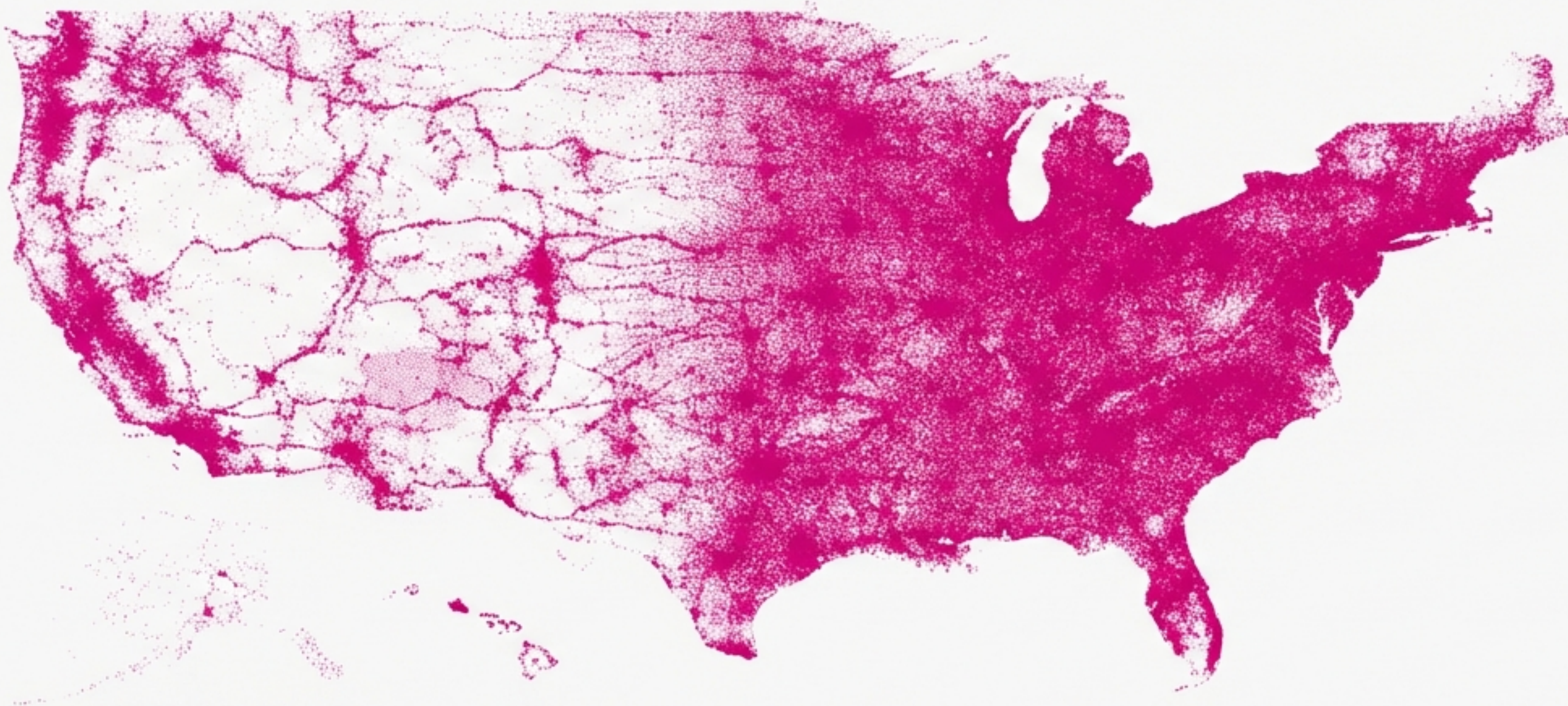


T-Mobile US, Inc. (TMUS): The Sovereign of the Spectrum

Strategic Evolution, Competitive Moat, and Capital Allocation Analysis | January 2026



Investment Rating:
BUY / LONG-TERM HOLD

Target Price:
\$220 - \$270

Analyst Date:
Jan 29, 2026

Thesis: A Best-in-Class Asset Transitioning from Disruption to Harvesting

T-Mobile has graduated from “disruptor” to the industry sovereign. The investment case rests on a durable spectrum moat, a completed merger integration that has unlocked massive Free Cash Flow, and a “capital-light” growth strategy that peers cannot replicate.

01.

Wide Moat

The “Goldilocks” 2.5 GHz spectrum advantage creates structural cost and performance superiority. T-Mobile achieves greater coverage with fewer towers than C-Band competitors.

