SPRINT Corp
Form 10-K
May 24, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018
or
o 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 1-04721

SPRINT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	46-1170005
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6200 Sprint Parkway, Overland Park, Kansas	66251
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (855) 848-3280
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value	New York Stock Exchange

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 o
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 o 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 o
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 o
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 amendments 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer (Do not check if smaller reporting company)	o	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes o No x

Aggregate market value of voting and non-voting common stock equity held by non-affiliates of Sprint Corporation at September 30, 2017 was $4,872,116,096

COMMON STOCK OUTSTANDING AT MAY 22, 2018: 4,011,474,569 shares

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement with respect to the 2018 annual meeting of stockholders

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SPRINT CORPORATION
SECURITIES AND EXCHANGE COMMISSION
ANNUAL REPORT ON FORM 10-K
PART I

Item 1. Business

FORMATION

Sprint Corporation, incorporated in 2012 under the laws of Delaware, is a holding company, with operations conducted by its subsidiaries. Our common stock trades on the New York Stock Exchange (NYSE) under the symbol "S."

On July 10, 2013, SoftBank Corp., which subsequently changed its name to SoftBank Group Corp., and certain of its wholly-owned subsidiaries (together, SoftBank) completed the merger (SoftBank Merger) with Sprint Nextel Corporation (Sprint Nextel) as contemplated by the Agreement and Plan of Merger, dated as of October 15, 2012 (as amended, the Merger Agreement) and the Bond Purchase Agreement, dated as of October 15, 2012 (as amended, the Bond Agreement). As a result of the SoftBank Merger, Starburst II, Inc. (Starburst II) became the parent company of Sprint Nextel. Immediately thereafter, Starburst II changed its name to Sprint Corporation and Sprint Nextel changed its name to Sprint Communications, Inc. (Sprint Communications). As a result of the completion of the SoftBank Merger in which SoftBank acquired an approximate 78% interest in Sprint Corporation, and subsequent open market stock purchases, SoftBank owned nearly 85% of the outstanding common stock of Sprint Corporation as of March 31, 2018.

OVERVIEW

Sprint Corporation, including its consolidated subsidiaries, is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. Unless the context otherwise requires, references to "Sprint," "we," "us," "our" and the "Company" mean Sprint Corporation and its consolidated subsidiaries for all periods presented, and references to "Sprint Communications" are to Sprint Communications, Inc. and its consolidated subsidiaries. We are a large wireless communications company in the U.S., as well as a provider of wireline services. Our services are provided through our ownership of extensive wireless networks, an all-digital global wireline network and a Tier 1 Internet backbone.

We offer wireless and wireline services to subscribers in all 50 states, Puerto Rico, and the U.S. Virgin Islands under the Sprint corporate brand, which includes our retail brands of Sprint®, Boost Mobile®, Virgin Mobile®, and Assurance Wireless® on our wireless networks utilizing various technologies including third generation (3G) code division multiple access (CDMA), and fourth generation (4G) services utilizing Long Term Evolution (LTE). We utilize these networks to offer our wireless subscribers differentiated products and services through the use of a single network or a combination of these networks.

Our Business Segments

We operate two reportable segments: Wireless and Wireline. For additional information regarding our business and segments, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and also refer to the Notes to the Consolidated Financial Statements.

Wireless

We offer wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler's brand. In addition, we offer certain non-Sprint branded prepaid subscribers the ability to purchase a device on an installment billing program.

Postpaid

In our postpaid portfolio, we offer several price plans for both consumer and business subscribers. Many of our price plans include unlimited talk, text and data or allow subscribers to purchase monthly data allowances. We also offer family plans that include multiple lines of service under one account.

Under the Sprint brand, we currently offer our devices through leasing and installment billing programs, and within limited plan offerings devices may be subsidized in exchange for a service contract. Our Sprint branded leasing and installment billing programs do not require a service contract but offer devices tied to service plans at lower monthly rates

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when compared to subsidy plans. The installment billing program requires the subscriber to pay full or a discounted retail price based on promotional activities for the device over the installment period. The leasing program requires the subscriber to pay a rental fee over the lease term. In July 2017, we introduced the Sprint Flex program, which gives customers the opportunity to lease any phone and have the option to upgrade or purchase later. This program allows customers to enjoy their phone before deciding what option (upgrade, continue leasing, return, or buy) works best for their lifestyle. Depending on device type, certain leases carry an option to upgrade to a new device annually prior to expiration of the lease for an additional $5 per month. The terms of our lease and installment billing contracts require that customers maintain service otherwise the balance of the remaining contractual obligation on the device is due upon termination of their service. The subsidy program, which has been de-emphasized, requires a service contract and allows for a subscriber to purchase a device generally at a discount for a new line of service. In our non-Sprint branded postpaid plan, we offer devices through an installment billing program while requiring service to be purchased on a prepaid basis. The majority of Sprint's current postpaid handset activations occur on our Sprint Flex leasing program. See "Item 1A. Risk Factors—Subscribers who purchase a device on a financing basis are no longer required to sign a fixed-term service contract, which could result in higher churn, and higher bad debt expense" and "—Because we lease devices to subscribers, our device leasing program exposes us to risks, including those related to the actual residual value realized on returned devices, higher churn and increased losses on devices."

Prepaid

Our prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber uses and demographics. Sprint Forward (formerly Sprint Prepaid) primarily serves as a complementary offer to our Sprint Postpaid offer for those subscribers who want plans that are affordable, simple and flexible without a long-term commitment. Boost Mobile primarily serves subscribers that are looking for value without data limits. Virgin Mobile primarily serves subscribers that are looking to optimize spend but need solutions that offer control, flexibility and connectivity through various plans with high speed data options. Virgin Mobile is also designated as a Lifeline Eligible Telecommunications Carrier. Under the Assurance Wireless brand, Virgin Mobile provides service to Lifeline eligible subscribers (for whom it seeks reimbursement from the federal Universal Service Fund) and subscribers who have lost their Lifeline eligibility and retain Assurance Wireless retail service. The Lifeline Program requires applicants to meet certain eligibility requirements and existing subscribers must recertify as to those requirements annually. While Sprint will continue to support our Lifeline subscribers through our Assurance Wireless prepaid brand, we have excluded these subscribers from our reported prepaid customer base for all periods presented due to regulatory changes resulting in tighter program restrictions. (See "Subscriber Results" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.)

Wholesale

We have focused our wholesale business on enabling our diverse network of customers to successfully grow their business by providing them with an array of network, product and device solutions. This allows our customers to customize this full suite of value-added solutions to meet the growing demands of their businesses. As part of these growing demands, some of our wholesale mobile virtual network operators (MVNO) are also selling prepaid services under the Lifeline program. While Sprint will continue to support our Lifeline subscribers through our wholesale MVNO's, we have excluded these subscribers from our reported wholesale customer base for all periods presented due to regulatory changes resulting in tighter program restrictions. (See "Subscriber Results" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.)

We continue to support the open development of applications, content, and devices on the Sprint network. In addition, we enable a variety of business and consumer third-party relationships through our portfolio of machine-to-machine solutions, which we offer on a retail postpaid and wholesale basis. Our machine-to-machine solutions portfolio provides a secure, real-time and reliable wireless two-way data connection across a broad range of connected devices.

Services and Products

Data & Voice Services

Wireless data communications services are provided throughout the U.S. and include mobile productivity applications, such as Internet access, messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment

applications, including the ability to listen to satellite radio, download and listen to music, and play games. Wireless voice communications services provided throughout the U.S. include basic local and long-distance wireless voice services, as well as voicemail, call waiting, three-way calling, caller identification, and call forwarding. We also provide voice and data services in numerous countries outside of the U.S. through roaming arrangements. We offer customized design, development, implementation and support for wireless services provided to large companies and government agencies.

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Products
Our services are provided using a broad array of devices, applications and services that run on these devices to meet the growing needs of subscriber mobility. Our device portfolio includes many cutting edge handsets and tablets from various original equipment manufacturers as well as hotspots, which allow the connection of multiple Wi-Fi enabled devices to the Sprint platform. Prior to commencing our leasing and installment billing programs, we historically sold devices at prices below our cost in response to competition to attract new subscribers and as retention inducements for existing subscribers. Subscribers also have the option to lease eligible devices through our Sprint Flex leasing program, or to purchase eligible devices through our installment billing program through certain of our channels. In addition, accessories, such as carrying cases, hands-free devices and other items are sold to subscribers through our affiliate Brightstar US, Inc. (Brightstar), and we sell devices to agents and other third-party distributors for resale.
Wireless Network Technologies
We deliver wireless services to subscribers primarily through our Sprint platform network. Our Sprint platform uses primarily 3G CDMA and 4G LTE wireless technologies. Our 3G CDMA wireless technology uses a digital spread-spectrum technique that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over the air and reassembling the voice and data into its original format. Our 4G LTE wireless data communications technology utilizes an all-internet protocol (IP) network to deliver high-speed data communications. Sprint's broad spectrum holdings, particularly in 2.5 GHz, is a key element supporting Sprint's ability to evolve its network to aggressively introduce mobile 5G services. We provide nationwide service through a combination of operating our own network in both major and smaller U.S. metropolitan areas and rural connecting routes, affiliations under commercial arrangements with third-party affiliates and roaming on other providers' networks.
Sales, Marketing and Customer Care
We focus the marketing and sales of wireless services on targeted groups of retail subscribers: individual consumers, businesses and government.
We use a variety of sales channels to attract new subscribers of wireless services, including:

- direct sales representatives whose efforts are focused on marketing and selling wireless services;
- retail outlets, owned and operated by us, that focus on sales to the small business and consumer markets;
- indirect sales agents and third-party retailers that primarily consist of local and national non-affiliated dealers and independent contractors that market and sell services to businesses and the consumer market, and are generally paid through commissions; and
- subscriber-convenient channels, including online sales and telesales.

We market our postpaid offerings under the Sprint brand as well as certain non-Sprint brands. We market our prepaid offerings under the Sprint, Boost Mobile, Virgin Mobile, and Assurance Wireless brands as a means to provide value-driven prepaid service plans. Our wholesale customers are resellers of our wireless services rather than end-use subscribers and market their products and services using their own brands.
Although we market our services using traditional print, digital and television advertising, we also provide exposure to our brand names and wireless services through various sponsorships. The goal of these marketing initiatives is to increase brand awareness and sales.
Our customer care organization works to improve our subscribers' experience, with the goal of retaining subscribers of our wireless services and growing their long-term relationships with Sprint. Customer service call centers receive and resolve inquiries from subscribers and proactively address subscriber needs.
Competition
We believe that the market for wireless services has been and will continue to be characterized by competition across a variety of factors, including the types of services and devices offered, quality of service, and price, among others. We compete with a number of national wireless carriers, including AT&T, Verizon Wireless and T-Mobile, and regional carriers such as U.S. Cellular and C-Spire. We also compete with smaller carriers and a large number of resellers that purchase wholesale wireless services from network operators and offer their own wireless brands and plans that include unlimited local calling. We are also increasingly competing with cable and technology companies as wireless, broadband, and content-related services continue their pattern of convergence. In particular, we face current

and future competition from new entry by cable companies that are currently offering or have announced the launch of competitive wireless services to complement their content distribution and broadband services, including from Comcast's Xfinity Mobile, which launched in May 2017 and now

has over five hundred thousand wireless subscribers, and Charter, which announced plans to launch its Spectrum Mobile wireless service by the end of 2018. Microsoft, Google, Apple and other technology companies also compete with wireless carriers by offering alternative means for making wireless voice calls that, in certain cases, can be used in lieu of the wireless provider's voice or text services, as well as alternative means of accessing video content. Competition may intensify as a result of mergers and acquisitions, as new firms enter the market, and as a result of the introduction of new and other technologies, including 5G, the availability of additional commercial spectrum bands, such as the 600 megahertz (MHz) band, the AWS-3 band and the AWS-4 band, and the introduction of new services using unlicensed spectrum. Network performance will be a critical driver of competition as wireless technologies evolve from current-generation 4G services to next-generation 5G services. Wholesale services and products also contribute to increased competition. In some instances, resellers that use our wireless network and offer similar services compete against our offerings.

