2016

COMPASS INTELLIGENCE

DELIVERING METRICS-DRIVEN INTELLIGENCE & INSIGHTS

# SNAPSHOT: Q1 and End of Year Assessment of the "Top 4 Mobile Carriers"

May 2016

## Q1 2016 and End of Year Assessment of the "Top 4 Mobile Carriers"

All four carriers have finished up their earnings calls, and Compass Intelligence just completed the final assessment of Q1 and also evaluated the comparisons to Q4 2015 in terms of improvements and declines. We do this each quarter to understand the subscriber and share changes, as well as evaluate the key trends taking place in the wireless industry for both consumer and B2B. We have been tracking the quarterly metrics since 2007. Some metrics are our own internal modeling and estimates, as the market does not report in all categories. A snapshot of Q1 2016 is below.

Compass Intelligence compared last quarter's results to this quarter to show which metrics showed improvement over others (denoted by + or -).

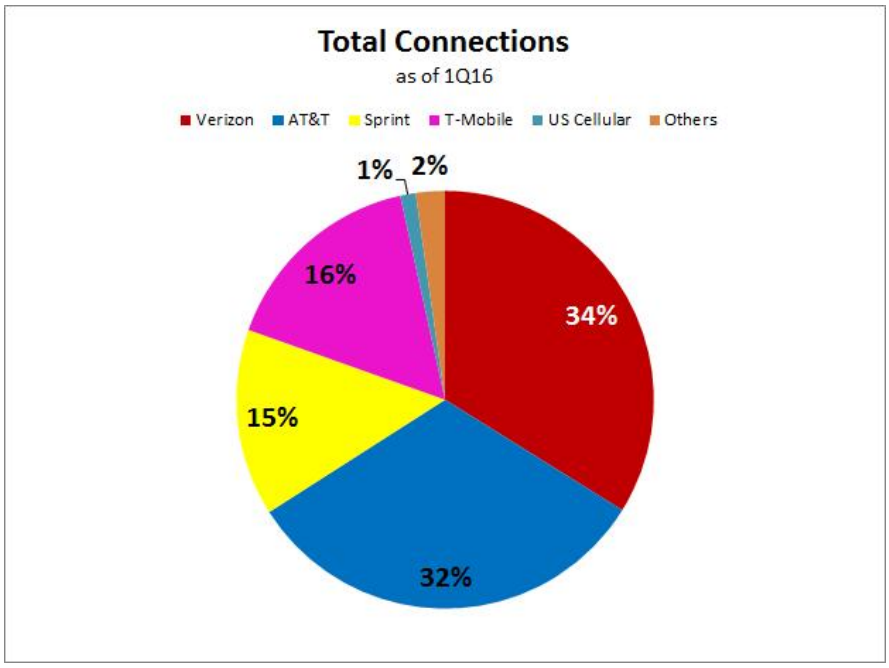
| 1Q16 Carrier Snapshot (000s) | Verizon | | AT&T | | Sprint | | T-Mobile | | Top 4 Total |
|---|---|---|---|---|---|---|---|---|---|
| *Total Connections* | 137,617 | + | 130,445 | + | 58,806 | + | 65,503 | + | 392,371 |
| *End of Quarter Retail Subs (M2M & Wholesale not included)* | 112,573 | + | 89,309 | + | 45,348 | - | 51,174 | + | 298,404 |
| *Retail Postpaid Subs* | 107,171 | + | 77,138 | + | 30,951 | + | 32,736 | + | 247,996 |
| *% Total Retail Subs* | 95.2% | + | 86% | - | 68% | = | 64% | = | - |
| *Retail Prepaid Subs* | 5,402 | - | 12,171 | + | 14,397 | - | 18,438 | + | 50,408 |
| *% Total Retail Subs* | 5% | = | 14% | + | 32% | = | 36% | = | - |
| *Estimated Quarterly Net Adds (Postpaid Only)* | 643 | - | 33 | - | 56 | - | 1,041 | - | 1,773 |
| *Total Service Revenue (000)* | $16,809 | - | $14,798 | - | $6,154 | - | $6,578 | + | $ 44,339 |
| *Retail Postpaid Churn* | 0.96% | = | 1.10% | + | 1.72% | - | 1.33% | + | - |
| *Estimated Active Tablets* | 12,375 | + | 10,600 | + | 3,543 | + | 1,999 | + | 28,516 |
| *Wholesale (MVNO)* | 8,470 | + | 13,378 | - | 3,112 | - | 9,346 | + | 34,305 |
| *Connected Devices* | 16,574 | + | 27,758 | + | 10,346 | + | 4,983 | + | 59,661 |
| *KEY: +improvement over last quarter; -decline over last quarter* | | 7 out of 12 improving | | 8 out of 12 improving | | 4 out of 12 impriving | | 9 out of 12 improvin | |

*Source: Compass Intelligence, Carrier Earnings Reports*

Below are additional thoughts and insights based on the quarter and annual performance:

- <u>OVERALL NOTES:</u>
    - The market ended the quarter with about 7.4M new connections QoQ (includes IoT and mobile subscribers), which is about 2M more than what was added in Q4 2015 driven primarily by tablet and IoT additions.
    - Subscribers reached 298.4M or an addition of 2.8M, which is about 1.5M less than what was added in Q4 2015.
    - While Verizon maintained the lowest churn in the quarter at .96%, both AT&T and T-Mobile reduced their churn rate from Q4 2015 to Q1 2016.
    - A total of 1.3M tablets were active in Q1 2016, with all 4 carriers showing positive additions with Verizon remaining the leader in this category with 12.4M total activated tablets.

- REVENUE: Similar to last quarter, All carriers reported lower service revenue QoQ except for T-Mobile.
    - Combined the industry experienced a total of $1.4B in overall wireless service revenue drop compared to last quarter (Q4 2015).
- POSTPAID ADDS:
    - All 4 carriers ended the quarter with positive postpaid net adds, adding 1.8M retail subscribers for the quarter
    - T-Mobile dominated with postpaid adds, being the only carrier to add more than 1M postpaid adds this quarter
    - Sprint even held out as it brought in more postpaid subscribers than AT&T in Q1 2016.
- CONNECTIONS:
    - Total industry connections reached 406M at the end of Q1 2016, includes all wireless carriers and MVNOs. Total industry subscriber base: 346M
    - Total smartphone subscribers=249M (about 72% of total subs carry smartphones)
    - Postpaid (PP) retail subscribers for big four reached 248M




*Source: Compass Intelligence, Carrier Earnings Reports*

Final Word – The industry is experiencing growth slowdown, especially in terms of smartphone subscriber additions. Most of the growth continues to come from connected devices, and at this point most of these connections bring little overall revenue for the carriers as shown in their declining service revenues. Carriers will need to expand their offerings to include additional services to the enterprise to provide new revenue streams. Many of the carriers have pushed new promotions by partnering with content providers, which is really doing nothing more than to reduce churn and support the existing customer base. Compass

Intelligence also expects the cable operators to begin launching their own mobile initiatives through partnerships and other wholesale relationships. This is expected to further disrupt the market, as businesses and consumers seek to simplify their existing services and vendors.

Compass Intelligence, LLC
8055 State Highway 173 N
Bandera, TX 78003
www.compassintelligence.com
830.796.4498