02.

Cash Flow Engine

Post-merger synergy realization is complete. Capital expenditures have normalized, driving FY25 Free Cash Flow to **~\$18B (approx. 8.5% Yield)**.

03.

Growth Vectors

“Greenfield” share gains in Rural (SMRA) and Enterprise markets, combined with capital-light Fiber JVs, provide a runway for mid-single-digit revenue growth.

Key Metrics

Current Price ~\$186.00

Market Cap: ~\$210B

FCF Yield: **~8.0%**

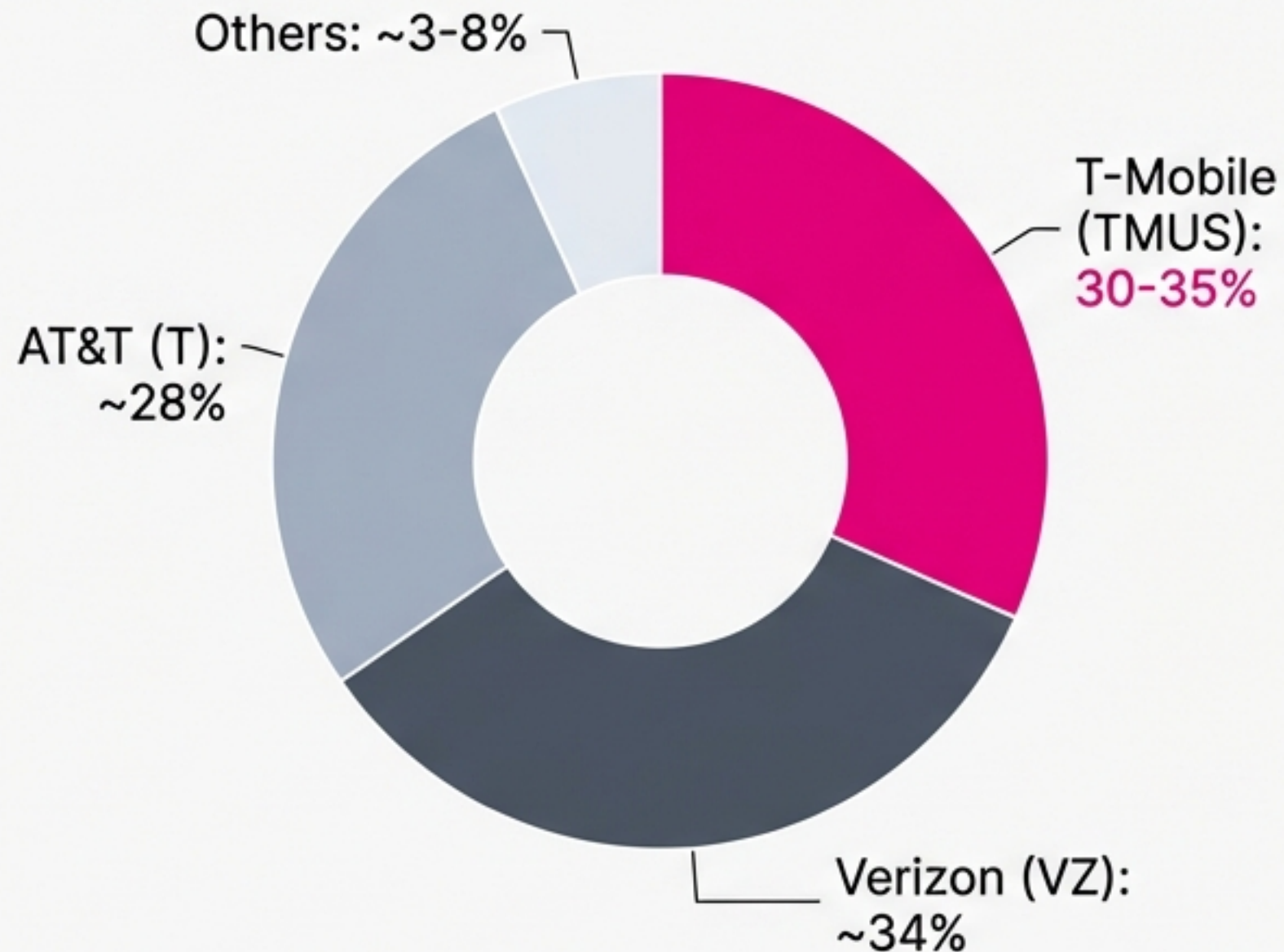
P/E (2026E): ~17.6x

Rec: **BUY**

Industry Dynamics: The Era of Rational Oligopoly

Competition has shifted from destructive price wars to “Value Wars” focused on profitability.