Most markets in which we operate have high rates of penetration for wireless services, thereby limiting the growth of subscribers of wireless services. In addition to attracting new subscribers, particularly in less saturated growth markets such as those with non-traditional data demands, it has become increasingly important to retain existing subscribers as the wireless market has matured. Wireless carriers also try to appeal to subscribers by offering certain devices at prices lower than their acquisition cost, which we refer to as our traditional subsidy program. We may offer higher cost devices at greater discounts than our competitors, with the expectation that the loss incurred on the cost of the device will be offset by future service revenue. Wireless carriers now also offer plans that allow subscribers to purchase a device at or near full retail price or lease a device in exchange for lower monthly service fees, early upgrade options, or both. AT&T, Verizon Wireless and T-Mobile also offer programs that include an option to purchase a device using an installment billing program. We currently offer our devices through leasing and installment billing programs, and within limited plan offerings, devices may be subsidized in exchange for a service contract. Our Sprint branded leasing and installment billing programs do not require a service contract but offer devices tied to service plans at lower monthly rates when compared to subsidy plans. The installment billing program requires the subscriber to pay full or a discounted retail price based on promotional activities for the device over the installment period. Under the leasing program, qualified subscribers lease a device for a contractual period of time and pay a rental fee over the term of the lease. The subscriber has the option to turn in their device, continue leasing their device, or purchase the device at the end of the lease term. See "Item 1A. Risk Factors—If we are not able to retain and attract profitable wireless subscribers, our financial performance will be impaired" and "—Because we lease devices to subscribers, our device leasing program exposes us to risks including those related to the actual residual value realized on returned devices, higher churn and increased losses on devices" and "—Subscribers who purchase a device on a financing basis are not required to sign a fixed-term service contract, which could result in higher churn, and higher bad debt expense."

Wireline

We provide a broad suite of wireline voice and data communication services to other communications companies and targeted business subscribers. In addition, our Wireline segment provides voice, data and IP communication services to our Wireless segment. We provide long distance services and operate all-digital global long distance and Tier 1 IP networks.

Services and Products

Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, managed network services, Voice over Internet Protocol (VoIP), and Session Initiated Protocol (SIP). Our IP services can also be combined with wireless services. Such services enable a wireless handset to operate as part of a subscriber's wireline voice network, and our DataLink^{SM} service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data network, making it easier for businesses to adapt their network to changing business requirements. In addition to providing services to our business customers, we also provide services to our Wireless segment.

We continue to assess the portfolio of services provided by our Wireline business and are focusing our efforts on IP-based data services. Stand-alone voice services have been discontinued and we continue to de-emphasize and shutdown TDM-based data services. Our Wireline segment markets and sells its services primarily through direct

sales representatives.

Competition

Our Wireline segment competes with AT&T, Verizon Communications, CenturyLink, other major local incumbent operating companies and cable operators, as well as a host of smaller competitors in the provision of wireline services. Over the past few years, our voice services have experienced an industry-wide trend of lower revenue from lower prices and increased competition from other wireline and wireless communications companies, as well as cable multiple system operators, Internet service providers, and other general contracting information technology companies.

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Some competitors are targeting the high-end data market and are offering deeply discounted rates in exchange for high-volume traffic as they attempt to utilize excess capacity in their networks. In addition, we face increasing competition from other wireless and IP-based service providers. Many carriers, including cable companies, are competing in the residential and small business markets by offering bundled packages of both voice and data services. Competition in wireline services is based on price and pricing plans, the types of services offered, customer service and communications quality, reliability and availability. Our ability to compete successfully will depend on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and pricing strategies. See "Item 1A. Risk Factors—Competition, industry consolidation, effectiveness of our cost optimization efforts, and technological changes in the market for wireless services could negatively affect our operations, resulting in adverse effects on our revenues, cash flows, growth, and profitability."

Legislative and Regulatory Developments

Overview

Communications services are subject to regulation at the federal level by the Federal Communications Commission (FCC) and in certain states by public utilities commissions (PUCs). Since the SoftBank Merger, we have been subject to regulatory conditions imposed by the Committee on Foreign Investment in the United States (CFIUS) pursuant to a National Security Agreement (NSA) among SoftBank, Sprint, the Department of Justice, the Department of Homeland Security and the Department of Defense (the latter three collectively, the USG Parties). Other federal agencies, such as the Federal Trade Commission (FTC) and Consumer Financial Protection Bureau (CFPB), have also asserted jurisdiction over our business.

The following is a summary of the regulatory environment in which we operate and does not describe all present and proposed federal, state and local legislation and regulations affecting the communications industry. Some legislation and regulations are the subject of judicial proceedings, legislative hearings and administrative proceedings that could change the way our industry operates. We cannot predict the outcome of any of these matters or their potential impact on our business. See "Item 1A. Risk Factors—Government regulation could adversely affect our prospects and results of operations; federal and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations."

Regulation and Wireless Operations

The FCC regulates the licensing, construction, operation, acquisition and sale of our wireless operations and wireless spectrum holdings. FCC requirements impose operating and other restrictions on our wireless operations that increase our costs. The FCC does not currently regulate rates for services offered by commercial mobile radio service (CMRS) providers, and states are legally preempted from regulating such rates and entry into any market, although states may regulate other terms and conditions. The Communications Act of 1934 (Communications Act) and FCC rules also require the FCC's prior approval of the assignment or transfer of control of an FCC license, although the FCC's rules permit spectrum lease arrangements for a range of wireless radio service licenses, including our licenses, with FCC oversight. Approval from the FTC and the Department of Justice, as well as state or local regulatory authorities, also may be required if we sell or acquire spectrum interests. The FCC sets rules, regulations and policies to, among other things:

- grant and renew licenses in the 800 MHz, 1.9 gigahertz (GHz) and 2.5 GHz bands;
- rule on assignments and transfers of control of FCC licenses, and leases covering our use of FCC licenses held by other persons and organizations;
- govern the interconnection of our networks with other wireless and wireline carriers;
- establish access and universal service funding provisions;
- impose rules related to unauthorized use of and access to subscriber information;
- impose fines and forfeitures for violations of FCC rules;
- regulate the technical standards governing wireless services; and
- impose other obligations that it determines to be in the public interest.

We hold 800 MHz, 1.9 GHz and 2.5 GHz FCC licenses authorizing the use of radio frequency spectrum to deploy our wireless services. We also hold FCC point-to-point microwave licenses that enable us to provide backhaul for our

wireless network.

800 MHz License Conditions

Spectrum in our 800 MHz band originally was licensed in small groups of channels, therefore, we hold thousands of these licenses, which together allow us to provide coverage across much of the continental U.S. Our 800 MHz licenses are

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subject to requirements that we meet population coverage benchmarks tied to the initial license grant dates. To date, we have met all of the construction requirements applicable to these licenses, except in the case of licenses that are not material to our business. Our 800 MHz licenses have ten-year terms, at the end of which each license is subject to renewal requirements that are similar to those for our 1.9 GHz licenses described below.

1.9 GHz PCS License Conditions

All PCS licenses are granted for ten-year terms. For purposes of issuing PCS licenses, the FCC utilizes major trading areas (MTAs) and basic trading areas (BTAs) with several BTAs making up each MTA. Each license is subject to build-out requirements, which we have met in all of our MTA and BTA markets.

If applicable build-out conditions are met, these licenses may be renewed for additional ten-year terms. Renewal applications are not subject to auctions. If a renewal application is challenged, the FCC grants a preference commonly referred to as a license renewal expectancy to the applicant if the applicant can demonstrate that it has provided "substantial service" during the past license term and has substantially complied with applicable FCC rules and policies and the Communications Act.

2.5 GHz License Conditions

We hold licenses for or lease spectrum located within the 2496 to 2690 MHz band, commonly referred to as the 2.5 GHz band, which is designated for the Broadband Radio Service (BRS) and the Educational Broadband Service (EBS). Most BRS and EBS licenses are allocated to specific, relatively small geographic service areas. Other BRS licenses provide for one of 493 separate BTAs. Under current FCC rules, we can access BRS spectrum either through outright ownership of a BRS license issued by the FCC or through a leasing arrangement with a BRS license holder. The FCC rules generally limit eligibility to hold EBS licenses to accredited educational institutions and certain governmental, religious and nonprofit entities, but permit those license holders to lease up to 95% of their capacity for non-educational purposes. Therefore, we primarily access EBS spectrum through long-term leasing arrangements with EBS license holders. Our EBS spectrum leases typically have an initial term equal to the remaining term of the EBS license, with an option to renew the lease for additional terms, for a total lease term of up to 30 years. Our leases are generally transferable, assuming we obtain required governmental approvals. Achieving optimal broadband network speeds, capacity and coverage using 2.5 GHz spectrum relies in significant part on operationalizing a complex mixture of BRS and EBS spectrum licenses and leases in the desired service areas, which is subject to the EBS licensing limitations described above and the technical limitations of the frequencies in the 2.5 GHz range.

Spectrum Reconfiguration Obligations

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band. The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. Also, in exchange, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band.

The minimum cash obligation was $2.8 billion under the Report and Order. We are, however, obligated to continue to pay the full amount of the costs relating to the reconfiguration plan, although those costs have exceeded $2.8 billion. As required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. The letter of credit was initially $2.5 billion, but has been reduced during the course of the proceeding to $115 million as of March 31, 2018. Since the inception of the program, we have incurred payments of approximately $3.6 billion directly attributable to our performance under the Report and Order. When incurred, substantially all costs are accounted for as additions to FCC licenses with the remainder as property, plant and equipment. Based on our expenses to date and on third party administrator's audits, we have exceeded the $2.8 billion minimum cash obligation required by the FCC. On October 12, 2017, the FCC released a Declaratory Ruling that we have met the minimum cash obligation under the Report and Order and concluded that Sprint will not be required to make any payments to the U.S. Treasury.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008 and public safety reconfiguration is nearly complete across the country with the exception of the States of Arizona, California, Texas and New Mexico. The FCC continues to grant the remaining 800 MHz public safety licensees additional time to complete their band reconfigurations which, in turn, delays our access to our 800 MHz replacement channels in these

areas. In the non-border areas of these states where band reconfiguration is complete, Sprint has received its replacement spectrum in the 800 MHz band and Sprint is deploying 3G CDMA and 4G LTE on this spectrum in combination with its spectrum in the 1.9 GHz and 2.5 GHz bands.

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911 Services

Pursuant to FCC rules, CMRS providers, including us, are required to provide enhanced 911 (E911) services that deliver the location of the cell site from which a 911 call is being made or the location of the subscriber's handset using latitude and longitude, depending upon the capabilities of the requesting public safety answering point (PSAP). The FCC has also imposed enhanced location accuracy standards for the provision of wireless 911 services indoors and these requirements impose additional costs on Sprint. CMRS providers are also now required to provide text-to-911 services upon request by a capable PSAP.

Cybersecurity

Cybersecurity continues to receive attention at federal, state and local government levels. Congress has passed and continues to consider various forms of cybersecurity legislation to increase the security and resiliency of the nation's digital infrastructure and several federal agencies are examining cybersecurity matters. Legislation or regulation imposing new obligations related to cybersecurity may impose additional costs on Sprint. See "Item 1A. Risk Factors—Our reputation and business may be harmed and we may be subject to legal claims if there is a loss, disclosure, misappropriation of, unauthorized access to, or other security breach of our proprietary or sensitive information."

National Security Agreement

As a precondition to CFIUS approval of the SoftBank Merger, the USG Parties required that SoftBank and Sprint enter into the NSA, under which SoftBank and Sprint have agreed to implement certain measures to protect national security, certain of which may materially and adversely affect our operating results due to the increased cost of compliance with security measures, and limits over our control of certain U.S. facilities, contracts, personnel, vendor selection and operations. If we fail to comply with our obligations under the NSA, our ability to operate our business may be adversely affected. See "Item 1A. Risk Factors—Regulatory authorities have imposed measures to protect national security and classified projects as well as other conditions that could have an adverse effect on Sprint."

State and Local Regulation

While the Communications Act generally preempts state and local governments from regulating entry of, or the rates charged by, wireless carriers, certain state PUCs and local governments regulate infrastructure siting, customer billing, termination of service arrangements, advertising, certification of operation, use of handsets when driving, service quality, sales practices, management of customer call records and protected information and many other areas. Also, state attorneys general may bring lawsuits related to the sales practices and services of wireless carriers. Varying practices among the states may make it more difficult for us to implement national sales and marketing programs. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC, and some states are requiring wireless carriers to help fund additional programs, including the implementation of E911 and the provision of intrastate relay services for consumers who are hearing impaired. We anticipate that these trends will continue to require us to devote legal and other resources to work with the states to respond to their concerns while attempting to minimize any new regulation and enforcement actions that could increase our costs of doing business.

