WEALTH PRESERVATION

# EQUITY RESEARCH REPORT

# TMUS

## T-Mobile US, Inc.

| RECOMMENDATION | CURRENT PRICE | FAIR VALUE | WP SCORE |
|---|---|---|---|
| **BUY** | **$215.63** | **$280.00** | **72 / 100** |

| Dividend Yield | Expected Total Return | Bear Case Return | Margin of Safety |
|---|---|---|---|
| **1.89%** | **11.8% CAGR** | **+3.2% CAGR** | **23.0%** |

| Report Date | Sector | Exchange | Market Cap |
|---|---|---|---|
| **March 3, 2026** | **Telecommunication Services** | **NASDAQ** | **$237.5B** |

*Analyst: Moschovakis Capital Research*

## . EXECUTIVE SUMMARY

**One-Line Thesis:** T-Mobile US is the dominant growth franchise in U.S. wireless, combining industry-leading subscriber momentum, rapidly expanding free cash flow, and an aggressive capital return program that preserves and grows capital with limited downside at current prices following a ~22% pullback from 52-week highs.

| Metric | Value |
|---|---|
| Recommendation | BUY |
| Current Price | $215.63 |
| Fair Value (Base Case) | $280.00 |
| Margin of Safety | 23.0% |
| Target Entry (if HOLD) | N/A — Current price qualifies |

| Return Profile | Value |
|---|---|
| Dividend Yield | 1.89% |
| Expected Dividend Growth | 15–18% CAGR |
| Expected Price Appreciation | 9.9% CAGR |
| Total Expected Return (Base) | 11.8% CAGR |
| Bear Case Total Return | +3.2% CAGR |
| Bull Case Total Return | +18.5% CAGR |
| Probability-Weighted Return | +11.4% CAGR |

| Risk Assessment | Value |
|---|---|
| Wealth Preservation Score | 72 / 100 |
| Downside Protection Score | 65 / 100 |
| Quality Score | 71 / 100 |
| Risk Level | MODERATE |
| Probability of >50% Loss | <5% |
| Recession Profile | RESILIENT |

### INVESTMENT THESIS

T-Mobile US represents a compelling wealth preservation opportunity at current prices. The company has transformed from a scrappy challenger into the undisputed U.S. wireless leader following the 2020 Sprint merger, now commanding the best 5G network (per Ookla and Opensignal), the lowest postpaid churn in the industry, and the strongest subscriber growth trajectory among all major carriers. FY2025 revenue reached $88.3 billion with 8.5% growth, while adjusted free cash flow guidance of $17.3–$18.0 billion underpins a massive shareholder return program.

The wealth preservation case rests on three pillars. First, T-Mobile's defensive characteristics: wireless telecom is essential spending that proves recession-resilient, and T-Mobile's scale advantages create a widening competitive moat. Second, the stock has pulled back ~22% from its March 2025 highs to ~$215, creating meaningful valuation support with a forward P/E of ~18.6x on 2026 estimates versus a 5-year average above 22x. Third, the company's capital return program—having returned $41.8 billion cumulatively through buybacks and dividends—continues to reduce shares outstanding at a ~3–4% annual rate while growing the dividend at 16%+ annually.

The primary risk is the elevated debt load (D/E of ~1.47x), which is above our standard threshold but typical for telecom and well-serviced by 5.5x interest coverage and $17B+ annual free cash flow. The bear case, modeling flat revenue and margin compression, still yields a positive total return of +3.2% CAGR over 10 years, confirming capital preservation in downside scenarios. Against a HYSA yielding 4%, T-Mobile's probability-weighted 11.4% expected return with growing income stream and buyback support makes this a compelling risk-adjusted opportunity.

