

T-Mobile's acquisition of Mint Mobile in the USA is a sign of MNOs' increasing focus on the prepaid market

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T-Mobile announced on 15 March 2023 that it had reached an agreement to acquire budget prepaid wireless operator Mint Mobile as part of a larger deal involving the acquisition of Ka'ena Corporation, Mint Mobile's parent company. The deal also involves the acquisition of prepaid mobile service brand, Ultra Mobile, and wholesale wireless solutions provider Plum. Initially valued at USD1.35 billion, the deal is expected to close at the end of 2023, once it has been approved by the regulator.

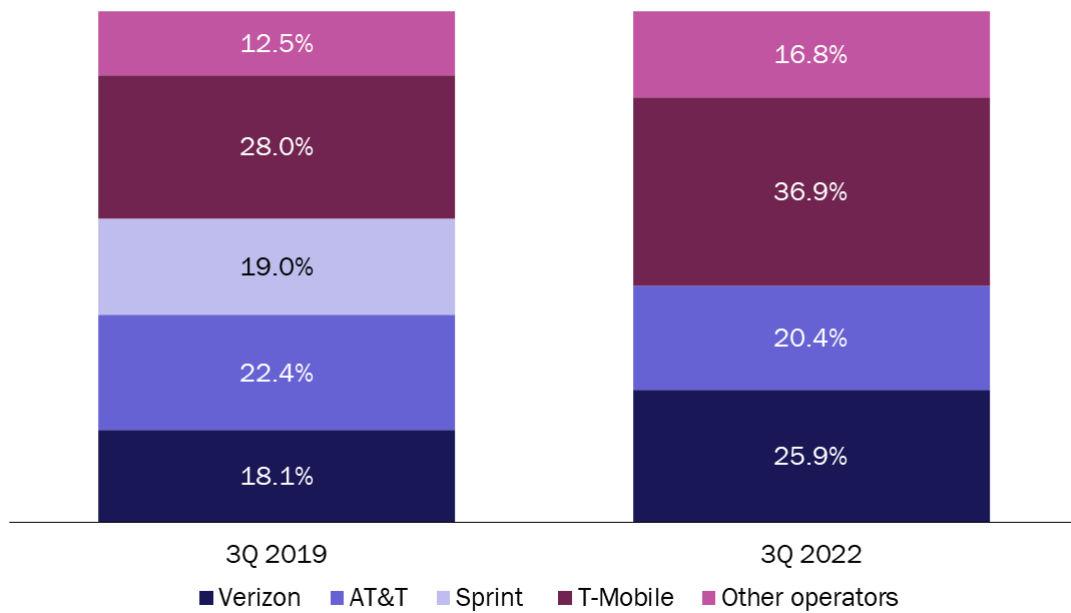
The latest deal is another sign of mobile network operators (MNOs) attempting to neutralise the threat that innovative, price competitive MVNOs, such as Mint, pose to established carriers. The move also shows that MNOs are increasing their efforts to take a greater share of subscribers in the growing prepaid segment.

The acquisition will help T-Mobile to tap into new customer segments that are not fully addressed by the Metro and Connect brands

T-Mobile has gone through a radical transformation in the past few years, driven by the roll out of its nationwide 5G network and its integration with Sprint. These changes have positioned T-Mobile as the leading prepaid service provider, in terms of connections (Figure 1), and the second postpaid carrier, behind Verizon.

T-Mobile's acquisition of Sprint has also created new opportunities for emerging players such as Dish, which acquired a large share of Sprint's prepaid assets (Boost Mobile) in 2020 and is currently rolling out its own 5G network.

Compared to other highly developed mobile prepaid markets such as that in Canada, the US market has expanded relatively quickly in the past 3 years, with the total number of prepaid connections increasing at a CAGR of 3.7%, between 3Q 2019 and 3Q 2022 to 102 million (compared to a CAGR of 0.5% in Canada).