Regulation and Wireline Operations

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act), which was the first comprehensive update of the Communications Act, was designed to promote competition, and it eliminated legal and regulatory barriers for entry into local and long distance communications markets. It also required incumbent local exchange carriers (ILECs) to allow resale of specified local services at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to certain unbundled network elements and allow co-location of interconnection equipment by competitors. The rules implementing the Telecom Act continue to be interpreted by the courts, state PUCs and the FCC, and Congress is considering possible changes to the Telecom Act. Further restrictions on the pro-competition aspects of the Telecom Act could adversely affect Sprint’s operations.

International Regulation

The wireline services we provide outside the U.S. are subject to the regulatory jurisdiction of foreign governments and international bodies. In general, we are required to obtain licenses to provide wireline services and comply with certain government requirements.

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Other Regulations

Network Neutrality

On February 26, 2015, the FCC adopted an order reclassifying broadband Internet access service as a telecommunications service subject to Title II of the Communications Act and promulgated new net neutrality rules applicable to both mobile and fixed service providers. The rules prohibited: (1) blocking of lawful content, applications, services and non-harmful devices; (2) impairing or degrading Internet traffic on the basis of content, application, or service, or use of a non-harmful device; and (3) prioritization or favoring of some network traffic over other traffic either in exchange for consideration (monetary or otherwise) from a third party, or to benefit an affiliated entity. The blocking and impairing prohibitions were subject to a "reasonable network management" exception. The rules also included a “transparency” rule that required us to disclose information about our commercial terms, performance characteristics, and network practices. In addition, the order established a future conduct rule, to be applied on a case by case basis, prohibiting broadband Internet access providers from unreasonably interfering with or disadvantaging end users’ ability to use the Internet to access lawful content, applications, service, or devices of their choice, or edge providers’ ability to make such content applications, services, or devices available to end users. On December 14, 2017, the FCC voted to return broadband Internet access service to its prior classification as an information service, and reinstate the private mobile service classification of mobile broadband Internet access service. The order also eliminated the FCC's Internet Conduct Standard, along with the bright-line rules and included expanded transparency requirements. The new rules were published in the federal register on February 22, 2018. As a result of the FCC order, state legislators and governors have introduced, and in some cases passed, state laws and executive orders requiring different levels of adherence to net neutrality principles for broadband Internet access service providers active in the applicable states. Depending on the interpretation and application of these rules, including conflicts between federal and state laws, we may incur additional costs or be limited in the services we can provide.

Truth in Billing and Consumer Protection

The FCC's Truth in Billing rules require both wireline and wireless telecommunications carriers, such as us, to provide full and fair disclosure of all charges on their bills, including brief, clear, and non-misleading plain language descriptions of the services provided. In addition, the FCC regularly opens proceedings or conducts investigations to address consumer protection issues (i.e., cramming). Depending upon FCC or individual state proceedings in these areas, our billing and customer service costs could increase.

Access Charges

ILECs and competitive local exchange carriers (CLECs) impose access charges for the origination and termination of calls upon wireless and long distance carriers, including our Wireless and Wireline segments. In addition, ILECs and CLECs charge other carriers special access charges for access to dedicated facilities that are paid by both our Wireless and Wireline segments. These fees and charges are a significant cost for our Wireless and Wireline segments and continue to be the subject of interpretation and litigation.

The FCC concluded a proceeding to consider whether special access pricing rules need to be changed, and whether the terms and conditions governing the provision of special access are just and reasonable. The resulting order largely deregulates the business data services or special access market, including both Ethernet and TDM services. These actions may increase Sprint's costs of providing service as they are implemented.

Universal Service

Communications carriers contribute to and receive support from various Universal Service Funds (USF) established by the FCC and many states. The federal USF program funds services provided in high-cost areas, reduced-rate services to low-income consumers, and discounted communications and Internet services for schools, libraries and rural health care facilities. Similarly, many states have established their own USFs to which we contribute. The FCC has considered changing its USF contribution methodology, which could impact the amount of our assessments.

The Lifeline program is included within the USFs. Virgin Mobile was designated as a Lifeline-only Eligible Telecom Carrier (ETC) in 42 jurisdictions as of March 31, 2018, and provides service under our Assurance Wireless brand. As a Lifeline provider, Assurance Wireless receives support from the USF. The Lifeline program requires, including adoption of minimum service standards and the phase-out of Lifeline support for standalone voice service, and

enforcement actions by the FCC and other regulatory/legislative bodies could negatively impact growth in the Assurance Wireless and wholesale subscriber base and/or the profitability of the Assurance Wireless and wholesale business overall. The decline in standalone voice support, which is expected to begin in December 2019 and will decline annually for all existing subscribers through December 2021, may be offset by the expansion of the Lifeline program to include support for broadband service.

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Electronic Surveillance Obligations

The Communications Assistance for Law Enforcement Act (CALEA) requires telecommunications carriers in the United States, including us, to modify equipment, facilities and services to allow for authorized electronic surveillance based on either industry or FCC standards. Our CALEA obligations have been extended to data and VoIP networks, and we comply with these requirements. Certain laws and regulations require that we assist various government agencies with electronic surveillance of communications and provide records concerning those communications. We do not disclose customer information to the government or assist government agencies in electronic surveillance unless we have been provided a lawful request for such information. If our obligations under these laws and regulations were to change or were to become the focus of any inquiry or investigation, it could require us to incur additional costs and expenses, which could adversely affect our financial condition or results of operation. Certain non-U.S. laws and regulations also require that we comply with requirements to assist non-U.S. government agencies with electronic surveillance of communications and provide records concerning those communications.

Environmental Compliance

Our environmental compliance and remediation obligations relate primarily to the operation of standby power generators, batteries and fuel storage for our telecommunications equipment. These obligations require compliance with storage and related standards, obtaining of permits and occasional remediation. Although we cannot assess with certainty the impact of any future compliance and remediation obligations, we do not believe that any such expenditures will adversely affect our financial condition or results of operations.

Patents, Trademarks and Licenses

We own numerous patents, patent applications, service marks, trademarks and other intellectual property in the U.S. and other countries, including "Sprint®," "Boost Mobile®," and "Assurance Wireless®." Our services often use the intellectual property of others, such as licensed software, and we often license copyrights, patents and trademarks of others, like "Virgin Mobile." In total, these licenses and our copyrights, patents, trademarks and service marks are of material importance to each of our segments. Generally, our trademarks and service marks endure and are enforceable so long as they continue to be used. Our patents and licensed patents have remaining terms of up to 10 years. We occasionally license our intellectual property to others, including licenses to others to use the "Sprint" trademark.

We have received claims in the past, and may in the future receive claims, that we, or third parties from whom we license or purchase goods or services, have infringed on the intellectual property of others. These claims can be time-consuming and costly to defend, and divert management resources. If these claims are successful, we could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks. We, or third parties from whom we license or purchase goods or services, also could enter into licenses with unfavorable terms, including royalty payments, which could adversely affect our business.

Access to Public Filings and Board Committee Charters

Important information is routinely posted on our website at www.sprint.com. Public access is provided to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed with or furnished to the SEC under the Exchange Act. These documents may be accessed free of charge on our website at the following address: http://www.sprint.com/investors. These documents are available as soon as reasonably practicable after filing with the SEC and may also be found at the SEC's website at www.sec.gov. Information contained on or accessible through our website or the SEC's website is not part of this annual report on Form 10-K.

Our Code of Ethics, the Sprint Code of Conduct (Code of Conduct), our Corporate Governance Guidelines and the charters of the following committees of our board of directors: the Audit Committee, the Compensation Committee, the Finance Committee, and the Nominating and Corporate Governance Committee may be accessed free of charge on our website at the following address: www.sprint.com/governance. Copies of any of these documents can be obtained free of charge by writing to: Sprint Shareholder Relations, 6200 Sprint Parkway, Mailstop KSOPHF0302-3B679, Overland Park, Kansas 66251 or by email at shareholder.relations@sprint.com. If a provision of the Code of Conduct required under the NYSE corporate governance standards is materially modified, or if a waiver of the Code of Conduct is granted to a director or executive officer, a notice of such action will be posted on our website at the following address: www.sprint.com/governance. Only the Audit Committee may consider a waiver of the Code of

Conduct for an executive officer or director.

Employee Relations

As of March 31, 2018, we had approximately 30,000 employees.

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Executive Officers of the Registrant

The following people were serving as our executive officers as of May 24, 2018. These executive officers were elected to serve until their successors have been elected. There is no familial relationship between any of our executive officers and directors.

Name	Experience	Current Position Held Since	Age
Marcelo Claure	Chief Executive Officer. Mr. Claure was named President and CEO, effective August 11, 2014, and has served on the Sprint board of directors since January 2014. It is expected that Mr. Claure will become Executive Chairman of the Sprint board and resign his position as Chief Executive Officer on or before May 31, 2018. Mr. Claure served as President from August 2014 until January 2018. In addition, Mr. Claure has served as a director of SoftBank Group Corp. since June 2017 and currently serves as a director of Arm Holdings plc, a subsidiary of SoftBank Group Corp. Prior to joining Sprint, he was CEO of Brightstar, a company he founded in 1997 and grew from a small Miami-based distributor of mobile devices into a global business with more than $10 billion in gross revenue for the year ended 2013. Mr. Claure serves as chairman of the board of directors of CTIA-The Wireless Association.	2014	47
Michel Combes	President and Chief Financial Officer. Mr. Combes was named President and Chief Financial Officer, effective January 6, 2018, and has served on the Sprint board of directors since January 2018. It is expected that Mr. Combes will become Chief Executive Officer of Sprint and resign his position as Chief Financial Officer on or before May 31, 2018. Mr. Combes has more than 25 years of experience in the telecommunications industry. Prior to joining Sprint, Mr. Combes was CEO and a director of Altice N.V., where he was responsible for telecom, media, and content operations around the world from June 2016 until November 2017. Previously, Mr. Combes served as Chief Operating Officer of Altice N.V. from September 2015 until June 2016, and as CEO and Chairman of Altice SFR Group from September 2015 until November 2017. In addition, Mr. Combes served as a director of Altice USA, Inc. from June 2017 until November 2017. Before joining Altice N.V., Mr. Combes was CEO of Alcatel-Lucent from September 2013 until September 2015. Previously, he served as CEO of Vodafone Europe, Chairman and CEO of TDF Group, and Chief Financial Officer and Senior Executive Vice President of France Telecom.	2018	56
Nestor Cano	Chief Operating Officer. Mr. Cano was appointed Chief Operating Officer effective February 2, 2017. Mr. Cano is responsible for delivering operational excellence, driving further expense reductions, and strengthening systems and processes across the business. Prior to joining Sprint, from June 2007 until January 2017, Mr. Cano served as President, Europe of Tech Data Corporation, one of the world's largest wholesale distributors of technology products. Mr. Cano also held other senior executive roles at Tech Data Corporation, where he helped fix management processes and controls to drive the best-ever profits in Tech Data Corporation's European operations.	2017	54
Kevin Crull	Chief Strategy Officer. Mr. Crull was appointed Chief Strategy Officer in November 2017. Previously, he served as President, Omnichannel Sales from November 2016 until November 2017, as President of the Central and Northeast regions from January 2016 until November 2016, and as Chief Marketing Officer from May 2015 until December 2015. Mr. Crull is responsible for strategic direction, organizational effectiveness, and customer experience and customer management. Prior to joining Sprint, from October 2010 until April 2015, Mr. Crull served as the Chief Operating Officer and then President of Bell Media, Canada's largest media and broadcasting company.	2017	53