## 1. SECTOR & THEME IDENTIFICATION

| Screening Question | Answer | Assessment |
|---|---|---|
| Sector understandable? | Yes — Wireless telecom services | PASS ✓ |
| Sector in secular decline? | No — Wireless data demand growing | PASS ✓ |
| Defensive or cyclical? | Defensive — Essential service | PREFERRED |
| Sector-level tailwinds? | 5G expansion, FWA broadband, IoT | FAVORABLE |
| Sector valuation vs. history | Near historical avg; TMUS below 5Y avg | FAVORABLE |

**Sector Verdict: CONTINUE.** U.S. wireless telecommunications is a defensive, oligopolistic industry with secular demand growth driven by 5G adoption, fixed wireless access (FWA) broadband expansion, and increasing data consumption. The sector is not in secular decline; rather, wireless connectivity is becoming more essential annually. The three-player oligopoly structure (T-Mobile, Verizon, AT&T;) supports rational pricing and margin stability. Current sector valuations are near historical averages, with T-Mobile specifically trading below its own 5-year average multiples following a 22% pullback.

### Key Macro Tailwinds:

• **5G Network Leadership:** T-Mobile leads in mid-band 5G coverage and speed, creating a widening network moat versus AT&T; and Verizon. Ookla awarded T-Mobile back-to-back Best Mobile Network awards.
• **Fixed Wireless Access (FWA):** T-Mobile's 5G broadband offering addresses the $30B+ U.S. broadband market at minimal incremental cost, representing a large and growing revenue stream.
• **Industry Consolidation:** The acquisition of US Cellular (completed Q3 2025) and Mint Mobile further strengthens T-Mobile's spectrum assets and customer base.

## 2. FUNDAMENTAL GATEKEEPING

### 2.1 Solvency Check

| Metric | Value | Threshold | Assessment |
|---|---|---|---|
| Debt-to-Equity | 1.47x | <1.0x | ELEVATED — Typical for telecom |
| Interest Coverage (EBIT/Int) | 5.5x | >5.0x | ✓ PASS |
| Current Ratio | 0.89x | >1.5x | BELOW — Monitor (industry norm) |
| Free Cash Flow | Positive 5/5 years | Positive 4/5 | ✓ PASS |
| Cash as % of Total Debt | 2.7% ($3.3B / $121B) | >20% | BELOW — Offset by FCF |
| Operating Cash Flow (TTM) | $26.85B | Positive | ✓ STRONG |
| Free Cash Flow (TTM) | $17.15B | Positive | ✓ STRONG |

**Solvency Verdict: ADEQUATE.** T-Mobile's debt-to-equity of 1.47x exceeds our standard 1.0x threshold, but this is typical for capital-intensive telecom operators and must be evaluated in context. The critical offset is T-Mobile's exceptional free cash flow generation of $17.15B (TTM), which provides 30.3% debt coverage from operating cash flow alone. Interest coverage at 5.5x meets our minimum threshold. The company's current ratio of 0.89x is below our 1.5x preference but is standard for the telecom industry where receivables and payables cycle efficiently. In a 30% revenue stress scenario, T-Mobile would still generate ~$10B+ in FCF, comfortably servicing debt. We proceed with heightened monitoring given the elevated leverage but recognize the cash flow fortress that underpins solvency.

### 2.2 Earnings Quality Check

| Question | Answer | Status |
|---|---|---|
| OCF >80% of Net Income? | OCF $26.85B vs NI $11.0B (244%) | ✓ EXCELLENT |
| Receivables growing > Revenue? | No — Receivables stable | ✓ PASS |
| Inventory growing > COGS? | N/A — Services business | ✓ N/A |
| Unusual one-time gains? | Minor merger-related items | ✓ CLEAN |
| Financial restatements (5Y)? | None | ✓ PASS |

**Earnings Quality: HIGH.** Operating cash flow at 244% of net income confirms exceptional earnings quality. The substantial OCF-to-NI surplus reflects high depreciation/amortization charges from Sprint merger assets, which depress reported earnings but not cash generation.

### 2.3 Dilution Check

| Period | Shares Outstanding | YoY Change |
|---|---|---|
| 2022 | 1.234B | Baseline |
| 2023 | 1.196B | -3.1% (Buybacks) |
| 2024 | 1.145B | -4.3% (Buybacks) |
| 2025 (Q4) | 1.124B | -1.8% (Buybacks) |
| 3-Year Annualized | — | -3.1% reduction |

**Dilution Assessment: EXCELLENT.** T-Mobile is the opposite of a diluter—it is an aggressive buyer of its own shares. Shares outstanding have declined by ~9% over three years through the company's massive buyback program, with $41.8 billion returned to shareholders cumulatively. Deutsche Telekom (48%+ ownership) has no plans to sell, meaning buybacks disproportionately benefit the public float.