US Wireless Market Share



The Battlegrounds of 2026

1. Perception vs. Reality

TMUS speed superiority is challenging Verizon's legacy brand for reliability.

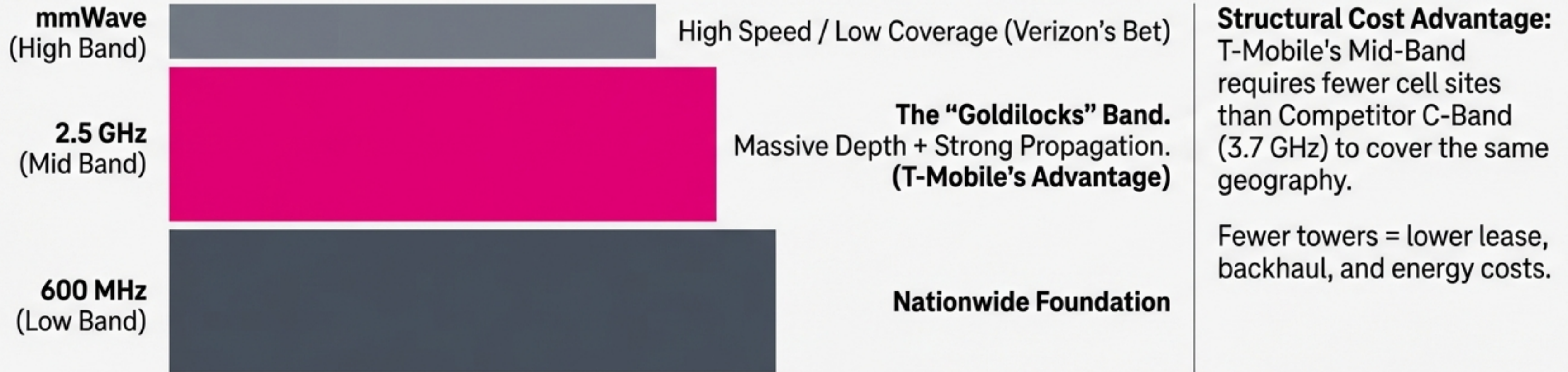
2. Convergence

The race for the “Household Account” (Mobile + Broadband) to reduce churn.

3. Pricing Power

Shift to “**Accretive Migration**”—raising ARPA via premium tiers like **Go5G Next** rather than headline rate hikes.

The Spectrum Moat: Winning the Physics Game



Peer Context: Verizon and AT&T spent >\$100B on C-Band to catch up. TMUS acquired 2.5 GHz via Sprint merger.

Median 5G Download Speed:
>240 Mbps

Network Reality Has Inverted the Competitive Hierarchy

Old Paradigm (2015-2020)

Verizon = Reliability & Coverage



T-Mobile = Cheap & Patchy



New Reality (2026)

T-Mobile = Speed & Coverage Leader

Verizon = Congested



Proof Point: Postpaid Phone Churn (Q3 2025)