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Name	Experience	Current Position Held Since	Age
Dow Draper	Chief Commercial Officer. Mr. Draper was appointed Chief Commercial Officer in November 2017. Previously, Mr. Draper served as President - Sprint Prepaid Group from October 2016 until November 2017, as CEO of Virgin Mobile USA from May 2016 until October 2016, and as President - Global Wholesale and Prepaid Services from September 2013 until May 2016. Mr. Draper is responsible for commercial strategy, including marketing and sales for the Sprint, Boost Mobile and Virgin Mobile brands. Prior to joining Sprint, he was Senior Vice President and General Manager of Retail for CLEAR, the retail brand of Clearwire, where he oversaw the brand's sales, marketing, customer care and product development. He served in various executive positions at Clearwire beginning in 2009.	2017	48
Jorge Gracia	Chief Legal Officer. Mr. Gracia was appointed to his position in January 2016. He oversees all strategic, transactional, dispute, and preventative legal and government affairs matters, provides advice to the board and senior management on various matters, and has responsibility for ethics training and legal compliance. Mr. Gracia has over 25 years of experience in international corporate law, most recently with Samsung Electronics America, Inc., where he served as Senior Vice President and General Counsel from October 2013 until December 2015. Mr. Gracia previously spent 17 years at Alcatel-Lucent, where he held a series of positions, each with increasing responsibility. Mr. Gracia last served as Deputy General Counsel - Global Commercial Law, a role in which he led an international team of approximately 200 professionals supporting all commercial matters, including serving as general counsel for global sales and marketing, the team responsible for worldwide revenue-generating activities.	2016	52
John Saw PhD	Chief Technology Officer. Dr. Saw was appointed Chief Technology Officer in August 2015. Previously, he served as Chief Network Officer from March 2014 until August 2015 and as Senior Vice President, Technology Architecture from July 2013 until March 2014. Dr. Saw is responsible for technology development, network planning, engineering, deployment and service assurance of the Sprint network. Before Sprint’s acquisition of Clearwire in July 2013, Dr. Saw was Chief Technology Officer of Clearwire. He joined Clearwire as its second employee in 2003 and was instrumental in scaling the company's technical expertise and organization. In 2009 and 2010, he led the Clearwire team that built the first 4G network in North America, covering more than 130 million people.	2015	56
Paul Schieber, Jr.	Vice President and Controller. Mr. Schieber was appointed Controller in December 2013. Mr. Schieber previously served in various positions at Sprint since 1991. Most recently, he served as Vice President, Access and Roaming Planning, where he was responsible for managing Sprint's roaming costs as well as its wireless and wireline access costs. Prior to that, Mr. Schieber held various leadership roles in Sprint's Finance organization including heading Sprint's internal audit function as well as serving in various Vice President - Finance roles. He was also a director in Sprint's Tax department and a director on its Mergers and Acquisitions team. Before joining Sprint, Mr. Schieber was a senior manager with the public accounting firm Ernst & Young, where he worked as an auditor and a tax consultant. In addition, he served as corporate controller for a small publicly held company.	2013	60

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Item 1A. Risk Factors

In addition to the other information contained in this annual report on Form 10-K, the following risk factors should be considered carefully in evaluating us. Our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks.

Risks Relating to the Merger Transactions

The closing of the Merger Transactions is subject to many conditions, including the receipt of approvals from various governmental entities, which may not approve the Merger Transactions, may delay the approvals for, or may impose conditions or restrictions on, jeopardize or delay completion of, or reduce the anticipated benefits of, the Merger Transactions, and if these conditions are not satisfied or waived, the Merger Transactions will not be completed.

The completion of the Merger Transactions is subject to a number of conditions, including, among others, obtaining certain governmental authorizations, consents, orders or other approvals and the absence of any injunction prohibiting the Merger Transactions or any legal requirements enacted by a court or other governmental entity preventing consummation of the Merger Transactions. There is no assurance that these required authorizations, consents, orders or other approvals will be obtained or that they will be obtained in a timely manner, or whether they will be subject to required actions, conditions, limitations or restrictions on our, T-Mobile’s or the combined company’s business, operations or assets. If any such required actions, conditions, limitations or restrictions are imposed, they may jeopardize or delay completion of the Merger Transactions, reduce or delay the anticipated benefits of the Merger Transactions or allow the parties to terminate the Merger Transactions, which could result in a material adverse effect on our, T-Mobile’s or the combined company’s business, financial condition or operating results. In addition, the completion of the Merger Transactions is also subject to T-Mobile USA having specified minimum credit ratings on the closing date of the Merger Transactions (after giving effect to the Merger Transactions) from at least two of the three credit rating agencies, subject to certain qualifications.

Failure to complete the Merger Transactions, or a delay in completing the Merger Transactions, could negatively impact our stock price and the future business, assets, liabilities, prospects, outlook, financial condition and results of operations of us or the combined company.

If the Merger Transactions are not completed or delayed, our common stock price and future business and financial results could be negatively affected, or our employees, suppliers, vendors, distributors, retailers, dealers or customers could lose focus on our business, cease doing business with us, or curtail their activities with us. In addition, the Business Combination Agreement may be terminated if, among other things, required regulatory approvals or consents are not obtained or either party breaches certain of its obligations under the Business Combination Agreement. If this were to occur, it could have an adverse effect on our business, financial condition, operating results and stock price.

We and T-Mobile are subject to various uncertainties and contractual restrictions and requirements while the Merger Transactions are pending that could disrupt our, T-Mobile’s or the combined company’s business and adversely affect our or T-Mobile’s business, assets, liabilities, prospects, outlook, financial condition and results of operations.

Uncertainty about the effect of the Merger Transactions on employees, customers, suppliers, vendors, distributors, dealers and retailers may have an adverse effect on us and T-Mobile. These uncertainties may impair our and T-Mobile’s ability to attract, retain and motivate key personnel during the pendency of the Merger Transactions and, if the Merger Transactions are completed, for a period of time thereafter, as existing and prospective employees may experience uncertainty about their future roles with the combined company. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with us or T-Mobile, our and T-Mobile’s business following the Merger Transactions could be negatively impacted. Additionally, these uncertainties could cause customers, suppliers, distributors, dealers, retailers and others who deal with us or T-Mobile to seek to change or cancel existing business relationships with us or T-Mobile or fail to renew existing relationships with us or T-Mobile. Suppliers, distributors and content and application providers may also delay or cease developing for us or T-Mobile new products that are necessary for the operations of our or T-Mobile’s business due to the uncertainty created by the Merger Transactions. Competitors may also target our or T-Mobile’s existing customers by highlighting potential uncertainties and integration difficulties that may result from the Merger Transactions.

The Business Combination Agreement also restricts each of us and T-Mobile, without the other's consent, from taking certain actions outside of the ordinary course of business while the Merger Transactions are pending, including, among other things, certain acquisitions or dispositions of businesses and assets, entering into or amending certain contracts, repurchasing or issuing securities, making capital expenditures and incurring indebtedness, in each case subject to certain

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exceptions. These restrictions may have a significant negative impact on our and T-Mobile's business, results of operations and financial condition.

In addition, management and financial resources have been diverted and will continue to be diverted toward the completion of the Merger Transactions. We and T-Mobile have incurred, and expect to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the Merger Transactions. These costs could adversely affect our and T-Mobile's financial condition and results of operations prior to the consummation of the Merger Transactions.

The Business Combination Agreement contains provisions that restrict the ability of our board of directors to pursue alternatives to the Merger Transactions.

The Business Combination Agreement contains non-solicitation provisions that restrict our ability to solicit, initiate, knowingly encourage or knowingly take any other action designed to facilitate, any inquiries regarding, or the making of, any proposal the consummation of which would constitute an alternative transaction for purposes of the Business Combination Agreement.

Our directors and executive officers may have interests in the Merger Transactions that may be different from, or in addition to, those of other of our stockholders.

Our directors and executive officers may have interests in the Merger Transactions that may differ from, or that are in addition to, the interests of our other stockholders. These interests with respect to our directors and executive officers may include, among others, continued service as a director or an executive officer of the combined company, employment or consulting arrangements, arrangements that provide for severance benefits if certain executive officers' employment is terminated under certain circumstances following the completion of the Merger Transactions and rights to indemnification and directors' and officers' liability insurance following the completion of the Merger Transactions. Our board of directors was aware of these interests during the time that the Business Combination Agreement was being negotiated and at the time they approved the Merger Transactions. These interests may cause our directors and executive officers to view the Merger Transactions differently than another stockholder may view.

Although we expect that the Merger Transactions will result in synergies and other benefits to us and T-Mobile, those benefits may not be realized fully or at all or may not be realized within the expected time frame.

Our and T-Mobile's ability to realize the anticipated benefits of the Merger Transactions will depend, to a large extent, on the combined company's ability to integrate our and T-Mobile's businesses in a manner that facilitates growth opportunities and achieves the projected stand-alone cost savings and revenue growth trends identified by each company without adversely affecting current revenues and investments in future growth. In addition, some of the anticipated synergies are not expected to occur for a significant time period following the completion of the Merger Transactions and will require substantial capital expenditures in the near term to be fully realized. Even if the combined company is able to integrate the two companies successfully, the anticipated benefits of the Merger Transactions may not be realized fully or at all or may take longer to realize than expected.

Our business and T-Mobile's business may not be integrated successfully or such integration may be more difficult, time consuming or costly than expected. Operating costs, customer loss and business disruption, including difficulties in maintaining relationships with employees, customers, suppliers or vendors, may be greater than expected following the Merger Transactions. Revenues following the Merger Transactions may be lower than expected.

The combination of two independent businesses is complex, costly and time-consuming and may divert significant management attention and resources to combining our and T-Mobile's business practices and operations. This process may disrupt our and T-Mobile's businesses. The failure to meet the challenges involved in combining the two businesses and to realize the anticipated benefits of the Merger Transactions could cause an interruption of, or a loss of momentum in, the activities of the combined company and could adversely affect the results of operations of the combined company. The overall combination of our and T-Mobile's businesses may also result in material unanticipated problems, expenses, liabilities, competitive responses and loss of customer and other business relationships. The difficulties of combining the operations of the companies include, among others:

- difficulties in integrating the companies' operations and systems, including intellectual property and communications systems, administrative and information technology infrastructure and financial reporting and internal control systems, including compliance by the combined company with Section 404 of the Sarbanes-Oxley Act of 2002 and

the rules promulgated by the SEC;

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- challenges in conforming standards, controls, procedures, accounting and other policies, business cultures, and compensation structures between the two companies;
- difficulties in assimilating employees and in attracting and retaining key personnel;
- challenges in keeping existing customers and obtaining new customers;
- difficulties in achieving anticipated synergies, business opportunities, and growth prospects from the combination;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- the transition of management to the combined company executive management team;
- determining whether and how to address possible differences in corporate cultures and management philosophies;
- the impact of the additional debt financing expected to be incurred in connection with the Merger Transactions;
- contingent liabilities that are larger than expected; and
- potential unknown liabilities, adverse consequences, and unforeseen increased expenses associated with the Merger Transactions.

Many of these factors are outside of our and T-Mobile’s control and/or will be outside the control of the combined company, and any one of them could result in increased costs, decreased expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the combined company. In addition, even if the operations of our business and T-Mobile’s business are combined successfully, the full benefits of the Merger Transactions may not be realized, including the synergies or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in combining our business and T-Mobile’s business. All of these factors could cause dilution to the earnings per share of the combined company, decrease or delay the expected accretive effect of the Merger Transactions and negatively impact the price of our and T-Mobile’s common stock. As a result, it cannot be assured that the combination of our business and T-Mobile’s business will result in the realization of the full benefits anticipated from the Merger Transactions within the anticipated time frames or at all.

Failure to consummate the Merger Transactions could materially and adversely affect our future business and financial results.

If the Merger Transactions are not completed for any reason, our ongoing businesses may be materially and adversely affected and, without realizing any of the benefits of having completed the Merger Transactions, we will be subject to numerous risks, including the following:

- having to pay substantial costs relating to the Merger Transactions, such as financing fees and costs and advisor, filing and other fees that will have already been incurred;
- experiencing negative reactions from the financial markets, including negative impacts on our stock price or the trading price of our notes, on our ability to access the capital markets to raise capital on acceptable terms or at all or from our customers, regulators and employees;
- focusing on the Merger Transactions instead of on pursuing other opportunities that could be beneficial, without realizing any of the benefits of having the Merger Transactions consummated; and
- reputational harm due to the adverse perception of any failure to successfully consummate the Merger Transactions.

There can be no assurance that these risks will not materialize and will not materially affect our business, results of operation and financial condition if the Merger Transactions are not consummated.

Litigation relating to the Merger Transactions may be filed against our board of directors and/or the board of directors of T Mobile that could prevent or delay the consummation of the Merger Transactions, result in the payment of damages following consummation of the Merger Transactions and/or have an adverse effect on the trading prices of our securities.