### 2.4 Dividend Sustainability

| Metric | Value | Assessment |
|---|---|---|
| Dividend Yield | 1.89% ($4.08/share annual) | Growth story yield |
| Payout Ratio (EPS) | 33.7% | ✓ EXCELLENT (<60%) |
| Payout Ratio (FCF) | ~23% | ✓ EXCELLENT (<70%) |
| Dividend Growth (1Y) | 15.9% | ✓ STRONG |
| Dividend Growth (3Y CAGR) | 16.2% | ✓ STRONG |
| Consecutive Years Paid | ~2 years (initiated Sept 2023) | NEW but growing fast |
| Dividend Coverage (FCF/Div) | ~4.3x | ✓ FORTRESS (>1.3x) |

**Dividend Sustainability: ROCK SOLID.** While T-Mobile only initiated its dividend in September 2023, the payout ratio is exceptionally low at 33.7% of earnings and ~23% of FCF. With FCF coverage of 4.3x, there is enormous room for dividend growth. Management has signaled 16%+ annual dividend growth, and the combination of growing FCF plus share buyback-driven per-share growth makes this one of the safest and fastest-growing dividends in telecom. Stress test: if earnings dropped 40%, payout ratio would rise to only ~56%—still sustainable.

### 2.5 Capital Efficiency: ROIC Assessment

**ROIC:** 6.77% (TTM) **| vs. WACC:** 5.16% **| Trend:** Improving **| Verdict:** VALUE CREATING

T-Mobile's ROIC of 6.77% exceeds its WACC of 5.16%, confirming the company generates positive economic value. While the absolute ROIC appears modest, it reflects the massive intangible asset base from the Sprint merger ($80B+ in goodwill and spectrum). On a cash-return-on-invested-capital basis (using FCF), the picture is substantially stronger. The company's ROE of 19.0% and ROI of 8.78% further confirm efficient capital deployment. ROIC is trending upward as Sprint synergies continue to accrue and the incremental return on 5G and FWA investments scales.

### 2.6 Valuation Screening

| Metric | Current | 5Y Avg | 10Y Avg | vs. History | Assessment |
|---|---|---|---|---|---|
| P/E | 21.6x | ~25x | ~35x | Below | ATTRACTIVE |
| Fwd P/E (2026E) | 18.6x | — | — | — | ATTRACTIVE |
| P/S | 2.71x | ~3.0x | ~2.8x | Below | FAIR |
| EV/EBITDA | ~11x | ~12x | ~10x | Near avg | FAIR |
| P/FCF | ~14x | ~18x | — | Below | ATTRACTIVE |
| Dividend Yield | 1.89% | ~1.5% | N/A | Above | FAVORABLE |

**Valuation Verdict: ATTRACTIVE.** Margin of Safety: 23.0%. T-Mobile currently trades at a meaningful discount to its own historical averages across most valuation metrics. The trailing P/E of 21.6x is well below the 5-year average of ~25x, while the forward P/E of 18.6x on 2026 estimates is particularly compelling for a company growing revenue at 8.5% and EPS at 14%+. The ~22% pullback from the March 2025 high of $276.49 to ~$215 creates an attractive entry point with meaningful margin of safety to our $280 fair value estimate.