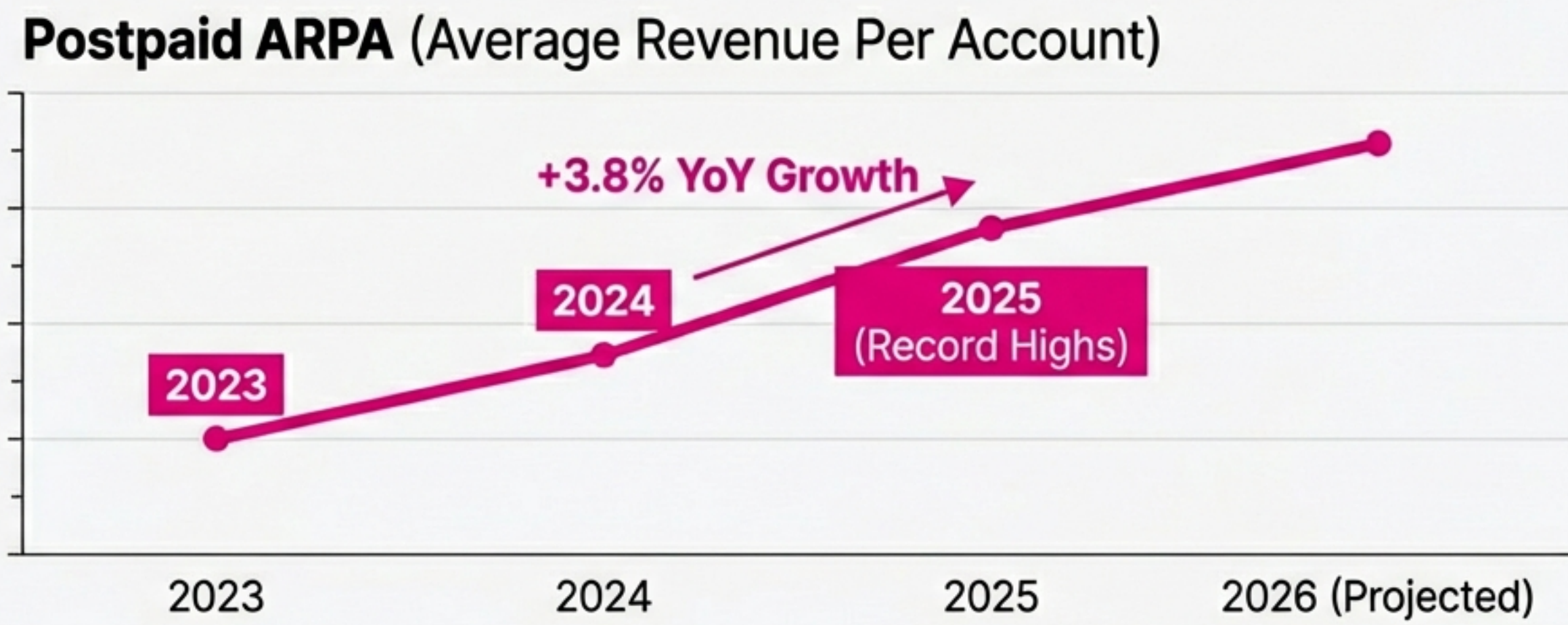
0.89%

Historically low churn proves TMUS is now a “destination carrier,” not just a value option. Reinforced by “Price Lock” guarantees.

Revenue Strategy: Accretive Migration Drives Top-Line

Migrating customers to premium tiers like 'Go5G Next' defies industry commoditization.

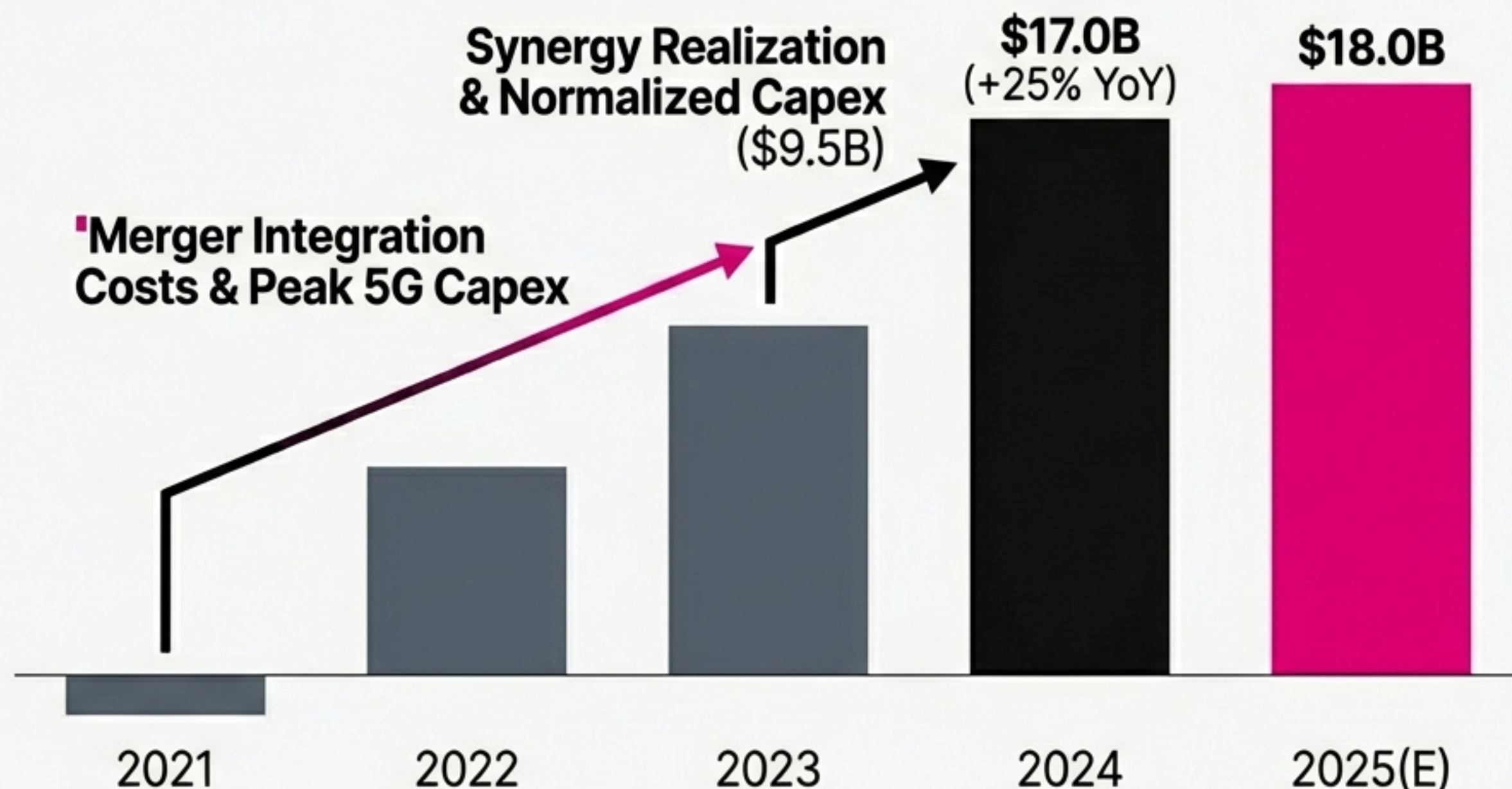
The Un-carrier Pivot:
Moving from subscriber growth at any cost to value creation.
Bundling Netflix, Apple TV+, and handset upgrades increases stickiness and price per account.



