

FINAL TRANSCRIPT

Thomson StreetEventsSM

LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Event Date/Time: May. 09. 2008 / 8:30AM ET

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

CORPORATE PARTICIPANTS

Amy Wakeham

Leap Wireless International - Director, IR

Doug Hutcheson

Leap Wireless International - President, CEO & Acting CFO

Jim Seines

Leap Wireless International - VP, IR & Acting Treasurer

CONFERENCE CALL PARTICIPANTS

Simon Flannery

Morgan Stanley - Analyst

Romeo Reyes

Jefferies & Co. - Analyst

Scott Malat

Goldman Sachs - Analyst

Richard Choe

Bear Stearns - Analyst

Chris Larsen

Credit Suisse - Analyst

Steve Clement

Pacific Crest Securities - Analyst

Todd Rethemeier

Soleil Securities - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the first-quarter 2008 Leap Wireless International earnings conference call. At this time, all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of today's conference. (OPERATOR INSTRUCTIONS). As a reminder, this conference call is being recorded for replay purposes. I will now turn your call over to Ms. Amy Wakeham, Director of Investor Relations. Please proceed, ma'am.

Amy Wakeham - *Leap Wireless International - Director, IR*

Thank you, JD. Good morning and welcome to Leap's first-quarter 2008 conference call. This call is being recorded and will be available for playback in the United States through the close of business on May 22 by calling 1-866-286-8010. Callers from outside the United States will need to dial 1-617-801-6888. The passcode for both calls is 84394897.

This conference call, with accompanying presentation, is also being webcast live and will be available for replay on the Investor Relations section of our website at investor.leapwireless.com shortly after the completion of our live call.

Joining me on the call today to discuss our first-quarter results are Doug Hutcheson, our President, Chief Executive Officer and Acting Chief Financial Officer and Jim Seines, our Vice President, Investor Relations and Acting Treasurer.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Following our prepared remarks, JD will come back on the line with instructions for the question-and-answer portion of the call. Al Moschner, our Executive Vice President and Chief Marketing Officer and Glenn Umetsu, our Executive Vice President and Chief Technology Officer, will join Doug and Jim for the question-and-answer session.

The results and data we discuss today, including customer information, reflect the consolidated results of Leap, its subsidiaries and its noncontrolled joint ventures, LCW Wireless LLC and Denali Spectrum LLC for the periods indicated.

Also, as used in today's conference call and accompanying presentation, the term new initiatives refers to the Company's new market launch activity and its mobile broadband offering. The term existing markets refers to the Company's markets in operation as of December 31, 2007.

During our call today, we will discuss some non-GAAP financial measures. For a GAAP reconciliation of non-GAAP financial measures, I would like to refer you to the notes to the financial statements contained in today's earnings release and also to the Financial Reports page of the Investor Relations section of Leap's website at investor.leapwireless.com.

Turning to our forward statement slide, I would like to remind you that statements made today that are not historical in nature, including statements about future events and performance and statements, including words like expect, plan, intend and other similar terms, are forward-looking statements. Our actual results could differ materially from those stated or implied by such forward-looking statements.

Factors that could cause actual results to differ from our forward-looking statements are detailed in the section entitled Risk Factors included in our annual report on Form 10-K for the year ended December 31, 2007 and in our other publicly filed reports, including our Form 10-Q for the quarter ended March 31, 2008, which we plan to file shortly.

For anyone listening to a taped or webcast replay or viewing a written transcript of our first-quarter call, please note that all information presented is current only as of today's date, May 9, 2008. The Company disclaims any duty or obligation to update any forward-looking information whether as a result of new information, future events or otherwise. With that, I would now like to turn the call over to Doug.

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

Thank you, Amy, and thank you to all of you for joining us today. I appreciate both your flexibility and understanding on our call timing. Today, we share our continuing progress in building our business with attractive, strong, first-quarter results. Total customers increased 21% year-over-year with the addition of 230,000 net new customers in the first quarter. Service revenues were up 24% year-over-year from the attractive customer growth and stable ARPU performance we have achieved.