Figure 1: Share of prepaid mobile connections by operator, USA, 3Q 2019 and 3Q 2022

T-Mobile, which already has a wholesale network agreement with Mint, is acquiring the MVNO's sales, marketing, digital and service operations. In an official statement, the operator explained its plans to use its supplier relationships and distribution scale to help to expand the Mint and Ultra brands. Both brands will remain independent and managed by Mint's founders. T-Mobile also intends to maintain the brands' pricing strategies and confirmed that it will retain Mint's USD15 per month deal, one of the most competitive in the market.

T-Mobile will be able to take advantage of Mint's innovative direct-to-consumer (D2C) marketing strategy helping it to tap into new customer segments that it does not reach directly with its sub-brands Metro by T-Mobile and Connect by T-Mobile.

The industry's focus on the mobile prepaid market will increase if inflation rates remain high and economic uncertainty continues

The challenging macroeconomic environment in the USA, characterised by high inflation rates and growing economic uncertainty, is increasing the demand for affordable deals. Operators are looking for ways to remain competitive while protecting their margins. As we have discussed previously, [price competition may be increasing in the USA](#).

New opportunities are emerging in the prepaid segment and this is grabbing the attention of traditional mobile operators and new investors alike, giving way to new market dynamics and trends, some of which are summarised below.

- **M&A activity will remain high into 2024, although the deals might be smaller than previously.** The US mobile communications market has witnessed a reactivation in M&A activity in the prepaid market. Several major deals involving the acquisition of MVNOs and sub-brands have taken place in the last few

years (Figure 2). The US market continues to be a fertile ground for new MVNOs and MNOs to look for ways to strengthen their position in the market, we expect to see more deals during the coming months.

Figure 2: Summary of deals involving MVNOs and sub-brands, USA, July 2020–March 2023

Acquirer	Target	Price paid	Subscriber base ¹ and date deal announced
T-Mobile	Mint and Ultra Mobile	USD1.35 billion	3 million (reported) (March 2023)
Dish	Republic Wireless	Not disclosed	200 000 (reported) (March 2021)
GTCR	Consumer Cellular	USD2.3 billion	4 million (reported) (October 2020)
Dish	Gen Mobile	Not disclosed	Under 100 000 (reported) (September 2020)
Verizon	Tracfone	USD6 billion	21 million (September 2020)
Dish	Ting Mobile	Not disclosed	Around 250 000 (reported) (August 2020)
Dish	Boost	USD1.4 billion	9 million (July 2020)

Source: Analysys Mason

- New brands will continue to emerge as operators and other investors look for ways to increase their presence in the prepaid market.** Operators are looking to expand their presence in the prepaid market, until recently dominated by MVNOs, by launching new service propositions targeting specific customer groups. Verizon, which until the acquisition of Tracfone had not shown a strong interest in the prepaid segment, has been particularly active in this regard. Verizon has launched three new prepaid brands since 2018: Visible, Yahoo Mobile and Total by Verizon, looking to compete T-Mobile's Metro and AT&T's Cricket. Verizon has also started to restructure Tracfone's large brand portfolio, taking initial steps towards phasing out the less attractive brands.
- As 5G becomes part of most prepaid deals and inflation rates remain high, price competition will continue to intensify.** Pricing has become a key way of differentiating service offerings that are targeted towards price-conscious customers now that most players in the market offer 5G access as part of their prepaid portfolios. However, as the Mint deal suggests, it is not only about presenting the market with the cheapest deal, but it is also important for operators to offer innovative ways to help customers be more in control of their bills. Mint, which runs its business completely online, offers customers the possibility to enjoy cheaper rates by paying several months upfront. Another example is MobileX, a new MVNO launched by Boost Mobile funder Peter Adderton in February 2023. It runs on an AI-based platform that predicts how much data customers will use so they are only billed for the services they need.

The renewed attention on the prepaid market is, to a great extent, driven by the current complex macroeconomic environment, yet the changes that the market is undergoing might outlive these economic disruptions.

For more information on the US telecoms market, see Analysys Mason's [T-Mobile USA: telecoms operator profile 2022](#) and [USA: consumer survey](#).

¹ Subscriber base at the time of the acquisition.