FY24 Total Revenue: \$81.4B	Q3 '25 Service Revenue: \$18.2B (+9% YoY)	Pricing Power: Jan 2026 fee adjustment (\$0.50/line) generates pure margin .
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The Financial Engine: From 'Burn to Earn'

Adjusted Free Cash Flow (FCF) Evolution



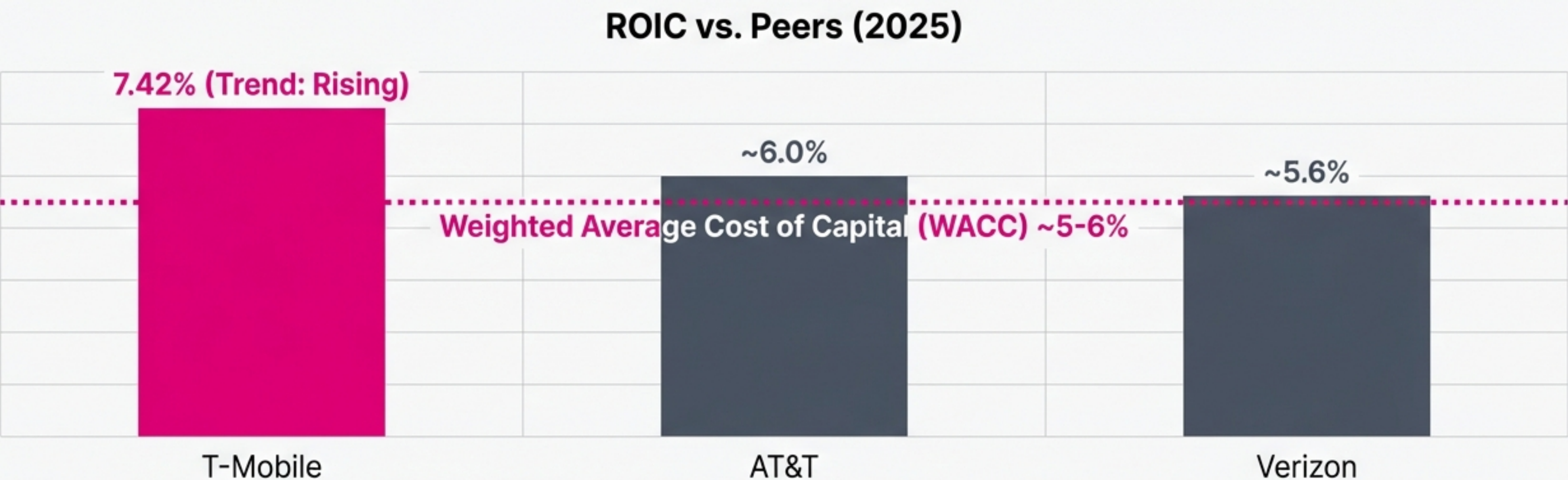
Valuation Impact

Current FCF Yield:
~8.5%

This yield provides a massive margin of safety and fully funds the \$14.6B shareholder return program.