The business produced a 59% year-over-year increase in adjusted OIBDA, nearly \$119 million, representing both our progress on our existing business and with our new initiatives. Our existing business OIBDA grew 80% year-over-year, reaching approximately \$135 million as margin percentage increased to 34%, up over 10 points year-over-year.

As we look at customer growth, the business saw strong customer activity begin after Black Friday in the fourth quarter and as evidenced by these results, it has continued. The 230,000 new customers added were across the business and delivered with both the expected ARPU and better-than-expected CPGA.

Our first-quarter results reflect typical customer buying patterns, as well as the introduction of several new handsets. During the quarter, we introduced the Cricket EZ handset, a new, low-cost handset that typically sells for less than \$100 and is available to promote as low as \$50. We also continue to see the progress with our footprint expansions, which we will update with you -- our progress with you in this call.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

As we look ahead, we have several drivers of additional customer growth. First, our ongoing business execution, we continue to see and deliver attractive results. Next, our footprint expansion and an acquisition that we will share with you today have increased our ability to grow customers. We expect, late in the second quarter and through the third quarter, there may be a positive effect from the tax rebate and with the expected launch of 8 million new markets this quarter, we will again begin to see the contributions from the new market launches.

As we discussed in today's release, we expect to have launched up to 8 million new covered POPs by the end of the second quarter. As the graph indicates, customer growth tends towards accelerating subject to some seasonality in the next few quarters after we launch new markets.

Lastly, today, we will share with you our initial forecast as we expand our mobile broadband initiative and it also begins to contribute to our growth. Our business operates in the macro economy and we have from time to time seen effects on that, as well as higher gas prices. So as we look at these, we will continue to monitor that closely and drive our business ahead.

Churn performed as expected during the quarter at 3.6%. It was sequentially down as expected due to the seasonal trends our business follows. Year-over-year, first-quarter churn performance improved before upgrades and tenure. We continue to see the programs that we have introduced have a good, positive effect on our ability to manage churn.

The progress we saw on customer tenure and upgrade activity has been consistent with our expectations and we expect the effect to work through the business by mid-2008 from our market launches that we completed in 2006 and 2007. As we look ahead and with the new market launches that we shared with you today, we expect churn performance for those markets will follow performance similar to what we saw on our Auction 58 launches.

The business has demonstrated the ability to deliver not only attractive customer growth, but we have also done this while demonstrating our ability to manage ARPU. Our ARPU was consistent with our expectations of about \$45 and it was up nearly \$6.00 since the first quarter of 2005. As we look ahead, we expect the ARPU to remain flat as we previously have disclosed. We have built an attractive value proposition over a range of price points. We continue to see good acceptance of our high-value service plan offerings and have had success with targeted offers to address the by-the-minute category of customers that we service as well. As we look at the competitive landscape, we are pleased with the progress we have seen as pricing has remained rational and it has allowed us to continue to drive our business ahead and we expect to balance the relationship between ARPU, customer growth and costs as we look ahead.

During the quarter, the customer -- the CPGA was ahead of our expectations with total CPGA at \$159. These acquisition costs were primarily better as a result of the lower-than-expected new store launch activity related to the footprint expansion we did during the first quarter. Those costs we would expect to return in the second quarter. The new, low-cost handset I have discussed already provides an attractive vehicle for competitive promotional pricing without increasing our subsidy.

In addition, we continue to gain momentum on our new initiatives. Our new initiative spend of \$7.00 per gross add in the first quarter of 2008 relates to both our new market launches and the introduction and expansion of our mobile broadband initiatives. As we look forward, we expect 2008 CPGA trends to reflect our normal seasonal patterns.