In connection with the Merger Transactions, it is possible that stockholders of Sprint and/or T-Mobile may file putative class action lawsuits against the boards of directors of Sprint and/or T-Mobile. Among other remedies, these stockholders could seek damages and/or to enjoin the Merger Transactions. The outcome of any litigation is uncertain and any such potential lawsuits could prevent or delay consummation of the Merger Transactions and/or result in substantial costs

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to us and/or T-Mobile. Any such actions may create uncertainty relating to the Merger Transactions and may be costly and distracting to management. Further, the defense or settlement of any lawsuit or claim that remains unresolved at the time the Merger Transactions are consummated may adversely affect the combined company's business, financial condition, results of operations, and cash flows. Potential litigation relating to the Merger Transactions or the threat thereof may have an adverse effect on the trading prices of our securities.

The agreements governing the combined company's indebtedness will include restrictive covenants that limit the combined company's operating flexibility.

The agreements governing the combined company's indebtedness will impose material operating and financial restrictions on the combined company. These restrictions, subject in certain cases to customary baskets, exceptions and incurrence-based ratio tests, may limit the combined company's 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;
- developing assets, properties or licenses which the combined company has or in the future may procure;
- creating liens on assets;
- participating in future FCC auctions of spectrum or private sales of spectrum;
- 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 the combined company's ability to obtain debt financing, repurchase stock, refinance or pay principal on its outstanding indebtedness, complete acquisitions for cash or indebtedness or react to changes in its operating environment or the economy. Any future indebtedness that the combined company incurs may contain similar or more restrictive covenants. Any failure to comply with the restrictions of the combined company's 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 the combined company's lenders the right to terminate any commitments they had made to provide it with further funds and to require the combined company to repay all amounts then outstanding.

Financing of the Merger Transactions is not assured.

Although T-Mobile USA has received debt financing commitments from lenders to provide various bridge and other credit facilities to finance the Merger Transactions, the obligation of the lenders to provide these facilities is subject to a number of conditions. It is also expected that T-Mobile will enter into other financing arrangements in connection with the Merger Transactions for which it does not presently have commitments. Furthermore, T-Mobile USA may seek to modify its existing financing arrangements in connection with the Merger Transactions, and we understand that it does not have commitments from the lenders providing its existing financing arrangements for these modifications. Accordingly, financing of the Merger Transactions is not assured. Even if T-Mobile USA is able to obtain financing or modify its existing financing arrangements, the terms of such new or modified financing arrangements may not be available to T-Mobile USA on favorable terms, and T-Mobile USA may incur significant costs in connection with entering into such financing.

Downgrades of our and/or T-Mobile's ratings could adversely affect our, T-Mobile's and/or the combined company's respective businesses, cash flows, financial condition and operating results.

Our credit ratings impact the cost and availability of future borrowings, and, as a result, our cost of capital. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations or, following completion of the Merger Transactions, obligations to the combined company's creditors. Each of the rating organizations reviews our ratings and T-Mobile's ratings periodically, and there can be no assurance that our or T-Mobile's current ratings will be maintained in the future. Downgrades in our financial health and/or T-Mobile's ratings could adversely affect our, T-Mobile's and/or the combined company's businesses, cash flows, financial condition and operating results. The Business Combination Agreement also contains certain conditions relating to a minimum credit rating of T-Mobile USA on the closing date of the Merger Transactions.

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The Combined Company's indebtedness following the completion of the Merger Transactions will be substantially greater than our indebtedness on a stand-alone basis and greater than the combined indebtedness of us and T-Mobile prior to the announcement of the Merger Transactions. This increased level of indebtedness could adversely affect the combined company's business flexibility, and increase its borrowing costs.
In connection with the Merger Transactions, we expect T-Mobile to incur merger-related debt financing, which we expect will be used in part to prepay a portion of our existing indebtedness and a portion of T-Mobile's existing indebtedness and to fund liquidity needs. As a result, after giving effect to the Merger Transactions and the related transactions contemplated by the Business Combination Agreement, including the incurrence of the merger-related debt financing, we anticipate that the combined company will have substantially higher consolidated indebtedness. The combined company's substantially increased indebtedness following completion of the Merger Transactions in comparison to our indebtedness prior to the Merger Transactions will have the effect, among other things, of reducing its flexibility to respond to changing business and economic conditions. In addition, the amount of cash required to pay interest on the combined company's increased indebtedness levels will increase following the completion of the Merger Transactions, and thus the demands on cash resources will be greater than prior to the Merger Transactions. The increased levels of indebtedness following completion of the Merger Transactions may reduce funds available to fund the combined company's efforts to combine our business with T-Mobile's business and realize the expected benefits of the Merger Transactions and/or may also reduce funds available for capital expenditures, share repurchases, and other activities and may create competitive disadvantages for the combined company relative to other companies with lower debt levels.
Further, it may be necessary to incur substantial additional indebtedness in the future after the Merger Transactions subject to the restrictions contained in the combined company's debt instruments. If new indebtedness is added after the closing of the Merger Transactions, the related risks could intensify.
Because of the combined company's substantial indebtedness following the completion of the Merger Transactions, it may not be able to service its debt obligations in accordance with their terms after the Merger Transactions.
The combined company's ability to service its substantial debt obligations following the completion of the Merger Transactions will depend on its future performance, which will be affected by financial, business, economic and other factors, including its ability to achieve the expected benefits and cost savings from the Merger Transactions. There is no guarantee that the combined company will be able to generate sufficient cash flow to pay its debt service obligations when due. If the combined company is unable to meet its debt service obligations after the Merger Transactions or it fails to comply with its financial and other restrictive covenants contained in the agreements governing its indebtedness, the combined company may be required to refinance all or part of its debt, sell important strategic assets at unfavorable prices or borrow more money. The combined company may not be able to, at any given time, refinance its debt, sell assets or borrow more money on acceptable terms or at all. The combined company's inability to refinance its debt could have a material adverse effect on its business, financial condition and results of operations.
Our stockholders will have a reduced ownership and voting interest in the combined company after the Merger Transactions and will exercise less influence over management.
Upon completion of the Merger Transactions, each of our stockholders who receives shares of T-Mobile common stock will become a stockholder of T-Mobile with a percentage ownership of T-Mobile that is smaller than their current percentage ownership of us. As a result, even if all of our former stockholders voted together on all matters presented to T-Mobile stockholders from time to time, our former stockholders would exercise significantly less influence over the combined company after the completion of the Merger Transactions relative to their influence over us now, and thus would have a less significant impact on the election of the combined company's board and on the approval or rejection of future proposals submitted to a stockholder vote of the combined company's stockholders.
Business Risks
If we are not able to retain and attract profitable wireless subscribers, our financial performance will be impaired.
Our success is based on our ability to retain current subscribers and attract new subscribers. If we are unable to attract and retain profitable wireless subscribers, our financial performance will be impaired, and we could fail to meet our financial obligations. From January 1, 2008 through March 31, 2018, we have experienced an aggregate net decrease

of approximately 10.6 million subscribers in our total retail postpaid subscriber base (excluding the impact of our acquisitions).

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Our ability to retain our existing subscribers, to compete successfully for new subscribers, and reduce our churn rate depends on, among other things:

- our ability to anticipate and respond to various competitive factors, including our successful execution of marketing and sales strategies; the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and execution under credit and collection policies;
- actual or perceived quality and coverage of our network;
- public perception about our brands and the Merger Transactions;
- our ability to anticipate, develop, and deploy new or enhanced technologies, products, and services that are attractive to existing or potential subscribers;
- our ability to continue to access spectrum and acquire additional spectrum capacity; and
- our ability to maintain our current MVNO relationships and to enter into new MVNO arrangements.

Our ability to retain subscribers may be negatively affected by industry trends related to subscriber contracts. We continue to see aggressive customer acquisition efforts by our competitors. For example, most service providers, including us, are offering wireless service plans without any long-term commitment. Furthermore, some service providers are reimbursing contract termination fees, including paying off the outstanding balance on devices, incurred by new customers in connection with such customers terminating service with their current wireless service providers. Our competitors' aggressive customer contract terms, such as those described above, could negatively affect our ability to retain subscribers and could lead to an increase in our churn rates if we are not successful in providing an attractive product, price, and service mix, which could adversely affect our operating results.

We expect to continue to incur expenses such as the reimbursement of subscriber termination fees, and other subscriber acquisition and retention expenses, to attract and retain subscribers, but there can be no assurance that our efforts will generate new subscribers or result in a lower churn rate. Subscriber losses and a high churn rate could adversely affect our business, financial condition, and results of operations because they result in lost revenues and cash flow.

Moreover, we and our competitors continue to gain a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers. To the extent we cannot compete effectively for new subscribers or if we attract more subscribers that are not creditworthy, our revenues and results of operations could be adversely affected.

The success of our network improvements and 5G deployment will depend on the timing, extent, and cost of implementation; access to spectrum; the performance of third-parties and related parties; upgrade requirements; and the availability and reliability of the various technologies required to provide such modernization.

We must continually invest in our wireless network, including expanding our network capacity and coverage through macro sites and small cells, in order to improve our wireless services and remain competitive by providing 5G capabilities. The development and deployment of new technologies and services requires us to anticipate the changing demands of our customers and to respond accordingly, which we may not be able to do in a timely or efficient manner.

Improvements in our service depend on many factors, including our ability to predict and adapt to future changes in technologies, changes in consumer demands, changes in pricing and service offerings by our competitors, and continued access to and deployment of adequate spectrum, including any leased spectrum. If we are unable to access spectrum to increase capacity or to deploy the services subscribers desire on a timely basis or at acceptable costs while maintaining network quality levels, our ability to attract and retain subscribers could be adversely affected, which would negatively impact our operating results.

If we fail to provide a competitive network, our ability to provide wireless services to our subscribers, to attract and retain subscribers, and to maintain and grow our subscriber revenues could be adversely affected. For example, achieving optimal broadband network speeds, capacity, and coverage using 2.5 GHz spectrum relies in significant part on operationalizing a complex mixture of BRS and EBS spectrum licenses and leases in the desired service areas. We primarily access EBS spectrum through long-term leasing arrangements with EBS license holders. The EBS is subject to licensing limitations and the technical limitations of the frequencies in the 2.5 GHz range. See "Item 1. Business-Legislative and Regulatory Developments-Regulation and Wireless Operations-2.5 GHz License

Conditions." If we are unable to operationalize this mixture of licenses and leases, our targeted network modernization goals could be adversely affected.

Using new and sophisticated technologies on a very large scale entails risks. For example, deployment of new technologies from time to time has adversely affected, and in the future may adversely affect, the performance of existing

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services on our network and result in increased churn or failure to attract wireless subscribers. Should implementation of our network upgrades, which also includes expanding our network through densification using both macro sites and small cells, fail, be delayed or result in incurring costs in excess of expected amounts, our margins could be adversely affected and such effects could be material. Should the delivery of services expected to be deployed on our network be delayed due to technological constraints or changes, performance of third-party suppliers, regulatory restrictions, including zoning and leasing restrictions, or permit issues, subscriber dissatisfaction, or other reasons, the cost of providing such services could become higher than expected, ultimately increasing our cost to subscribers and resulting in decreases in net subscribers or our margins, or both, which would adversely affect our revenues, profitability, and cash flow from operations.

Our high debt levels and restrictive debt covenants could negatively impact our ability to access future financing at attractive rates or at all, which could limit our operating flexibility and ability to repay our outstanding debt as it matures.

As of March 31, 2018, our consolidated principal amount of indebtedness was $41.0 billion, and we had $1.8 billion of undrawn borrowing capacity under the secured revolving bank credit facility. Our high debt levels and debt service requirements are significant in relation to our revenues and cash flow, which may reduce our ability to respond to competition and economic trends in our industry or in the economy generally. Our high debt levels and debt service requirements may also limit our financing options as a result of the restrictions placed on certain of our assets in our recent financing transactions. In addition, certain agreements governing our indebtedness impose operating restrictions on us, subject to exceptions, including our ability to:

- pay dividends;
- create liens on our assets;
- receive dividend or other payments from certain of our subsidiaries;
- enter into transactions with affiliates; and
- engage in certain asset sale or business combination transactions.