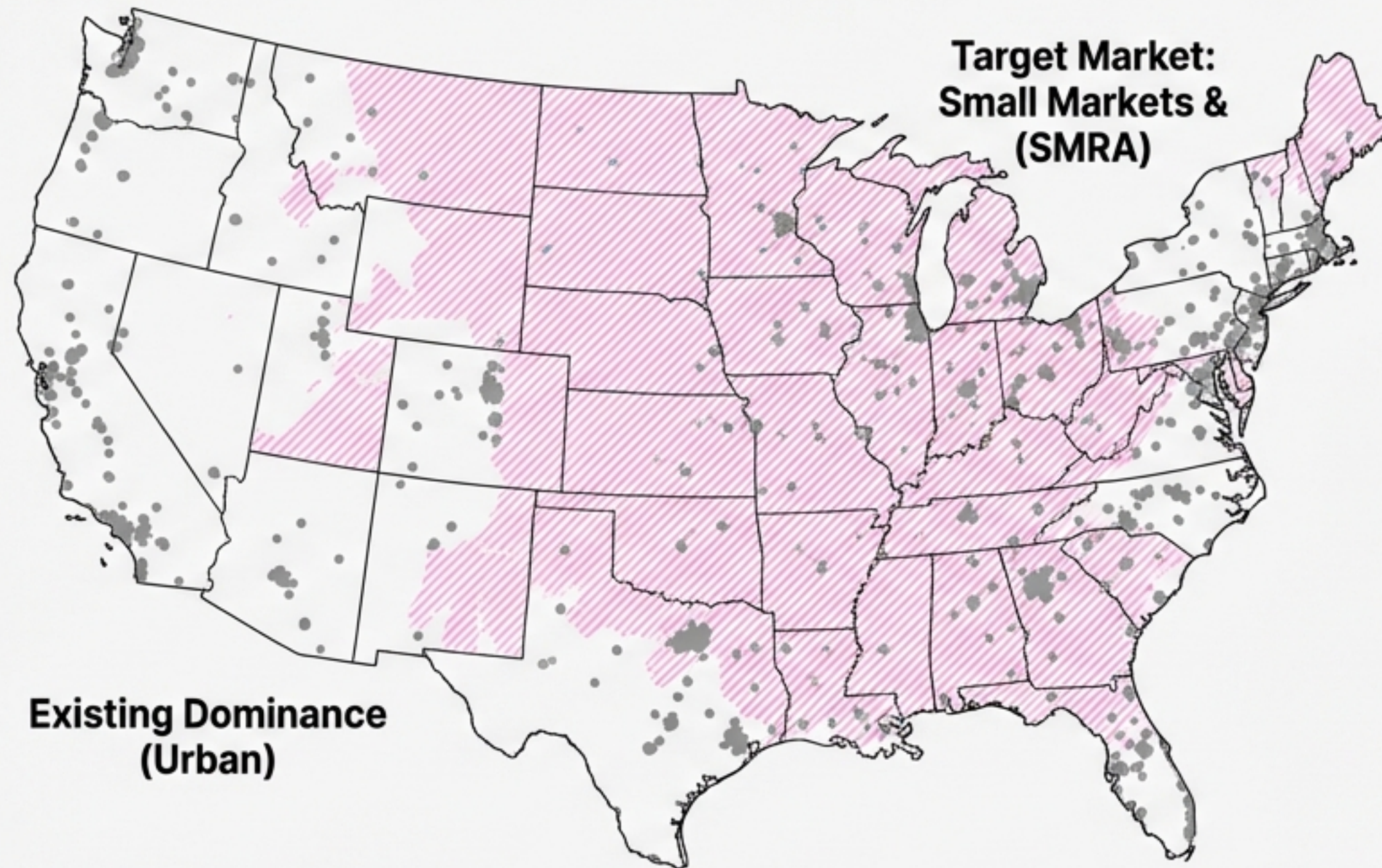
Return on Invested Capital (ROIC) Superiority

T-Mobile is the only major carrier significantly exceeding its cost of capital.