Turning to CCU, it was consistent with our expectations for the quarter at \$21.73. The existing business CCU performed as expected at \$20.32. During the quarter, we included the costs associated with the now more than 400 sites we have added on our footprint expansion, which per every 100 sites increases our costs by approximately \$1 million per quarter.

In addition, we had higher upgrade activity, which is seasonal, as well as significant, end-of-life handset purchases as we support those handsets in our aftermarket support. And we continue to make progress on our market launch activity. These effects have been offset by the effects of scale.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Our new initiative spend of \$1.41 per user reflects costs associated again with our continuing new market launches and the introduction of our mobile broadband. We expect, as we look ahead, CCU will remain in the low \$20 range through 2008 as we see our existing business CCU decline offset by the costs associated with the new initiatives.

As we look at customer profitability for the quarter, we again delivered good performance. We maintained ARPU as a result of our new product offerings and the CCU performance was affected by the business expansion and as I discussed previously, offset by the benefits of scale. And we were successful in management of our acquisition costs. The existing business operating CCPU at the end of the quarter was \$19.19. Jim?

Jim Seines - *Leap Wireless International - VP, IR & Acting Treasurer*

Thanks, Doug. Turning to slide 14, you can see that we significantly grew adjusted OIBDA during the first quarter of 2008 and saw good improvements in our operating margins. Adjusted OIBDA margin improved by 6.5 percentage points year-over-year to approximately 30% on an as-reported basis. Included in the reported adjusted OIBDA results is \$16.3 million in spending for new initiatives, which we have narrowed this quarter to represent negative OIBDA associated with the expansion of our business through both new market launches and our mobile broadband products. Excluding these costs, adjusted OIBDA margin for our existing business, which now includes the costs associated with the footprint expansion, grew by nearly 11 percentage points year-over-year to 34% for the quarter.

Although margin for the nonproduct portion of cost of service remained essentially even with the prior period due to new initiative costs, we continue to see an underlying margin improvement within our existing business due to ongoing cost reduction efforts and scale benefits. These improvements were enough to absorb increase and product-related costs of service, which is associated with cost of third-party services enabling the delivery of value-added services such as directory assistance, messaging, WAP, roaming and ring back tones.

The year-over-year improvement in our net equipment subsidy reflects both the reintroduction of activation fees for new customers, which were not charged during the prior year period, and the launch of the Cricket EZ handset in February of this year. The low-cost handset, which provides opportunity for competitive pricing, will not negatively impact the subsidy.

The improvement in the sales and marketing margin of our existing markets reflects the benefits of scale on an expense line that is approximately two-thirds fixed. During the quarter, we saw a significant improvement in our customer care and billing margins, reflecting an expense that was essentially flat year-over-year even with the \$563,000 increase in average customers. In addition, we saw a modest decrease in G&A margin, reflecting -- primarily reflecting increased staffing expenses as the Company prepares for the launch of our new AWS markets.

In summary we are achieving the margin improvements we expected and believe we will continue to see improvements in operating margins as a result of both further penetration of our existing markets and our ongoing focus on the development and implementation of cost reduction initiatives. As we have noted in the past, our ability to deliver OIBDA margins that exceed 40% in our more mature markets bodes well for our existing business as it continues to grow and gain additional scale.

Turning to slide 15, operating income in the first quarter of 2008 improved by \$27.6 million from the year-ago period as total revenues improved by nearly \$75 million and total operating expenses, including depreciation and amortization, increased by \$46.1 million. Net loss improved by \$6.1 million year-over-year.

Of the primary factors contributing to the relative difference in the year-over-year change in operating income and net loss, first was the \$7.4 million increase in net interest expense due to the Company's higher total debt balance in the current period. Note that 72% of our debt is currently at a fixed rate and we have executed \$355 million of floating to fixed rate swaps under our term loan. As of March 31, 2008, the effective interest rate on our term loan was 6.6%, including the effect of these swaps.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

The second contributing factor was a \$7.3 million increase in the income tax expense over the prior -- of the year-ago period, primarily reflecting the deferred tax effect of higher amortization of wireless licenses, resulting from the change in tax treatment for those licenses in the third quarter of 2007.