Our secured revolving bank credit facility and other financing facilities also require that we maintain certain financial ratios, including a leverage ratio, which could limit our ability to incur additional debt. Our failure to comply with our debt covenants would trigger defaults under those obligations, which could result in the maturities of those debt obligations being accelerated and could in turn result in cross defaults with other debt obligations. If we are forced to refinance our debt obligations prior to maturity on terms that are less favorable or if we were to experience difficulty in refinancing the debt prior to maturity, our results of operations or financial condition could be materially harmed. In addition, our recent asset-backed financings could subject us to an increased risk of loss of assets secured under those facilities. We continue to expect to rely on asset-backed financings as a source of funds, however, there can be no assurance that we will be able to continue to do so. For instance, although we have leveraged certain of our spectrum assets as collateral in asset-backed financing transactions, certain limitations such as our leasing arrangements on 2.5 GHz spectrum may significantly reduce our ability to further leverage our spectrum. In addition, the Business Combination Agreement restricts us, without T-Mobile's consent, from taking certain actions outside the ordinary course of business while the Merger Transactions are pending, including incurring certain indebtedness. Limitations on our ability to obtain suitable financing when needed, or at all, or a failure to execute on our cost-reduction initiatives, could result in an inability to continue to expand our business, timely execute network plans, and meet competitive challenges.

Subscribers who purchase a device on a financing basis are not required to sign a fixed-term service contract, which could result in higher churn and higher bad debt expense.

Our service plans allow certain subscribers to purchase or finance the use of an eligible device under an installment or lease contract payable generally over a period of up to 24 months. Subscribers who take advantage of these plans are not required to sign a fixed-term service contract to obtain postpaid service; rather, their service is provided on a month-to-month basis with no early termination fee. These service plans may not meet our subscribers’ or potential subscribers’ needs, expectations, or demands. In addition, subscribers on these plans can discontinue their service at any time without penalty, other than the obligation of any residual commitment they may have for unpaid service or for amounts due under the installment contract for the device. We could experience a higher churn rate than we expect

due to the ability of subscribers to more easily change service providers, which could adversely affect our results of operations. Our operational and financial performance may be adversely affected if we are unable to grow our customer base and achieve the customer penetration levels that we anticipate with this business model.

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Because our lease and installment billing contracts permit customers to use or pay for devices over time, we maintain a certain level of debt to support our investment in these contracts. We fund our customer device financing activities through a combination of cash on hand and proceeds from monetizing customer receivables.
In addition, subscribers who have financed their devices through installment billing plans have the option to pay for their devices in installments generally over a period of up to 24 months. This program subjects us to increased risks relating to consumer credit issues, which could result in increased costs, including increases to our bad debt expense and write-offs of installment billing receivables. These arrangements may be particularly sensitive to changes in general economic conditions, and any declines in the credit quality of our subscriber base could have a material adverse effect on our financial position and results of operations.
Because we lease devices to subscribers, our device leasing program exposes us to risks, including those related to the actual residual value realized on returned devices, higher churn and increased losses on devices.
We lease devices to certain of our subscribers. Our financial condition and results of operations depend, in part, on our ability to appropriately assess the credit risk of our lease subscribers and the ability of our lease subscribers to perform under our device leases. In addition to monthly lease payments, we expect to realize economic benefit from the estimated residual value of a leased device, which is the estimated value of a leased device at the time of the expiration of the lease term. Changes in residual value assumptions made at lease inception would affect the amount of depreciation expense and the net amount of equipment under operating leases. If estimated residual values, in the aggregate, significantly decline due to economic factors, obsolescence, or other circumstances, we may not realize such residual value, which could have a material adverse effect on our financial position and results of operations. We may also suffer negative consequences including increased costs and increased losses on devices as a result of a lease subscriber default, the related termination of a lease, and the attempted repossession of the device, including failure of a lease subscriber to return a leased device at the end of the lease. Sustained failure of subscribers to return leased devices could also negatively impact our ability to obtain financing based on leased devices in the future. In addition, subscribers who lease a device are not required to sign a fixed-term service contract, which could result in higher churn, and increased losses on devices.
Adverse economic conditions may negatively impact our business and financial performance, as well as our access to financing on acceptable terms or at all.
Our business and financial performance are sensitive to changes in macro-economic conditions, including changes in interest rates, consumer credit conditions, consumer debt levels, consumer confidence, inflation rates (or concerns about deflation), unemployment rates, energy costs, and other factors. Concerns about these and other factors, including the impact of the Merger Transactions on our business, may contribute to market volatility and economic uncertainty.
Market turbulence 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 portion of which may be more vulnerable to weak economic conditions. We may have greater difficulty in gaining new subscribers within this segment and existing subscribers may be more likely to terminate service due to an inability to pay.
We will need to reduce costs and raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and execute our business strategy. Our ability to raise additional capital will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. Instability in the global financial markets has resulted in 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.
Weak economic conditions and credit conditions may also adversely impact various third parties on which we rely, some of which have filed for or may be considering bankruptcy, experiencing cash flow or liquidity problems, or are unable to obtain 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.
Government regulation could adversely affect our prospects and results of operations; federal and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth, or results of operations.

The FCC, FTC, CFPB, and other federal, state and local, as well as international, governmental authorities assert jurisdiction over our business and could adopt regulations or take other actions that would adversely affect our business prospects or results of operations.

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The licensing, construction, operation, sale and interconnection arrangements of wireless telecommunications systems are regulated by the FCC and, depending on the jurisdiction, international, 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. The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. There is no guarantee that our licenses will be renewed. Failure to comply with the FCC requirements applicable to a given license could result in revocation of that license and, depending on the nature of the non-compliance, other Sprint licenses.

The FCC uses its transactional "spectrum screen" to identify prospective wireless transactions that may require additional competitive scrutiny. If a proposed transaction would exceed the spectrum screen threshold, the FCC undertakes a more detailed analysis of relevant market conditions in the impacted geographic areas to determine whether the transaction would reduce competition without offsetting public benefits. The screen includes substantial portions of the 2.5 GHz band previously excluded from the screen and that are licensed or leased to Sprint in numerous markets. As a result, future Sprint spectrum acquisitions may exceed the spectrum screen trigger for additional FCC review. Such additional review could extend the duration of the regulatory review process and there can be no assurance that such transactions will ultimately be completed in whole or in part.

Over the past few years, the FCC and other federal and state agencies have engaged in increased regulatory and enforcement activity as well as investigations of the industry generally. Enforcement activities or investigations could make it more difficult and expensive to operate our business, and could increase the costs of our wireless operations. In addition, we may offer products that include highly regulated financial services, which subject us to additional state and federal regulations. The costs to comply with such regulations and failure to remain compliant with such regulations could adversely affect our results of operations.

Degradation in network performance caused by compliance with government regulation, loss of spectrum, or additional rules associated with the use of spectrum in any market could result in an inability to attract new subscribers or higher subscriber churn in that market, which could adversely affect our revenues and results of operations. Furthermore, additional costs or fees imposed by governmental regulation could adversely affect our revenues, future growth, and results of operations.

On December 14, 2017, the FCC voted to return broadband Internet access service to its prior classification as an information service, and reinstate the private mobile service classification of mobile broadband Internet access service. The order also eliminated the FCC's Internet Conduct Standard, along with the bright-line rules and included expanded transparency requirements. The new rules were published in the federal register on February 22, 2018. As a result, of the FCC order, state legislators and governors have introduced, and in some cases passed, state laws and executive order requiring different levels of adherence to net neutrality principles for broadband Internet access service providers active in the applicable states. Depending on the interpretation and application of these rules, including conflicts between federal and state laws, we may incur additional costs or be limited in the services we can provide which could have a material adverse effect on our business, results of operations and financial condition.

We recruit professionals, including senior management, on a global basis to work in the U.S. and, therefore, must comply with the U.S. immigration and work permit/visa laws and regulations. An inability to obtain sufficient work permits/visas due to the impact of these regulations, including any changes to immigration and work permit/visa regulations in the U.S., could have a material adverse effect on our business, results of operations and financial condition.

For risks related to governmental regulation in connection with the Merger Transactions, see "— Risks Relating to the Merger Transactions."

Competition, industry consolidation, effectiveness of our cost optimization efforts, and technological changes in the market for wireless services could negatively affect our operations, resulting in adverse effects on our revenues, cash flows, growth, and profitability.

We compete with a number of other wireless service providers in each of the markets in which we provide wireless services. Competition is expected to continue to increase as additional spectrum is made available for commercial wireless services, and we have experienced and expect to continue to experience an increased customer demand for

data usage on our network. Competition in pricing, service, and product offerings may adversely impact subscriber retention and our ability to attract new subscribers. A decline in the average revenue per subscriber coupled with a decline in the number of subscribers would negatively impact our revenues, cash flows, and profitability. In addition, consolidation by our competitors

and roaming partners could lead to fewer companies controlling access to network infrastructure, enabling our competitors to control usage and rates, which could negatively affect our revenues and profitability.

We are executing on a multi-year plan to transform the way we do business and to lower our cost structure. If we are unable to achieve our cost optimization goals and to maintain process and system changes resulting from cost optimization objectives already established, our profitability could be negatively affected.

The wireless industry also faces competition from other communications, cable, and technology companies seeking to increase their brand recognition and capture customer revenue with respect to the provision of wireless products and services, in addition to non-traditional offerings in mobile data. Further, some of our current competitors now provide content services in addition to voice and broadband services, and consumers are increasingly accessing video content from alternative sources via Internet-based providers and applications, all of which create increased competition in this area.

The wireless communications industry continues to experience significant technological change, including improvements in the capacity, quality, and types of technology. These developments cause uncertainty about future subscriber demand for our wireless services and the prices that we will be able to charge for these services. As services, technology, and devices evolve, we also expect continued pressure on voice, text, and other service revenues. Rapid changes in technology may lead to the development of wireless communications technologies, products, or alternative services that are superior to our technologies, products, or services, or that consumers prefer over ours. In addition, technological advances have caused long distance, local, wireless, video, and Internet services to become more integrated, which has contributed to increased competition, new competitors, new products, and the expansion of services offered by our competitors in each of these markets. If we are unable to meet future advances in competing technologies on a timely basis, or at an acceptable cost, we may not be able to compete effectively and could lose subscribers to our competitors.

The trading price of our common stock has been, and may continue to be, volatile and may not reflect our actual operations and performance.

Market and industry factors may adversely impact the market price of our common stock, regardless of our actual operations and performance. Stock price volatility and sustained decreases in our share price could subject our stockholders to losses and may adversely impact our ability to issue equity. The trading price of our common stock has been, and may continue to be, subject to fluctuations in response to various factors, some of which are beyond our control, including, but not limited to:

- uncertainties related to our proposed merger with T-Mobile;
- market and pricing risks due to concentrated ownership of our stock;
- the ability to raise additional capital through the issuance of additional debt or equity or otherwise, including the cost and availability or perceived availability of additional capital;
- information about the Merger Transactions;
- announcements by us or our competitors or market speculation of acquisitions, spectrum acquisitions, new products, technologies, significant contracts, commercial relationships, or capital commitments;
- the performance of SoftBank and SoftBank’s ordinary shares or speculation about the possibility of future actions SoftBank may take in connection with us;
- disruption to our operations or those of other companies critical to our network operations;
- our ability to develop and market new and enhanced technologies, products and services on a timely and cost-effective basis, including any network improvement efforts;
- recommendations by securities analysts or changes in their estimates concerning us;
- changes in the ratings of our debt by rating agencies;
- litigation;
- changes in governmental actions, regulations, or approvals; and
- perceptions of general market conditions in the technology and communications industries, the U.S. economy, and global market conditions.

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We have entered into, or may enter into, agreements with various parties for certain business operations. Any difficulties experienced by us in these arrangements could result in additional expense, loss of subscribers and revenue, interruption of our services, or a failure or delay in the roll-out of new technology.

We have entered into, and may in the future enter into, agreements with various third parties for the day-to-day execution of services, provisioning, maintenance, and upgrading of our wireless and wireline networks, including the permitting, building, and installation of our network upgrade; leases and subleases for space on communications towers; the development and maintenance of certain systems necessary for the operation of our business; customer service, related support to our wireless subscribers, outsourcing aspects of our wireline network and back office functions; and to provide network equipment, handsets, devices, and other equipment. For example, we depend heavily on local access facilities obtained from ILECs to serve our data and voice subscribers, and payments to ILECs for these facilities are a significant cost of service for both our Wireless and Wireline segments. We also expect our dependence on key suppliers to continue as more advanced technologies are developed, which may lead to additional significant costs. If our key vendors fail to meet their contractual obligations or experience financial difficulty, or if we fail to adequately diversify our reliance among vendors, we may experience disruptions to our business operations or incur significant costs implementing alternative arrangements.

The products and services utilized by us and our suppliers and service providers may infringe on intellectual property rights owned by others.