Insight: Superior ROIC is driven by the “Capital-Light” model. T-Mobile avoids the heavy balance sheet debt utilization for fiber builds that depresses peer returns.

Growth Vector 1: Conquering the Rural 'White Space'



Context: TMUS historically held ~40% urban share but only mid-teens rural share.

The Catalyst: UScellular Acquisition (Closed mid-2025)

- Deal Value: **\$4.4B**
- Assets: **4M customers, 2,000+ towers**, critical low-band spectrum.

Goal: Growing rural market share to **20%+** by 2026.

Economics: Fixed network costs mean incremental rural subscribers deliver high marginal profitability.

Growth Vector 2: The Enterprise & Government Pivot

With network parity achieved, T-Mobile is breaking the VZ/T duopoly in the corporate sector using “Advanced Network Solutions” (Private 5G, Slicing).

Case Study

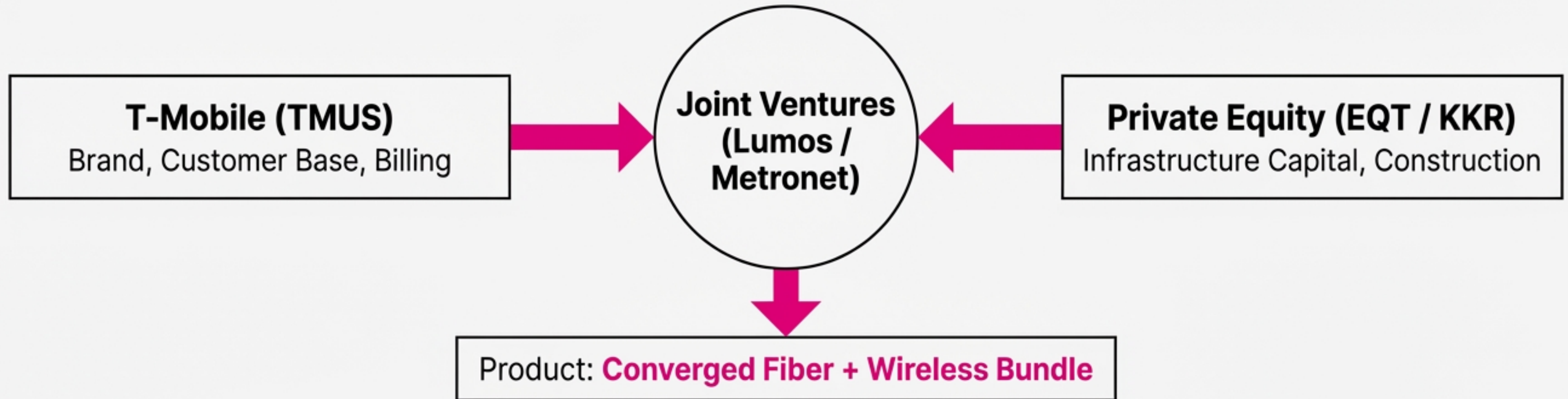
U.S. Navy Spiral 4 Contract

- **Value:** \$2.67 Billion / 10 Years
- **Significance:** Validates network security and reliability for mission-critical use cases.

Enterprise Service Revenue



Growth Vector 3: Capital-Light Convergence (The Fiber JVs)