While not intuitive, the new tax method accelerates our tax amortization of wireless licenses and is recorded as a tax expense for accounting purposes due to the deferred tax effect of our current net operating loss position. We expect that we will recognize income tax expense for full-year 2008 despite the fact that we have recorded a full valuation allowance on our deferred tax assets. We expect ongoing tax expense to be approximately \$10 million per quarter for the remainder of 2008.

Finally, expenses associated with minority interest in consolidated subsidiaries increased by \$2.4 million year-over-year, primarily reflecting increased accretion expenses associated with the redeemable equity held by certain investors in our joint ventures. The equity in net loss of investee of \$1.1 million reported for the first quarter reflects our investment in a regional wireless provider in Mexico.

Turning to slide 16, total cash on hand at the end of the first quarter was approximately \$509 million, a decrease of approximately \$103 million from our cash position at the end of 2007. Included in this change in cash was approximately \$70 million of cash deposited with the FCC in early January related to our participation in Auction 73. With the conclusion of this auction, we received this deposit back in early April. Excluding the \$70 million deposit, we used just over \$30 million in cash during the first quarter.

Our current cash investments are largely as outlined in the last quarter's conference call. In general, the Company vests its cash in money market funds, short-term U.S. Treasury securities, obligations of US government agencies and other securities such as prime rate and short-term commercial paper and investment-grade corporate fixed-income securities.

As we discussed last quarter, our joint venture, Denali, which holds two issues of asset-backed commercial paper with an aggregate face amount of \$21.6 million. During the first quarter, we adjusted the carrying value of these securities by approximately \$4.3 million bringing the cumulative adjustment to our carrying value to \$9.7 million. Although we may see further deterioration in the fair market value of these two securities, our maximum exposures is \$11.9 million should these securities be written down to zero.

Turning to slide 17, capital expenditures for the first quarter were \$157 million, of which approximately \$46 million related to our existing business and footprint expansion program. Approximately \$98 million related to the development of our new AWS markets. For the quarter, capitalized interest associated with new market expansion was approximately \$13 million. Looking ahead, we continue to expect aggregate capital expenditures for new market build activity to be approximately \$26 per covered POP, excluding capitalized interest. This figure represents required capital expenditures to support our new markets through their first year of operation, after which annual capital expenditures are expected to be in the mid-teens as a percentage of service revenue. Note that any capital investments associated with significant footprint expansion of our launch markets is not included in this ongoing capital expenditure number.

To assist investors in their understanding of the timing of this new market-related CapEx, we have provided a profile of pre and post-launch spending. As you can see, in general, we expect 75% of the total new CapEx to be incurred pre-launch with approximately 50% occurred during the six months prior to launch. The remaining 25% is expected to be spent during the six months after launch. Note that there are specific factors associated with each market that can cause a variance between actual spending and this profile.

In closing the financial overview section of today's call, I would like to reiterate that, between our current cash position, our ability to generate cash from operating activities in 2008 as our markets mature and our business continues to grow and the flexibility inherent in this business to modulate the pace of our new market launch activity, Leap is afforded with the ability to manage this liquidity.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

In addition to a healthy liquidity position, our total leverage has come down to 4.7 times on an LTM basis, a reduction of nearly 35% since the closing of our senior unsecured add-on in June 2007 and a sequential improvement of half a turn from the 5.2 times at the end of the fourth quarter. We believe that our capital structure allows us to opportunistically look across multiple markets and make relative trade-offs between markets when or if we raise additional capital to fund the expansion of the business.

As we look to our future growth, we remain focused on a disciplined approach that balances investment in our existing markets with expansion opportunities in new markets in order to maximize value for all stakeholders. With that, I would now turn it back over to Doug.