Some of our products and services use intellectual property that we own. We also purchase products from suppliers, including device suppliers, and outsource services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. We and some of our suppliers and service providers have received, and may receive in the future, assertions and claims from third parties that the products or software utilized by us or our suppliers and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require us or an infringing supplier or service provider to cease certain activities or to cease selling the relevant products and services. These claims can be time-consuming and costly to defend and divert management resources. If these claims are successful, we could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks, which could adversely affect our results of operations.

Negative 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, the CFPB, and other federal, state, and local regulatory agencies. These proceedings may be complicated, costly, and disruptive to our business operations. We may incur significant expenses in defending these matters and may be required to pay significant fines, awards, or settlements. In addition, litigation or other proceedings could result in restrictions on our current or future manner of doing business. Any of these potential outcomes, such as judgments, awards, settlements, or orders could have a material adverse effect on our business, financial condition, operating results, or ability to do business.

For a discussion of litigation risks related to the Merger Transactions, see "— Risks Relating to the Merger Transactions."

Our reputation and business may be harmed and we may be subject to legal claims if there is a loss, disclosure, misappropriation of, unauthorized access to, or other security breach of our proprietary or sensitive information.

Our information technology and other systems—including those of our third-party service providers—that maintain and transmit our proprietary information and our subscribers' information, including credit card information, location data, or other personal information may be compromised by a malicious third-party penetration of our network security or impacted by advertent or inadvertent actions or inactions by our employees and agents. As a result, our subscribers' information may be lost, disclosed, accessed, used, corrupted, destroyed, or taken without the subscribers' consent. Cyber attacks, such as the use of malware, computer viruses, denial of service attacks, or other means for disruption or unauthorized access, have increased in frequency, scope, and potential harm in recent years. We also purchase equipment and software from third parties that could contain software defects, Trojan horses, malware, or other means by which third parties could access our network or the information stored or transmitted on such network or equipment.

While to date we are not aware of any cyber attacks or other cyber incidents that, individually or in the aggregate, have been material to our operations or financial condition, the preventive actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a cyber attack in the future. In addition, the costs of such preventative actions may be significant, which may adversely affect our results of operations. Any major compromise of our data or network security, failure to prevent or mitigate a loss of our services or network, our proprietary information, or our subscribers' information, and delays in detecting any such compromise or loss, could disrupt

our operations, impact our reputation and subscribers' willingness to purchase our service, and subject us to significant additional expenses. Such expenses could include incentives offered to existing subscribers and other business relationships in order to retain their business, increased expenditures on cyber security measures and the use of alternate resources, lost revenues from business interruption, and litigation, which could be material. Furthermore, the potential costs associated with any such cyber attacks could be greater than the insurance coverage we maintain.
In addition to cyber attacks, major equipment failures, natural disasters, including severe weather, terrorist acts or other disruptions that affect our wireline and wireless networks, including transport facilities, communications switches, routers, microwave links, cell sites, or other equipment or third-party owned local and long-distance networks on which we rely, could disrupt our operations, require significant resources to remedy, result in a loss of subscribers or impair our ability to attract new subscribers, which in turn could have a material adverse effect on our business, results of operations and financial condition.
If we are unable to improve our results of operations and as we continue to upgrade our networks, we may be required to recognize an impairment of our long-lived assets, goodwill, or other indefinite-lived intangible assets, which could have a material adverse effect on our financial position and results of operations.
As a result of the SoftBank Merger, Sprint recognized goodwill at its acquisition-date estimate of fair value of approximately $6.6 billion, which has been entirely allocated to the wireless segment. Since goodwill was reflected at its estimate of fair value, there was no excess fair value over book value as of the date of the close of the SoftBank Merger. Additionally, we recorded $14.6 billion and $41.7 billion of long-lived assets and indefinite-lived intangible assets, respectively, as of the close of the SoftBank Merger. We evaluate the carrying value of our indefinite-lived assets, including goodwill, at least annually or more frequently whenever events or changes in circumstances indicate that the asset may be impaired, or in the case of goodwill, that the fair value of the reporting unit is below its carrying amount. Continued, sustained declines in the Company's operating results, number of wireless subscribers, future forecasted cash flows, growth rates and other assumptions, as well as significant, sustained declines in the Company's stock price and related market capitalization could impact the underlying key assumptions and our estimated fair values, potentially leading to a future material impairment of long-lived assets, goodwill, or other indefinite-lived assets, which could adversely affect our financial position and results of operations. In addition, as we continue to refine our network strategy, management may conclude, in future periods, that certain equipment assets in use will not be utilized as long as originally intended, which could result in an acceleration of depreciation expense. Moreover, certain equipment assets may never be deployed or redeployed, in which case cash and/or non-cash charges that could be material to our consolidated financial statements would be recognized.
Any acquisitions, strategic investments, or mergers may subject us to significant risks, any of which may harm our business.
Although we are focused on taking the steps necessary to close the Merger Transactions, we may still, from time to time, evaluate potential acquisitions, strategic investments, and mergers, and we may engage in discussions with potential counterparties. Some of these potential transactions could be significant relative to the size of our business and operations. Any such acquisitions would involve a number of risks and present financial, managerial and operational challenges.
As a result, our pursuit of an acquisition, investment, or merger may cause our actual results to differ materially from those anticipated. For more information on the Merger Transactions, see "— Risks Relating to the Merger Transactions."
Controlled Company Risks
As long as SoftBank controls us, other holders of our common stock will have limited ability to influence matters requiring stockholder approval and SoftBank's interest may conflict with ours and our other stockholders.
As of March 31, 2018, SoftBank beneficially owned nearly 85% of the outstanding common stock of Sprint. As a result, until such time as SoftBank and its controlled affiliates hold shares representing less than a majority of the votes entitled to be cast by the holders of our outstanding common stock at a stockholder meeting, SoftBank generally will have the ability to control the outcome of any matter submitted for the vote of our stockholders, except in certain circumstances set forth in our certificate of incorporation or bylaws. For example, SoftBank is able to approve the Merger Transactions.

So long as SoftBank and its controlled affiliates hold shares of our common stock representing at least a majority of the votes entitled to be cast by the holders of our common stock at a stockholder meeting, SoftBank will be able to freely nominate and elect all the members of our board of directors, subject only to a requirement that a certain number of directors qualify as "Independent Directors," as such term is defined in the NYSE listing rules and applicable laws. The directors

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elected by SoftBank will have the authority to make decisions affecting the capital structure of the Company, including the issuance of additional equity, the incurrence of additional indebtedness, the implementation of stock repurchase programs, and the declaration of dividends.

The interests of SoftBank may not coincide with the interests of our other stockholders or with holders of our indebtedness. SoftBank's ability, subject to the limitations in our certificate of incorporation and bylaws, to control all matters submitted to our stockholders for approval limits the ability of other stockholders to influence corporate matters and, as a result, we may take actions that our stockholders or holders of our indebtedness do not view as beneficial. As a result, the market price of our common stock or terms upon which we issue indebtedness could be adversely affected. In addition, the existence of a controlling stockholder 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. For example, T-Mobile was required to negotiate the Merger Transactions with SoftBank. The interests of SoftBank with respect to such transaction may be different from the interests of our other stockholders or with holders of our indebtedness. See "— Risks Relating to the Merger Transactions" for more information. In addition, the performance of SoftBank and SoftBank's ordinary shares or speculation about the possibility of future actions SoftBank may take in connection with us may adversely affect our share price or the trading price of our debt securities.

Subject to limitations in our certificate of incorporation that limit SoftBank's ability to engage in certain competing businesses in the U.S. or take advantage of certain corporate opportunities, SoftBank is not restricted from competing with us or otherwise taking for itself or its other affiliates certain corporate opportunities that may be attractive to the Company.

SoftBank's ability to control our board of directors may make it difficult for us to recruit independent directors.

For so long as SoftBank and its controlled affiliates hold shares of our common stock representing at least a majority of the votes entitled to be cast by the holders of our common stock at a stockholders' meeting, SoftBank will be able to elect all of the members of our board of directors. Under these circumstances, persons who might otherwise accept an invitation to join our board of directors may decline.

Any inability to resolve favorably any disputes that may arise between the Company and SoftBank or its affiliates may adversely affect our business.

Disputes may arise between SoftBank or its affiliates and the Company in a number of areas, including:

- business combinations involving the Company, including with respect to the Merger Transactions;
- sales or dispositions by SoftBank of all or any portion of its ownership interest in us;
- the nature, quality and pricing of services SoftBank or its affiliates may agree to provide to the Company;
- arrangements with third parties that are exclusionary to SoftBank or its affiliates or the Company; and
- business opportunities that may be attractive to both SoftBank or its affiliates and the Company.

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party.

We are a "controlled company" within the meaning of the NYSE rules and, as a result, rely on exemptions from certain corporate governance requirements that provide protection to stockholders of companies that are not "controlled companies."

SoftBank owns more than 50% of the total voting power of our common shares and, accordingly, we have elected to be treated as a "controlled company" under the NYSE corporate governance standards. As a controlled company, we are exempt under the NYSE standards from the obligation to comply with certain NYSE corporate governance requirements, including the requirements that:

- a majority of our board of directors consists of independent directors;
- we have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- we have a Compensation Committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- an annual performance evaluation of the nominating and governance committee and Compensation Committee be performed.

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As a result of our use of the "controlled company" exemptions, holders of our common stock and debt securities may not have the same protection afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

Regulatory authorities have imposed measures to protect national security and classified projects as well as other conditions that could have an adverse effect on Sprint.

As a precondition to approval of the SoftBank Merger, certain U.S. government agencies required that SoftBank and Sprint enter into certain agreements, including the NSA, under which SoftBank and Sprint have agreed to implement certain measures to protect national security, certain of which may materially and adversely affect our operating results due to increasing the cost of compliance with security measures, and limiting our control over certain U.S. facilities, contracts, personnel, vendor selection, and operations. If we fail to comply with our obligations under the NSA or other agreements, our ability to operate our business may be adversely effected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Overland Park, Kansas and consist of approximately 3,790,000 square feet. Our gross property, plant and equipment at March 31, 2018 totaled $37.3 billion, as follows:

	March 31, 2018 (in billions)
Wireless	$ 33.9
Wireline	1.3
Corporate and other	2.1
Total	$ 37.3

Properties utilized by our Wireless segment generally consist of either leased or owned assets in the following categories: switching equipment, radio frequency equipment, cell site towers and related leasehold improvements, site development costs, network software, devices leased to customers, internal-use software, retail fixtures and retail leasehold improvements.

Properties utilized by our Wireline segment generally consist of either leased or owned assets in the following categories: digital fiber optic cable, transport facilities, transmission-related equipment and network buildings.

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Item 3. Legal Proceedings

In March 2009, a stockholder brought suit, Bennett v. Sprint Nextel Corp., in the U.S. District Court for the District of Kansas, alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a settlement in August 2015, which did not have a material impact to our financial statements. Five stockholder derivative suits related to this 2009 stockholder suit were filed against Sprint Communications and certain of its present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, Randolph v. Forsee, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et al., was filed in federal court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and we have reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs' attorneys fees in an immaterial amount. The court approved the settlement but reduced the plaintiffs' attorneys fees. On April 27, 2018, the court of appeals for the state of Kansas affirmed the settlement ruling. Further appeals are possible.

Sprint Communications is also a defendant in a complaint filed by several stockholders of Clearwire Corporation (Clearwire) asserting claims for breach of fiduciary duty by Sprint Communications, and related claims and otherwise challenging the Clearwire acquisition. ACP Master, LTD, et al. v. Sprint Nextel Corp., et al., was filed April 26, 2013 in Chancery Court in Delaware. Plaintiffs in the ACP Master, LTD suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock. Trial of those cases took place in October and November 2016. On July 21, 2017, the Delaware Chancery Court ruled in Sprint's favor in both cases. It found no breach of fiduciary duty, and determined the value of Clearwire shares under the Delaware appraisal statute to be $2.13 per share plus statutory interest. The plaintiffs filed an appeal and on April 23, 2018, the Delaware Supreme Court affirmed the ruling of the Delaware Chancery Court in its entirety.

Various other suits, inquiries, proceedings, and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against us or our subsidiaries. If our interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by us. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position or results of operations. During the year ended March 31, 2018, there were no material developments in the status of these legal proceedings.

Item 4. Mine Safety Disclosures

None.

