

# **T-Mobile Posts Steep Postpaid Losses, Sales Slump**

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T-Mobile USA's turnaround plan stumbled during the third quarter as postpaid customers flocked to competitors and sales declined.

The country's fourth-largest wireless provider is working to reverse the course of its business with the construction of an LTE network and the acquisition of MetroPCS, a merger which will substantially increase its spectrum for the new mobile broadband service.

However, those efforts showed little signs of progress last quarter.

T-Mobile continued to lose ground to competitors Verizon Wireless, AT&T and Sprint, which gained a combined 2.61 million net customers during the third quarter as customers signed up for the iPhone 5.

During the same period, T-Mobile lost 492,000 contract customers, a number which was only partially offset by the addition of 365,000 less profitable prepaid customers. Together with the addition of 287,000 M2M and MVNO wholesale subscriptions, T-Mobile ended the quarter with 33.3 million subscribers.

Churn improved slightly over last year to 2.3 percent for postpaid subscribers and 6.2 percent for prepaid subscribers, but still remains higher than its three larger rivals.

The loss of lucrative postpaid subscribers had a negative effect on sales, which declined 6 percent to \$4.9 billion.

Postpaid ARPU slipped 3 percent to \$56.59 on declines in voice revenue, while prepaid ARPU posted a healthy 12 percent increase to \$27.35 on the adoption of its Monthly4G products, which carry a higher price tag than its Pay-As-You-Go prepaid plans.

T-Mobile's pending merger with MetroPCS also affected its results. Instead of trying to combine MetroPCS legacy CDMA service with its own GSM operations, T-Mobile will swap out the equipment with its own gear.

This decision resulted in an \$8.1 billion non-cash impairment charge on infrastructure writedowns, and T-Mobile's net losses ballooned to \$7.8 billion. Operating losses swelled to \$12.8 billion, according to figures provided by T-Mobile parent Deutsche Telekom.

T-Mobile is banking on the MetroPCS deal to buoy its subscriber base and provide it

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Published on Wireless Week (<http://www.wirelessweek.com>)

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with the spectrum for a more robust LTE network.

The two companies will have a combined subscriber base of 42.5 million customers, bringing T-Mobile closer to Sprint's 56 million subscribers.

MetroPCS' spectrum holdings closely match T-Mobile's, resulting in 20x20 MHz channels in New York, Los Angeles, Dallas, Philadelphia, Detroit, Boston, San Francisco, Las Vegas, Sacramento, Calif. and Tampa and Orlando, Fla. On average, the companies combined spectrum holdings will hit 76 MHz in its top 25 markets.

T-Mobile's LTE network will launch on 10x10 MHz channels when it debuts next year.

**Source URL (retrieved on 06/12/2013 - 2:12pm):**

<http://www.wirelessweek.com/news/2012/11/t-mobile-posts-steep-postpaid-losses-sales-slump>