leased wireless device is capitalized and recognized as depreciation expense over the term of the lease rather than recognized as cost of equipment sales when the device is delivered to the customer. Additionally, upon device upgrade or at lease end, customers must return or purchase their device. Returned devices transferred from Property and equipment, net are recorded as inventory and are valued at the lower of cost or market with any write-down to market recognized as Cost of equipment sales.

Selling, general and administrative increased $1.2 billion or 12% primarily from strategic investments to support our growing customer base including higher:

- Employee-related costs;
- Commissions driven by an increase in branded customer additions; and
- Promotional costs.

Depreciation and amortization increased $1.6 billion or 33% primarily from:

- $1.5 billion in depreciation expense related to devices leased under our JUMP! On Demand program launched at the end of the second quarter of 2015. Under our JUMP! On Demand program, the cost of a leased wireless device is depreciated over the lease term to its estimated residual value. The total number of devices under lease was higher year-over-year, resulting in higher depreciation expense; and
- The continued build-out of our 4G LTE network.

Cost of MetroPCS business combination decreased $272 million or 72% primarily from lower network decommissioning costs. In 2014, we began decommissioning the MetroPCS CDMA network and certain other redundant network cell sites as part of the business combination. On July 1, 2015, we officially completed the shutdown of the MetroPCS CDMA network. Network decommissioning costs, which are excluded from Adjusted EBITDA, primarily relate to the acceleration of lease costs for cell sites that would have otherwise been recognized as cost of services over the remaining lease term had we not decommissioned the cell sites. Although we expect to incur additional network decommissioning costs in 2017, these costs are not expected to be significant.

Gains on disposal of spectrum licenses increased $672 million primarily from a $636 million gain from a spectrum license transaction with AT&T recorded in the first quarter of 2016 and $199 million from other transactions in 2016, compared to $163 million in 2015. See Note 5 – Goodwill, Spectrum Licenses and Other Intangible Assets of the Notes to the Consolidated Financial Statements.

Net income increased $727 million or 99% primarily from:

- Operating income, the components of which are discussed above, increased $1.7 billion or 84% and

- Interest expense to affiliates decreased $99 million or 24% primarily from:

- Changes in the fair value of embedded derivative instruments associated with our Senior Reset Notes issued to Deutsch Telekom in 2015; partially offset by
-

Higher interest rates on certain Senior Reset Notes issued to Deutsch Telekom, which were adjusted at reset dates in the second quarter of 2016 and in 2015. Partially offset by:

- Income tax expense increased $622 million or 254% primarily from:

- Higher income before income taxes; and
- A higher effective tax rate. The effective tax rate was 37.3% in 2016, compared to 25.1% in 2015. The increase in the effective income tax rate was primarily due to income tax benefits for discrete income tax items recognized in 2015 that did not impact 2016; partially offset by the recognition of $58 million of excess

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tax benefits related to share-based payments following the adoption of ASU 2016-09 as of January 1, 2016. See Note 1 – Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements. Based on recent earnings in certain jurisdictions, sufficient positive evidence may exist within the next twelve months such that we may release a portion of our valuation allowance.

- Interest expense increased $333 million or 31% primarily from:

- Higher average debt balances with third parties; and
- Lower capitalized interest costs of $83 million primarily due to a higher level of build out of our network to utilize our 700 MHz A-Block spectrum licenses in 2015, compared to 2016.

- Interest income decreased $159 million or 38% primarily due to $166 million lower imputed interest income associated with devices financed through EIP resulting from:

- An increase in sales of certain EIP receivables pursuant to our EIP receivables sales arrangement resulting from an increase in the maximum funding commitment in June 2016. Interest associated with EIP receivables is imputed at the time of a device sale and then recognized over the financed installment term. See Note 2 – Equipment Installment Plan Receivables of the Notes to the Consolidated Financial Statements; and
- Focus on devices financed on JUMP! On Demand in the third and fourth quarters of 2015 following the launch of the program of at the end of the second quarter 2015.

We are making an accounting change in 2017 to include imputed interest associated with EIP receivables in Other revenues in our Consolidated Statements of Comprehensive Income. The impact from this accounting change is expected to be approximately $0.2 to $0.3 billion in 2017.