## 3. PEER COMPARISON & QUALITY RANKING

| Dimension | T-Mobile (TMUS) | Verizon (VZ) | AT&T (T) | Best for Preservation |
|---|---|---|---|---|
| Debt/Equity | 1.47x | 1.50x | ~1.35x | AT&T (lowest) |
| Interest Coverage | 5.5x | 4.4x | ~4.5x | T-Mobile (highest) |
| Dividend Yield | 1.89% | 6.80% | ~4.8% | Verizon (highest yield) |
| Payout Ratio | 33.7% | ~57% | ~50% | T-Mobile (most cushion) |
| FCF Margin | ~19.4% | ~12% | ~15.5% | T-Mobile (highest) |
| ROIC | 6.77% | ~5.5% | ~5.8% | T-Mobile (highest) |
| Revenue Growth (YoY) | 8.5% | ~1% | ~2.7% | T-Mobile (highest) |
| P/E vs. History | Below 5Y avg | Near avg | Near avg | T-Mobile (most discount) |
| Dividend Growth (1Y) | 15.9% | ~1.9% | ~2% | T-Mobile (highest) |
| Share Count Trend | -3.1% annually | Flat | Declining | T-Mobile (most buyback) |

### Wealth Preservation Quality Score: 71 / 100

| Category | Points Available | Points Earned | Rationale |
|---|---|---|---|
| Balance Sheet Fortress | 40 | 25 | D/E 1.47x (5pts) + IC 5.5x (10pts) + FCF 5/5 (10pts) |
| Income Reliability | 30 | 23 | Low payout (12pts) + 16% div growth (10pts) + 2yr history (1pt) |
| Capital Efficiency | 15 | 8 | ROIC 6.77% (4pts) + Improving trend (4pts; incl. cash ROIC) |
| Valuation | 15 | 15 | Trading <25th pctile of 5Y range (15pts) |
| TOTAL | 100 | 71 | Good candidate; standard position size |

**Decision:** Score of 71 places T-Mobile in the 65–75 range ("Good candidate; standard position size"). T-Mobile outperforms both Verizon and AT&T; on growth, FCF generation, capital return, and capital efficiency, while trailing on absolute dividend yield and balance sheet leverage. For wealth preservation with a growth orientation, T-Mobile is the preferred U.S. telecom holding.

## 4. QUALITATIVE DEEP DIVE

### 4.1 Competitive Moat Assessment

| Moat Type | Evidence | Durability (1–10) | Preservation Value |
|---|---|---|---|
| Spectrum Assets / Regulated Monopoly | Largest mid-band 5G spectrum holding in U.S. | 9 | Excellent |
| Switching Costs | Device financing, family plans, number portability friction | 7 | Good |
| Scale / Cost Advantage | Lowest cost per GB delivered; Sprint synergies ongoing | 8 | Excellent |
| Network Effects | 108.7M+ subscribers; best network attracts more users | 7 | Good |

**Primary Moat:** Spectrum Assets & Scale — Durability: 9/10. T-Mobile's massive mid-band spectrum portfolio (obtained through the Sprint merger) is essentially irreplaceable and provides a multi-year advantage in 5G coverage and capacity. Combined with the lowest industry cost structure, this creates a virtuous cycle: best network attracts most customers, which spreads fixed costs over a larger base, enabling continued investment. **Moat Erosion Risk: LOW.** Spectrum licenses are long-dated, network advantages compound, and the three-player oligopoly structure is stable.

### 4.2 Management Quality & Capital Allocation

**CEO:** Mike Sievert (CEO since April 2020; with T-Mobile since 2012). Sievert successfully led the post-Sprint integration, which has been widely praised as one of the most successful telecom mergers in history. Under his leadership, T-Mobile has moved from #3 to #1 in U.S. wireless, delivered record customer growth, and initiated the industry's most aggressive capital return program. Note: Sievert announced plans to step down as CEO in late 2025, with a succession plan in place. This is a monitoring item but not a red flag given the strong management bench.

**Capital Allocation (5-Year Track Record): STRONG.** T-Mobile has returned $41.8 billion to shareholders through buybacks ($34.7B) and dividends ($7.0B) since program inception. Share buybacks have been conducted at reasonable valuations, reducing shares outstanding by ~9% over 3 years. The dividend was initiated in 2023 and has grown at 16%+ annually. Deutsche Telekom's ~48% ownership provides strategic stability and alignment.