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

Thank you, Jim. As we look towards the future, we want to remind investors that last year we shared a number of initiatives at our Analyst Day that we thought would drive additional penetration not only in our existing markets, but with our new markets. As well, at our last earnings call, we shared with you that within 11 quarters, we had previously doubled the size of our business.

Well, now, we look ahead and we believe we have a similar opportunity. Whether it is looking at the enhanced coverage footprint that will provide the stronger March market presence or the new service offerings that we will outline today, we continue to see further penetration in our existing markets. Today, we will outline the role of mobile broadband in our business as we provide an initial business outlook and we will share with you the revised schedule for the new market launches. We believe these plans provide a strong opportunity for us to increase our three year -- to achieve a three-year adjusted OIBDA CAGR outlook of 30% to 40%.

The initial results on our market launch -- our new network launches have been positive. Through the first quarter of 2008, we launched more than 400 of the planned 600 total sites. We expect the remaining sites to be completed by the first half of 2008. Our early results continue to indicate this expansion is yielding good results. In most markets, we have increased year-over-year sales by 20% or more and the improvements in churn we had expected to see are being realized.

As we look ahead on this market expansion, we believe that sales in the affected markets may increase in the low double-digit percentage and churn may improve between 0.1 and 0.3 percentage. With these effects, we think we will achieve greater, long-term penetration and reduce our off-network calling costs and we expect the results to provide a greater than 30% long-term IRR. Based on these results, we are considering additional footprint expansion beginning late this year or early in 2009 and as we complete the analysis on this, we will look forward to sharing with you our next steps.

In addition, during the quarter, the Company has developed an ability to extend our unlimited coverage area through utilizing the networks of some of our roaming partners and we expect to continue our progress in this area.

We believe additional improvements are possible at our market-level presence and we believe those improvements will drive additional growth. We have completed a comprehensive analysis across the markets that have identified four key areas to drive incremental gross add performance. These include enhanced direct store operations, increased performance from our indirect channel, expanded market-level awareness and increased density in optimized store location. We expect to share additional details with you in the coming quarters on this.

Turning to our service plans, the second quarter is typically when we refresh our annual service plans. We began trialing new offers during the fourth quarter and continued that through the first quarter of this year. Today, we would like to share with you the new rate plan lineup that we expect to provide not only more value to our customers and address our entry-level pricing, but also provide a strong basis for increased penetration.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

We have increased our value by providing a \$30 plan that includes anytime local minutes and caller ID, included unlimited text to Mexico in our \$40 plan, added mobile Web to our \$45 plan and also on our \$50 plan, added a small number of nationwide roaming minutes. These plans will be rolled out next week and based on the trial results that we have completed, we feel strongly that we are headed in the right direction to not only continue to grow our customers, but manage our ARPU effectively.

Over the last several years, the Company has upgraded its networks and we now have a number of product portfolio opportunities. First, the Company now utilizes EV-DO Rev A-ready or in the case of our new market launches, Rev A operating networks across our entire footprint. We have identified at least one full-time EV-DO carrier in all markets and we have connected those to our data superhighway. This improvement requires approximately \$6 million of fixed costs to support the network and this burn will remain in our new initiative burn rate through 2008.

We believe this step has been important. Not only does it provide an effective migration to Rev A as we have overlaid most of our markets with an additional 10 megahertz of spectrum, but allows us to continue to move forward smoothly as we introduce additional Rev A handsets in the coming year and transition our business to a Rev A platform.

But in addition, this upgrade provides the capability to expand our mobile data applications for our existing customers, whether that is with mobile video, music or social networking or e-mail. Our customers continue to be early, strong adopters of all of these services. And in addition, this upgrade now allows us to capture a wireless broadband opportunity.

We have introduced -- we have trialed and introduced Cricket wireless Internet service. This, for \$40 a month, provides unlimited monthly access with speeds comparable to DSL. During the quarter and into this quarter, we introduced our first Rev A tri-band USB device, the first one in the world. This device works in not only desktops, but laptop computers and provides a user experience that is comparable to or better than many other mobile broadband products.