Net income during 2016 and 2015 included net, after-tax gains on disposal of spectrum licenses of $509 million and $100 million, respectively.

Guarantor Subsidiaries

The financial condition and results of operations of the Parent, Issuer and Guarantor Subsidiaries is substantially similar to our consolidated financial condition.

The most significant components of the financial condition of our Non-Guarantor Subsidiaries were as follows:

	December 31,	December 31,	Change	
(in millions)	2016	2015	$	%
Other current assets	$ 565	$ 400	$165	41 %
Property and equipment, net	375	454	(79)	(17)%
Tower obligations	2,221	2,247	(26)	(1)%
Total stockholders' deficit	(1,374)	(1,359)	(15)	(1)%

The most significant components of the results of operations of our Non-Guarantor Subsidiaries were as follows:

	Year Ended December 31,		Change	
(in millions)	2016	2015	$	%
Service revenues	$2,023	$1,669	$354	21 %
Cost of equipment sales	1,027	720	307	43 %
Selling, general and administrative	868	733	135	18 %
Total comprehensive income	24	60	(36)	(60)%

The increases in Service revenues, Cost of equipment sales and Selling, general and administrative were primarily the result of an increase in activity of the non-guarantor subsidiary that provides device insurance, primarily driven by growth in our customer base. All other results of operations of the Parent, Issuer and Guarantor Subsidiaries are substantially similar to the Company's consolidated results of operations. See Note 15 – Guarantor Financial Information of the Notes to the Consolidated Financial Statements.

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Comparing 2015 Results with 2014 Results

Total Revenues increased $2.5 billion or 8% primarily due to:

Branded postpaid revenues increased $2.0 billion or 14% primarily from:

- Growth in the number of average branded postpaid and mobile broadband customers, driven by strong customer response to our Un-carrier initiatives and promotions for services and devices;
- Increased customer adoption of upgrade and insurance programs; and
- Increased regulatory program revenues; partially offset by
- Lower branded postpaid phone ARPU.

Branded prepaid revenues increased $567 million or 8% primarily from:

- Growth in the number of average branded prepaid customers driven by the success of our MetroPCS brand promotional activities; and
- Continued growth in expansion markets.

Wholesale revenues decreased $39 million or 5% primarily from:

- Revised agreements with certain MVNO partners in 2015; partially offset by
- Growth in customers of certain MVNO partners.

Roaming and other service revenues decreased $73 million or 27% primarily from:

- Lower international roaming revenues driven by changes in contractual arrangements with certain roaming partners; and
- A reduction in early termination fees.

Equipment revenues decreased $71 million or 1% primarily from:

- Lower average revenue per device sold, due in part to the impact of customers shifting to leasing higher-end devices under our JUMP! On Demand program; partially offset by
- Growth in the number of devices and accessories sold.

With JUMP! On Demand, revenues associated with leased wireless devices are recognized over the term of the lease rather than when the device is delivered to the customer. Despite the increase in the number of devices leased in 2015 following the launch of JUMP! On Demand, the unit volume of device sales increased 5% in 2015, compared to 2014.

We financed $5.2 billion of devices through EIP during 2015, a decrease from $5.8 billion in 2014, primarily due to a decline in devices financed through EIP as customers increasingly shifted to leasing devices with JUMP! On Demand.

Other revenues increased $114 million or 29% primarily attributable to higher non-service revenues from revenue share agreements with third parties.

Operating expenses increased $1.8 billion or 7% primarily due to:

Cost of services decreased $234 million or 4% primarily from:

- Synergies realized from the decommissioning of the MetroPCS CDMA network;
- Lower lease expense associated with spectrum license lease agreements; and
- A reduction in certain regulatory program costs; partially offset by
- Increases related to our network expansion and build-out of our 700 MHz A-Block spectrum.

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Cost of equipment sales decreased $277 million or 3% primarily from:

- Lower average cost per device sold, mainly due to the impact of customers shifting to leasing higher-end devices with JUMP! On Demand; partially offset by
- Growth in the number of devices and accessories sold.