**Management Quality: GOOD | Capital Allocation: STRONG**

### 4.3 Recession Performance History

| Metric | 2008–2009 | 2020 (COVID) |
|---|---|---|
| Revenue Decline | N/A (pre-merger entity) | <5% decline |
| EPS Decline | N/A | Moderate; EBITDA maintained |
| Dividend Action | No dividend at that time | No dividend at that time |
| Stock Price Peak-to-Trough | N/A (legacy MetroPCS) | ~30% decline (recovered in 6 months) |
| Capital Raise Needed? | No | No |
| Industry Behavior | Wireless churn stable in recession | Essential service; minimal churn impact |

**Recession Profile: RESILIENT.** Wireless telecom services are among the most recession-resilient consumer expenditures. During COVID-2020, T-Mobile's postpaid customer base actually grew as remote work and digital connectivity became essential. The company maintained strong operational performance throughout. With a beta of 0.44, T-Mobile exhibits significantly less volatility than the broader market, reinforcing its defensive characteristics.

### 4.4 Catalyst Identification

| Catalyst | Timeline | Probability | Impact | Risk to Downside |
|---|---|---|---|---|
| Continued dividend growth (16%+) | 2026–2028 | High | Moderate — Yield on cost rises | Low |
| US Cellular integration synergies | 2026–2027 | High | Moderate — EPS accretion | Low |
| FWA broadband customer growth | 2025–2028 | High | High — New revenue stream | Low |
| Fiber/broadband expansion (Metronet, Lumos) | 2026–2028 | Medium-High | Moderate | Medium |
| Share buyback continuation ($14B+ auth) | 2026+ | High | High — EPS accretion | Low |
| Satellite services expansion (Starlink) | 2027+ | Medium | Low-Moderate | Medium |

## 5. VALUATION & SCENARIO ANALYSIS

### 5.1 Total Return Model (10-Year Horizon)

| Component | Value | Contribution |
|---|---|---|
| Current Dividend Yield | 1.89% | 1.89% |
| Expected Dividend Growth (10Y CAGR) | 12–15% | Yield-on-cost rises to ~6% by year 10 |
| Expected EPS Growth (10Y CAGR) | 8–10% | 8–10% |
| Multiple Change (mean reversion) | Expansion from 18.6x to ~22x | +1.7% annually |
| Total Expected Return (Base) | — | ~11.8% CAGR |

### 5.2 Scenario Analysis

| Scenario | Revenue CAGR | EPS CAGR | Terminal P/E | 10Y Price | Div Yield (10Y) | Total CAGR | Weight |
|---|---|---|---|---|---|---|---|
| Bear | 0% | 3% | 14x | $180 | ~4.5% | +3.2% | 25% |
| Base | 4% | 9% | 20x | $370 | ~3.0% | +11.8% | 50% |
| Bull | 6% | 13% | 24x | $540 | ~2.5% | +18.5% | 25% |

**Probability-Weighted Expected Total Return: (25% × 3.2%) + (50% × 11.8%) + (25% × 18.5%) = 11.3% CAGR**

### 5.3 Downside Protection Analysis

| Metric | Value |
|---|---|
| Historical Max Drawdown (5Y) | ~35% (COVID + rate scare) |
| Bear Case Price Decline from Current | -16.5% ($215 → $180) |
| Bear Case Total Return (incl. dividends, 10Y) | +3.2% CAGR |
| Capital at Risk (25% prob × 16.5% decline) | 4.1% of position |
| Probability of >50% Permanent Loss | <5% |
| Is capital preserved in bear case? | ✓ YES — Positive total return |

The bear case assumes flat revenue growth for 10 years, margin compression to historical lows, and P/E compression to 14x (near all-time trough). Even under these severe assumptions, the growing dividend stream (which would still be sustainable given the 33% payout ratio) provides enough income to generate a positive total return of +3.2% CAGR. This confirms capital preservation in the downside scenario, meeting our absolute requirement.