So with that, we are now pleased to provide an initial outlook on how we think this impacts our business. For the second quarter, we expect to add approximately 10,000 customers during the quarter. After a market is launched, we expect the first-year penetration to be about 0.5% and the costs of achieving that to be less than \$0.50 per covered POP. With that \$0.50 investment, we expect, at the market level, OIBDA breakeven will be achieved within three full quarters after launch. As for the end of the first quarter, we had 7.5 million potential POPs covered and by the end of the second quarter, we expect that number to have grown to 13.5 million. As you can see on this slide, the introduction of the USB modem has really strengthened the growth rate and we look forward to that continuing throughout the year.

We have previously announced a small acquisition, Hargray Wireless. This acquisition, which was \$30 million, closed in early April of 2008. It provides licenses in Savannah and Hilton Head, adjacent to our existing markets and we continue to offer a mobile voice product bundled for the current ILEC. Having closed that, we will add 46,000 subscribers and about 0.6 million additional covered POPs during the second quarter of 2008. We are now underway and also upgrading this network.

We do have other potential opportunities that we are reviewing here and we will explore those opportunities to supplement our existing spectrum, fill in gaps or expand our footprint. The acquisition benefits are expected to include improved penetration-related churn and lower costs.

Turning to our market expansion, we have acquired a significant portfolio of attractive POPs, currently at 187 million. We have spectrum in 35 of the top 50 US markets and in this spectrum, we believe there is up to 85 million additional potential covered POPs.

During this process of assembling the spectrum portfolio, we have also overlaid the majority of our footprint with additional spectrum. The Company has been and remains a disciplined value purchaser of spectrum. In the Auction 58 and Auction 56, we were among the lowest bidders and achieved attractive footprint at good values. The Company participated, but made no purchases in the last auction, Auction 73 for the 700 megahertz spectrum, an auction that we found the pricing not to be in line with our objectives.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

We also had and will close during the quarter a small spectrum exchange that will provide us additional spectrum in New Jersey for some spectrum that we were currently using only on a limited basis. Also the Company expects to increase our footprint through an affiliate program. This program, should we go ahead with it, will be focused on smaller markets and the creation of complementary clusters. We expect we may retain a significant interest.

So why have we selected the markets and why do we believe our business will continue to grow? Well, we find that our penetration strongly correlates to three key characteristics -- ethnic diversity, income and related coverage. This enables us to provide an estimate of what we think our penetration potential is by market and these three conditions explains 60% of our variance, allowing us to have a good idea of what our potential return is.

Well, it is working. As we can see in the lower two bar charts, now 30% of our markets have surpassed their market score penetration potential and remember, many of these markets have only been recently launched and are growing robustly. We expect most markets will achieve their market score potential in the coming quarters. We believe our business has substantial additional penetration potential possible.

Not only does that exist in our existing business, but also as a result of our focus on market quality and being a cost-effective purchaser, we believe this reduces our risk and increases our potential return as we look ahead to launching new markets.

As you can see in the bar chart on the left, throughout the growth process we have gone over the last three years, we've steadily improved our long-term penetration potential for the markets that we are building and as you can see on the bars on the right, this leads to improving overall market quality and we believe potential return for our investors.

Well, the new launches have begun with the launch of Oklahoma City in early April, South Texas last week and Las Vegas set for next week. We have launched that with four Rev A devices operating in the AWS spectrum and we are looking forward to launching 8 million covered POPs by the end of the second quarter.

We are pleased with the development and the progress that we are making here as we have cleared the spectrum and allowed us to effectively move ahead on this. We have additional markets under development. We expect, including the 8 million POPs that we have disclosed to be launched in the second quarter, to launch up to 36 million by the first half of 2009 and up to 50 million by year-end 2010. We continue to have good support from our AWS handset vendors and we look forward to transitioning our business to a tri-band handset lineup later this year or early next year. The increasing progress we are seeing on Rev A is building an attractive handset selection for us.