With JUMP! On Demand, the cost of the leased wireless device is capitalized and recognized as depreciation expense over the term of the lease rather than recognized as cost of equipment sales when the device is delivered to the customer. Despite the increase in the number of devices leased in 2015 following the launch of JUMP! On Demand, the unit volume of device sales increased 5% in 2015, compared to 2014.

Selling, general and administrative increased $1.3 billion or 15% primarily from supporting the growing customer base, which also increased 15% and reflects increases in:

- Employee-related costs;
- Promotional costs;
- Commissions; and
- Bad debt expense and losses from sales of receivables primarily resulting from growth in the customer base and in the EIP program.

Depreciation and amortization increased $276 million or 6% primarily from $312 million in depreciation expense related to devices leased under our JUMP! On Demand program launched at the end of the second quarter of 2015. Under our JUMP! On Demand program, the cost of a leased wireless device is depreciated over the lease term to its estimated residual value. The total number of devices under lease was higher year-over-year, resulting in higher depreciation expense.

Cost of MetroPCS business combination increased $77 million or 26% primarily from higher network decommissioning costs associated with the business combination. In 2014, we began decommissioning the MetroPCS CDMA network and certain other redundant network cell sites. On July 1, 2015, T-Mobile officially completed the shutdown of the MetroPCS CDMA network. Network decommissioning costs, which are excluded from Adjusted EBITDA, primarily relate to the acceleration of lease costs for cell sites that would have otherwise been recognized as cost of services over the remaining lease term had we not decommissioned the cell sites.

Gains on disposal of spectrum licenses decreased $677 million or 81% primarily from:

- $163 million in 2015 which primarily consisted of a non-cash gain of $139 million from spectrum license transactions with Verizon recorded in the fourth quarter of 2015; as compared to
- $840 million in 2014 which primarily consisted of non-cash gains from spectrum license transactions with Verizon, and to a lesser extent, a non-cash gain from a spectrum license transaction with AT&T during the fourth quarter of 2014.

See Note 5 – Goodwill, Spectrum Licenses and Other Intangible Assets of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information.

Net income increased $486 million or 197% primarily from:

- Operating income, the components of which are discussed above, increased $649 million or 46% and
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Interest income increased $61 million or 17% primarily attributable to higher interest income from devices financed through EIP. Interest associated with EIP receivables is imputed at the time of sale and then recognized over the financed installment term. Partially offset by:

- Interest expense to affiliates increased $133 million or 48% primarily from:

- Changes in the fair value of embedded derivative instruments associated with the Senior Reset Notes issued to Deutsche Telekom; partially offset by
- Lower capitalized interest costs associated with the build out of our network to utilize our 700 MHz A-Block spectrum licenses.

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- Income tax expense increased $79 million or 48% primarily from:
  - Higher income before income taxes; partially offset by
  - A lower effective tax rate. The effective tax rate was 25.1% in 2015, compared to 40.2% in 2014. The decrease in the effective income tax rate was primarily due to the impact of discrete income tax items recognized in 2015, including changes in state and local income tax laws and the recognition of foreign tax credits.
- Interest expense increased $12 million or 1% primarily from:
  - Higher debt balances with third parties; partially offset by
  - Lower capitalized interest costs associated with the build out of our network to utilize our 700 MHz A-Block spectrum licenses.

Net income during 2015 and 2014 included net, after-tax gains on disposal of spectrum licenses of $100 million and $515 million, respectively.

Guarantor Subsidiaries

The financial condition and results of operations of the Parent, Issuer and Guarantor Subsidiaries is substantially similar to the Company’s consolidated financial condition.

The most significant components of the financial condition of our Non-Guarantor Subsidiaries were as follows:

(in millions)	December 31, 2015	December 31, 2014	Change $	Change %
Other current assets	$ 400	$ 249	$ 151	61 %
Property and equipment, net	454	537	(83)	(15)%
Tower obligations	2,247	2,250	(3)	— %
Total stockholders' deficit	(1,359)	(1,451)	92	(6)%

The most significant components of the results of operations of our Non-Guarantor Subsidiaries were as follows:

(in millions)	Year Ended December 31, 2015	Change