# 6. INVESTMENT DECISION FRAMEWORK

## 6.1 Wealth Preservation Scoring

### Input 1: Downside Protection Score

| Factor | Points | Rationale |
|---|---|---|
| Starting Score | 50 | Neutral baseline |
| Bear case total return positive | +15 | ✓ +3.2% CAGR in bear case |
| Debt/Equity <0.5x | +0 | ✗ D/E is 1.47x |
| Dividend maintained through 2020 | +0 | No dividend existed in 2020 |
| Max historical drawdown <40% | +10 | ✓ Max ~35% |
| Current yield >3% | +0 | ✗ Yield is 1.89% |
| Bear case >20% price decline | -0 | ✓ Bear case decline is 16.5% |
| D/E >1.0x | -10 | ✗ D/E is 1.47x |
| FCF negative any of last 5 years | -0 | ✓ FCF positive all 5 years |
| TOTAL | 65 | — |

### Input 2: Return Adequacy Score

Base Case Total Return CAGR: 11.8% → Score: **85 / 100** (10–12% range)

### Input 3: Quality Score

From Stage 3: **71 / 100**

### Composite Wealth Preservation Score:

**WP Score = (65 × 0.45) + (85 × 0.30) + (71 × 0.25) = 29.25 + 25.5 + 17.75 = 72.5 / 100**

72

72 / 100 — Good candidate; standard position

## 6.2 Absolute Requirements Checklist

| Requirement | Value | Status |
|---|---|---|
| Bear case total return ≥ 0% | +3.2% CAGR | ✓ |
| Base case total return ≥ 7% | 11.8% CAGR | ✓ |
| Solvency: FORTRESS or ADEQUATE | ADEQUATE | ✓ |
| Dividend sustainability: ROCK SOLID or SUSTAINABLE | ROCK SOLID | ✓ |
| Probability of >50% permanent loss <10% | <5% | ✓ |

**All absolute requirements PASSED. T-Mobile qualifies for the wealth preservation mandate.**

# 7. FINAL INVESTMENT DECISION

## 7.1 BUY Criteria Assessment

| Quantitative Criteria | Value | Status |
|---|---|---|
| WP Score ≥ 65 | 72 | ✓ |
| Base case total return ≥ 8% CAGR | 11.8% | ✓ |
| Bear case total return ≥ 0% | +3.2% | ✓ |
| Dividend yield + expected growth ≥ 5% | 1.89% + 16% = 17.9% | ✓ |
| Margin of safety to fair value ≥ 10% | 23.0% | ✓ |

| Qualitative Criteria | Assessment | Status |
|---|---|---|
| Understandable business with durable moat | YES — Wireless telecom, spectrum moat | ✓ |
| Management track record: GOOD or better | GOOD | ✓ |
| Recession profile: RESILIENT or SENSITIVE | RESILIENT | ✓ |

RECOMMENDATION

**BUY**

at current price of $215.63

| Metric | Value |
|---|---|
| Position Size | €75 (Standard Position — WP Score 72) |
| Entry Strategy | Scale in: 50% at market, 50% on any dip to $200 |
| Expected Total Return (10Y) | 11.8% CAGR |
| Cumulative Return (10Y, Base) | ~205% |
| €100 becomes (Base Case) | €305 |
| €100 becomes (Bear Case) | €137 |
| €100 becomes (Bull Case) | €545 |

### vs. Alternatives (10-Year Projection):

| Alternative | €100 Becomes | CAGR | Outperformance vs. TMUS Base |
|---|---|---|---|
| HYSA (4%) | €148 | 4.0% | €157 less than TMUS |
| 10Y Treasury (~4.2%) | €151 | 4.2% | €154 less than TMUS |
| Verizon (VZ) Est. | €210 | ~7.5% | €95 less than TMUS |
| AT&T (T) Est. | €195 | ~6.8% | €110 less than TMUS |
| T-Mobile (TMUS) Base | €305 | 11.8% | Baseline |

### Downside Protection Summary:

| Protection Factor | Status |
|---|---|
| Bear case preserves capital | ✓ Positive return in bear case |
| Dividend provides income floor | ✓ 33% payout ratio; FCF coverage 4.3x |
| Balance sheet provides safety | ✓ $17B+ annual FCF; 5.5x interest coverage |
| Buyback provides price support | ✓ $14B+ authorization; 3%+ annual reduction |
| Low beta reduces volatility | ✓ Beta 0.44; defensive sector |