The last thing that I want to call out is the team has done a good job in working together to clear that spectrum and we feel comfortable that we are in a position to roll out with the planned near-term launches. So with that, I would like to turn it back to the moderator and we will take questions.

Excuse me -- so as we look at where we are at, Leap is a strong, continuing, growth story. We have delivered our results, we have seen good, continued customer growth. We continue to deliver on our ARPU objective and our year-over-year financial performance has been attractive.

We have moved through a business cycle and we find our business remains resilient and our model both proven and scalable. As I have outlined today, we have a number of attractive future growth opportunities and continue to see good initial results from those, whether that is the growth from our existing business, the expansion of our broadband initiatives or over time, another doubling of our footprint.

We do this with a disciplined, long-term approach to growth and expansion. We expect to file our 10-Q later today or Monday. I want to thank the employees for all of their efforts to deliver these results and I want to thank Steve Martin who has supported this process and thank [Jeff Neibor] for joining the Company in his role helping us with our financial operations.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Lastly, let me express my appreciation to the management team and I look forward to seeing you all in the coming weeks. With that, I will turn it back to the moderator?

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Simon Flannery, Morgan Stanley.

Simon Flannery - Morgan Stanley - Analyst

Okay, thanks very much. Good morning. I wanted to come back to the launch timing if I could, please. In the past calls, you had talked about up to 12 million by the end of the summer. You had also given sort of year-end '08 targets. If you could just talk about how the new guidance relates to the old guidance and also if you decided not to raise additional funding, what would you think your ability to build by sort of mid-'09 would be without them reaching external funding? Thanks.

Doug Hutcheson - Leap Wireless International - President, CEO & Acting CFO

Yes, thanks, Simon. First off, today, we -- on our last call, we had said up to 12 million by the end of the summer and what we have highlighted is in fact we have been able to pull in the launches and get up to 8 million done in the second quarter. We will update you on when the next launches are as we progress ahead.

As far as the change on the guidance from 30 million by the end of the year to 36 million by the middle of 2009, throughout that, I said some of those markets are pretty big that we will be launching and small changes in timing may affect when we actually launch those markets. So what we are trying to do is rather than have an annual year-end -- make it hard for people to figure out exactly where it is, what we did is we moved to the other side of any variability we will see on that to provide you the \$36 million covered POPs by mid-2009 and with that, remember the 36 million does include the 8 million covered POPs that we already discussed.

From a self-funded standpoint, we are a little bit better than 20 million in a position to do that and that 20 million covered POPs includes -- could include not only new market launches, but based on the results that we are seeing on the footprint expansion, we may decide to also continue to do some additional coverage there.

Simon Flannery - Morgan Stanley - Analyst

Okay, you are basically going full steam ahead on up to 20 million right now and then the other stuff will be more gated, is that right?

Doug Hutcheson - Leap Wireless International - President, CEO & Acting CFO

We will certainly have launch activities going on in a number of markets and are fully funded to launch up to about 20 million covered POPs.

Simon Flannery - Morgan Stanley - Analyst

Great. Thanks a lot.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Operator

Romeo Reyes, Jefferies.

Romeo Reyes - Jefferies & Co. - Analyst

Good morning. Can you hear me?

Doug Hutcheson - Leap Wireless International - President, CEO & Acting CFO

Yes, good morning, Romeo. How are you?

Romeo Reyes - Jefferies & Co. - Analyst

Good, good, good. Couple of questions. First, on the ARPU, just about a year ago, we were talking about 60%, 65% of your customers taking \$50 ARPU plans or higher. It is notable that you guys eliminated the \$55 plan here in your new plan that you are launching. Can you give us a sense of kind of what percentage of your base is taking the \$50 plus side plan or the gross adds rather?