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PART II

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

Common Share Data

The common stock of Sprint Corporation is traded under the stock symbol "S" on the NYSE. We currently have no non-voting common stock outstanding. The high and low common stock prices, as reported on the NYSE composite, were as follows:

	Year Ended March 31, 2018		Year Ended March 31, 2017	
	High	Low	High	Low
Common stock market price				
First quarter	$9.22	$7.32	$4.56	$3.30
Second quarter	8.92	7.50	7.03	4.36
Third quarter	8.00	5.42	8.98	5.83
Fourth quarter	6.01	4.81	9.65	8.13

Number of Stockholders of Record

As of May 22, 2018, we had approximately 27,000 common stock record holders.

Dividends

We did not declare any dividends on our common stock for all periods presented in the consolidated financial statements. We are currently restricted from paying cash dividends by the terms of our secured revolving bank credit facility as described under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Issuer Purchases of Equity Securities

None.

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Performance Graph

The graph below compares the cumulative total shareholder return for the Company's common stock with the S&P® 500 Stock Index and the Dow Jones U.S. Telecommunications Index for the fiscal year ended December 31, 2013, the three-month transition period ended March 31, 2014 and the fiscal years ended March 31, 2015, 2016, 2017 and 2018. Because Sprint Corporation common stock did not commence trading until after the SoftBank Merger, the graph below reflects the cumulative total shareholder return on the Series 1 common stock of Sprint Communications, Inc., our predecessor, through July 10, 2013 and, thereafter, reflects the total shareholder return on the common stock of Sprint Corporation. The graph assumes an initial investment of $100 on December 31, 2012.

Value of $100 Invested on December 31, 2012

	12/31/2012	12/31/2013	3/31/2014	3/31/2015	3/31/2016	3/31/2017	3/31/2018
Sprint Corporation	$ 100.00	$ 189.59	$ 162.08	$ 83.60	$ 61.38	$ 153.09	$ 86.07
S&P 500 Index	$ 100.00	$ 132.39	$ 134.78	$ 151.94	$ 154.65	$ 181.21	$ 206.56
Dow Jones U.S. Telecom Index	$ 100.00	$ 114.13	$ 114.54	$ 119.22	$ 139.62	$ 145.25	$ 138.02

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Item 6. Selected Financial Data

The Company's selected financial data presented below distinguishes between the predecessor period (Predecessor) relating to Sprint Communications (formerly known as Sprint Nextel Corporation) for periods prior to the SoftBank Merger and the successor period (Successor) relating to Sprint Corporation, formerly known as Starburst II, for periods subsequent to the incorporation of Starburst II on October 5, 2012. The Successor financial information represents the activity and accounts of Sprint Corporation, which includes the activity and accounts of Starburst II prior to the close of the SoftBank Merger on July 10, 2013 and Sprint Communications, inclusive of the consolidation of Clearwire Corporation, prospectively following completion of the SoftBank Merger, beginning on July 11, 2013. The accounts and operating activity of Starburst II prior to the close of the SoftBank Merger primarily related to merger expenses that were incurred in connection with the SoftBank Merger (recognized in selling, general and administrative expense) and interest related to the $3.1 billion convertible bond Sprint Communications, Inc. issued to Starburst II. The Predecessor financial information represents the historical basis of presentation for Sprint Communications for all periods prior to the SoftBank Merger.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act included changes in tax laws that had a material impact on our financial statements. Based on currently available information, we recorded, as a provisional estimate, a $7.1 billion non-cash tax benefit through income for continuing operations to re-measure the carrying values of our deferred tax assets and liabilities. The re-measurement of deferred taxes had no impact on cash flows. See Note 10. Income Taxes in Notes to the Consolidated Financial Statements for additional information.

On January 1, 2018, the Company adopted authoritative guidance regarding Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The Company adopted this standard with retrospective application to the consolidated statements of cash flows including the impacted cash flow data in the table below. See Note 2. Summary of Significant Accounting Policies and Other Information in Notes to the Consolidated Financial Statements for additional information related to the adoption of this standard.

The selected financial data presented below is not comparable for all periods presented primarily as a result of transactions such as the SoftBank Merger and acquisitions of Clearwire and certain assets of United States Cellular Corporation in 2013. All acquired companies' results of operations subsequent to their acquisition dates are included in our consolidated financial statements.

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	Successor							Predecessor	
	Year Ended March 31,				Three Months Ended March 31,		Year Ended December 31,	191 Days Ended July 10,	Three Months Ended March 31,
	2018	2017	2016	2015	2014	2013	2013	2013	2013
	(in millions, except per share amounts)								
Results of Operations									
Service revenue	$23,834	$25,368	$27,174	$29,542	$7,876	$—	$15,094	$16,895	$7,980
Equipment sales	4,524	4,684	3,168	4,826	999	—	1,797	1,707	813
Equipment rentals	4,048	3,295	1,838	164	—	—	—	—	—
Net operating revenues	32,406	33,347	32,180	34,532	8,875	—	16,891	18,602	8,793
Depreciation - network and other	3,976	3,982	4,013	3,591	868	—	2,026	3,098	1,422
Depreciation - equipment rentals	3,792	3,116	1,781	206	—	—	—	—	—
Amortization	812	1,052	1,294	1,552	429	—	908	147	70
Operating income (loss)	2,727	1,764	310	(1,895)	420	(14)	(970)	(885)	29
Net income (loss)	7,377	(1,206)	(1,995)	(3,345)	(151)	(9)	(1,860)	(1,158)	(643)
Net income (loss) attributable to Sprint Corporation	7,389	(1,206)	(1,995)	(3,345)	(151)	(9)	(1,860)	(1,158)	(643)
Earnings (Loss) per Share									
Basic net income (loss) per common share	$1.85	$(0.30)	$(0.50)	$(0.85)	$(0.04)		$(0.54)	$(0.38)	$(0.21)
Diluted net income (loss) per common share	1.81	(0.30)	(0.50)	(0.85)	(0.04)		(0.54)	(0.38)	(0.21)
Financial Position									
Total assets	$85,459	$85,123	$78,975	$82,841	$84,549	$3,122	$85,953	N/A	$50,474
Property, plant and equipment, net	19,925	19,209	20,297	19,721	16,299	—	16,164	N/A	14,025
Intangible assets, net	50,360	50,484	51,117	52,455	55,919	—	56,272	N/A	22,352
Total debt, capital lease and financing obligations (including equity unit notes)	40,892	40,914	33,958	33,642	32,638	—	32,869	N/A	24,217
Total stockholders' equity	26,356	18,808	$19,783	21,710	25,312	3,122	25,584	N/A	6,474
Noncontrolling interests	63	—	—	—	—	—	—	—	—
Cash Flow Data									
Net cash provided by (used in) operating activities	$10,062	$(3,290)	$(423)	$3,749	$522	$(2)	$119	$2,669	$939
Capital expenditures - network and other	3,319	1,950	4,680	5,422	1,488	—	3,847	3,140	1,381
Capital expenditures - leased devices	7,461	4,976	5,898	1,885	—	—	—	—	—

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

OVERVIEW

Business Overview

Sprint is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers, and resellers. Unless the context otherwise requires, references to "Sprint," "we," "us," "our" and the "Company" mean Sprint Corporation and its consolidated subsidiaries for all periods presented, and references to "Sprint Communications" are to Sprint Communications, Inc. and its consolidated subsidiaries.

Wireless segment earnings represented almost all of our total consolidated segment earnings for the year ended March 31, 2018. Within the Wireless segment, postpaid wireless service revenue represents the most significant contributor to earnings, and is driven by the number of postpaid subscribers to our services, as well as the average revenue per user (ARPU).

Business Combination Agreement

On April 29, 2018 we announced that we entered into a Business Combination Agreement with T-Mobile US to merge in an all-stock transaction for a fixed exchange ratio of 0.10256 of T-Mobile shares for each Sprint share. The combined company will be named T-Mobile. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in the first half of 2019. For more information regarding our Business Combination Agreement, see Note 17. Subsequent Events in Notes to the Consolidated Financial Statements.

Business Strategies and Key Priorities

Our business strategy is to be responsive to changing customer mobility demands of existing and potential customers, and to expand our business into new areas of customer value and economic opportunity through innovation and differentiation. To help lay the foundation for these future growth opportunities, our strategy revolves around targeted investment, in the following key priority areas:

- Unlock the value of our substantial spectrum holdings by densifying and optimizing our network to provide customers with the best experience;
- Achieve our cost reduction goals by significantly transforming our business;
- Deliver an attractive value proposition and substantially enhance our distribution through use of innovative models;
- Attract and retain world-class talent and establish strategic partnerships to create an optimal, engaged, and winning team; and
- Deliver an exceptional wireless experience so customers stay longer, buy more, and tell their friends.

To provide a network that delivers the consistent reliability, capacity and speed that customers demand, we expect to continue to optimize our network and invest in 5G and LTE deployment across all of our spectrum bands. We also expect to deploy new technologies that will help strengthen our competitive position, including the use of High Performance User Equipment, the Sprint Magic Box (a femtocell), Voice over LTE, massive multiple-input multiple-output (MIMO) and the use of small cells to further densify our network.

To achieve a more competitive cost position, we have established a Transformation Office with responsibility for identifying, operationalizing, and monitoring sustained improvements in operating costs and efficiencies. Also, we have deployed cost management and planning tools across the entire organization to more effectively monitor expenditures.

We are focused on attracting and retaining subscribers by improving our sales and marketing initiatives. We have demonstrated our value proposition through our evolving price plans, promotions, and payment programs and have deployed local marketing and civic engagement initiatives in key markets.

We have recruited leaders in our industry from around the globe and employ an organizational focus to ensure Sprint has a work environment employees recommend.

To deliver a simplified and improved customer experience, we are focusing on key subscriber touch points, pursuing process improvements and deploying platforms to simplify and enhance the interactions between us and our customers. In addition, we have established a customer experience team to support our focus on net promoter score as a key measure of customer satisfaction.

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Network

We continue to increase coverage and capacity by densifying and evolving our existing network toward 5G. Densification, which includes increasing the number of small cells and antennas, is intended to enhance coverage and capacity across the network. We are also deploying new technologies, such as Massive MIMO and carrier aggregation, which allows us to move more data at faster speeds over the same spectrum and migrate customers to an all data service. Additionally, our introduction of tri-band devices, including those with 5G capabilities, allows us to manage and operate our network more efficiently and at a lower cost. We have continued to see positive results from these infrastructure upgrades in key U.S. markets.

The 2.5 GHz spectrum band carries the highest percentage of Sprint's LTE data traffic. We have significant additional capacity to grow the use of our 2.5 GHz spectrum holdings into the future. Sprint believes it is well-positioned with spectrum holdings of more than 160 MHz of 2.5 GHz spectrum in the top 100 markets in the U.S. Sprint's broad spectrum holdings allow us to introduce 5G in parallel with 4G service over the same 2.5 GHz spectrum band, supporting the early introduction of 5G devices without disrupting the capacity needed to support our 4G users. Overall, our densification and introduction of 5G technologies are expected to continue to enhance the customer experience by adding data capacity, increasing the wireless data speeds available to our customers, and improving network performance for both voice and data services. While circumstances may change in the future, we believe that our substantial spectrum holdings are sufficient to allow us to continue to provide consistent network reliability, capacity, and speed, as well as to provide current and future customers a highly competitive wireless experience. As part of the evolution of our existing network toward 5G, we will be modifying our existing backhaul architecture to enable increased capacity to our network at a lower cost by either negotiating lower vendor pricing for existing Ethernet technology or replacing Ethernet with fiber. We expect to incur termination costs associated with Ethernet contractual commitments with third party vendors ranging between approximately $225 million to $275 million, of which the majority are expected to be incurred by March 31, 2020.

PRWireless HoldCo, LLC Transaction

During the quarter ended December 31, 2017, Sprint and PRWireless PR, Inc. completed a transaction to combine their operations in Puerto Rico and the U.S. Virgin Islands into a new entity. The companies contributed employees, subscribers, network assets and spectrum to the transaction. We expect the new entity to create a stronger competitor in Puerto Rico and the U.S. Virgin Islands offering postpaid, prepaid, Lifeline and business services with increased scale, expanded distribution, improved network capacity, faster speed, and a deeper spectrum position. Sprint and PRWireless PR, Inc. have an approximate 68% and a 32% preferred economic interest, as well as a 55% and 45% common voting interest in the new entity, respectively.

Shentel Transaction

On August 10, 2015, Shenandoah Telecommunications Company (Shentel) entered into a definitive agreement to acquire one of our wholesale partn