## 8. RISK ASSESSMENT

| Risk Category | Score (1–10) | Key Concern | Mitigation |
|---|---|---|---|
| Balance Sheet Risk | 6 | D/E 1.47x; $121B total debt | $17B+ annual FCF; rapid deleveraging capacity |
| Earnings Volatility | 3 | Margin compression in Q4 2025 | Essential service; stable subscriber base |
| Competitive Threat | 4 | VZ/T network investment; Starlink | Spectrum advantage; lowest cost structure |
| Regulatory Risk | 3 | FCC spectrum policy; net neutrality | Bipartisan support for 5G expansion |
| Management Risk | 4 | CEO transition (Sievert stepping down) | Strong bench; DT oversight; succession planned |
| Valuation Risk | 3 | Multiple already compressed | 22% below peak; forward P/E 18.6x reasonable |
| Integration Risk | 4 | US Cellular, Metronet, Lumos | Proven integration track record (Sprint) |
| Aggregate Risk | 3.9 | — | MODERATE — Well-managed risks |

### Monitoring Checklist & Exit Triggers

| Condition | Action |
|---|---|
| Dividend cut | Reassess immediately; likely sell |
| Debt/Equity rises >2.5x | Sell |
| ROIC falls below WACC for 2+ quarters | Sell |
| Bear case return turns significantly negative | Reduce/Sell |
| Target price reached ($370+); forward return <5% | Trim position |
| Better opportunity with 10+ point higher WP Score | Replace |
| CEO transition causes strategic drift | Reassess; potential sell |
| Significant regulatory adverse action | Reassess based on impact |

## 9. KEY METRICS SUMMARY

| Metric | Value |
|---|---|
| Wealth Preservation Score | 72 / 100 |
| Fair Value Range | $250 — $310 |
| Current Price | $215.63 |
| Margin of Safety | 23.0% |
| Expected Total Return (Base) | 11.8% CAGR |
| Bear Case Return | +3.2% CAGR |
| Dividend Yield + Growth | 1.89% + 16.2% |
| ROIC vs. WACC | 6.77% vs. 5.16% |
| Probability of Permanent Loss | <5% |
| 52-Week Range | $181.36 — $276.49 |

| Metric | Value |
|---|---|
| Beta | 0.44 |
| Analyst Consensus Price Target | $257 |

## 10. ANALYST NOTES

### Key Assumptions:

• Revenue CAGR of 4% (base case) reflects organic growth in postpaid subscribers plus FWA broadband expansion, partially offset by wholesale revenue decline. Sensitivity: each 1% change in revenue CAGR shifts total return by ~1.5%.
• EPS CAGR of 9% assumes stable margins, moderate share count reduction (~2–3% annually), and US Cellular/Lumos/Metronet accretion. Sensitivity: each 1% change shifts total return by ~1%.
• Terminal P/E of 20x (base) reflects mature growth company multiple, below the current 5-year average of ~25x. Sensitivity: each 1x change shifts fair value by ~$14.

### Limitations:

• T-Mobile initiated its dividend only in September 2023, providing limited dividend history for stress testing. The very low payout ratio provides high confidence in sustainability, but the track record is short.
• The elevated D/E ratio of 1.47x is a legitimate concern for a wealth preservation mandate; however, the telecom industry operates with structurally higher leverage, and T-Mobile's FCF generation provides ample debt service coverage.
• CEO succession represents an uncertainty. While Mike Sievert has an excellent track record, the incoming leadership has yet to establish a comparable performance history.
• The Sprint/US Cellular integration still carries execution risk, though Sprint integration is substantially complete.

**Confidence Level: MEDIUM-HIGH — Strong fundamental case supported by defensive sector dynamics, industry-leading growth and FCF generation, and attractive valuation following a significant pullback. Moderated from HIGH due to elevated leverage, short dividend history, and upcoming CEO transition. The risk-reward profile strongly favors the investor at current prices.**

Report prepared for **Moschovakis Capital**.

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