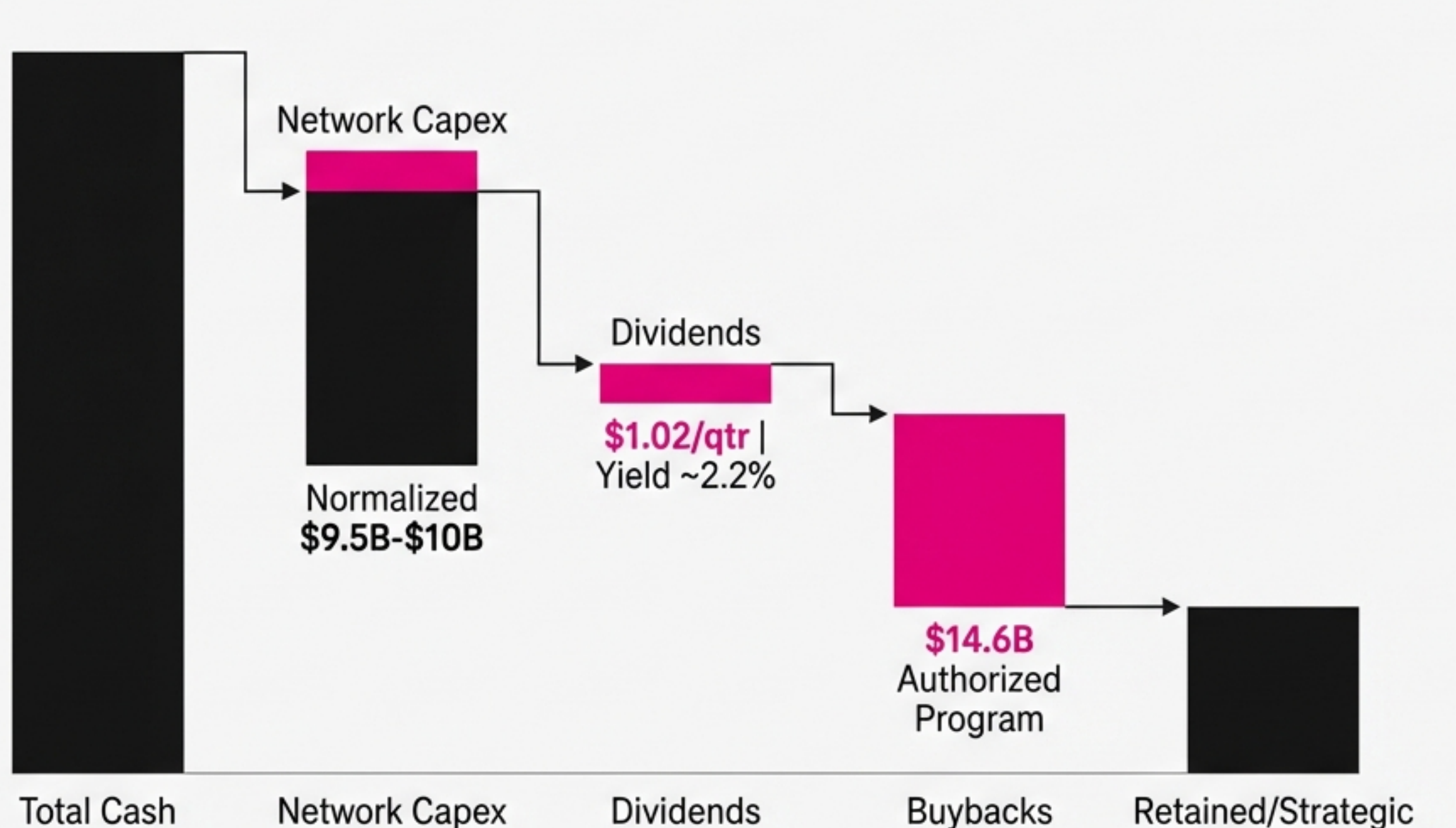
Lumos (with EQT): **\$950M investment / 50% stake.**

Metronet (with KKR): **\$4.9B investment / 50% stake.**

Target: Passing **12-15 million homes** by 2030.

Strategic Advantage: Reduces churn without the massive depreciation and debt drag of owning the physical glass.

Capital Allocation: A Shareholder Return Machine



Strategic Shift: **Dividend** initiation opens TMUS to **income-oriented funds**.

Majority owner **Deutsche Telekom** relies on TMUS dividends, ensuring commitment to **payout growth**.

Risk Assessment & Mitigation

Cybersecurity

Risk: Past data breaches (2021, 2023, 2024).

Mitigation: \$31.5M FCC settlement mandates “Zero Trust” architecture implementation. Critical for Enterprise trust.

Lead Cables

Risk: Legacy telecom health liability.

Advantage: TMUS has negligible exposure compared to VZ/T. Legacy Sprint wireline assets sold to Cogent in 2022.

Leadership Transition

Risk: CEO change uncertainty.

Status: Mike Sievert → Srin Gopalan (Nov '25). Gopalan brings operational efficiency focus from DT Europe.

Valuation: The Quality Premium is Justified

Metric	TMUS	VZ / T
P/E Ratio (2026E)	17.6x	~8.0x
FCF Yield	8.0%	11-12%
Growth Profile	Mid-Single Digit	Low-Single/Flat
PEG Ratio	< 1.0	> 1.5

Verdict: T-Mobile trades at a premium because it combines 'Utility Defense' with 'Tech Growth'. The growth runway in Rural/Enterprise + 8.5% FCF Yield makes TMUS a compelling Long-Term Hold.

Base Case Target: \$220 | Bull Case Target: \$270