Also related to ARPU, typically there is an inverse relationship with churn on the ARPU. Are we going to see a Q1 number that you just put up on the ARPU that you have a high watermark for ARPU and then see a decline through Q3 and then up in Q4 as we -- faster or is that changing a little bit within the plans that you have in place?

And then the second thing is related to one of your potential [northwest] JV with [Revel], your LCW relationship, when does the put get exercised, how does that work?

Doug Hutcheson - Leap Wireless International - President, CEO & Acting CFO

Well, first, on the ARPU, we have said we expected ARPU to flatten, so you will see a little bit of variability on ARPU during the quarters and there is a little bit of sensitivity as we showed previously on churn, but we expect it to maintain in the mid \$45 range and so you may see some quarters where it ticks up a little and some where it moves around a little, but I think you are going to watch us modulate that as we currently see it and feel comfortable that we will maintain it in the mid \$45 range.

As far as the rate plan uptake, if we are going to modulate the ARPU in the mid \$45 -- mid \$40 range, I think what goes along with it is we still continue to see good uptake for our higher value rate plans. In fact, what you saw us do with the rate plans that we will roll out next week is drive a nice, attractive bundle of services that we do. We regularly drive more value at our customers. It is what we do well that we think will continue to keep attractive uptake on our higher-end rate plans. We haven't shared today specifically what the mix was, but we will take a look as we move ahead. We will take a look at what we can share with you on that.

As far as the LCW joint venture, it appears to be going well. I think the put that is involved in that, we will make sure we include the details in the 10-Q, but isn't likely going to be exercised in the near future here and so I think that is outside our time horizon right now that we are tracking closely.

Romeo Reyes - Jefferies & Co. - Analyst

You can pay it with cash or in shares, right?

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

Yes.

Romeo Reyes - *Jefferies & Co. - Analyst*

Thank you.

Operator

Scott Malat, Goldman Sachs.

Scott Malat - *Goldman Sachs - Analyst*

Thank you. I just wanted to ask a question on Las Vegas. I was wondering if you had accelerated this roll-out just considering you had a competitor jump in there. I can't imagine that a month-long head start changes much of the long-term penetration outlook, but I just wanted to check that. But I guess more importantly, it is just an interesting market with three unlimited players. Can you just help us understand how you differentiate in this type of market? What are your expectations and kind of how do you model in penetration and returns?

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

Well, first off, one of the things that we have noted, because we have had a number of unlimited players competing in our markets. I think I have shared over the years that we have had a number of -- more than 10 different unlimited players that most -- what we frequently see is the total penetration available in the market actually increases, so it is not splitting the same pie. In fact, the pie gets -- frequently gets bigger and provides an interesting opportunity to us.

From a differentiation standpoint, we have our service offerings that are attractive, that we drive a lot of value. We have been quite successful with how we have differentiated ourselves from others with our data opportunities and clearly with the continuing progress that we have seen on our mobile broadband initiative, we are pleased.

In addition, in the Las Vegas area, we are going to be launching a footprint with 41,000 square miles, so it will be a large, attractive footprint and it will cover not only -- deeply cover Las Vegas, the core Las Vegas, but it brings together the greater Nevada area, as well as connects us to some of our other markets. So we think we have a robust, attractive footprint. So I think we feel like we are well-positioned to move ahead and we look forward to the launch next week.

Scott Malat - *Goldman Sachs - Analyst*

Thanks. Just a modeling question, just to help me as we think about track (inaudible) as we go through the year. I know 2Q and 3Q obviously have some seasonal impacts, but just from a new launch perspective, you didn't launch many POPs two or three quarters ago. You have some new market launches now. So I just -- as we think through the impacts on the next two quarters, it seems like a little less kind of artificial pressure than last year. I just wanted to see if that is the right way to think about it.

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

When you say artificial pressure, can you help me with that?

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Scott Malat - *Goldman Sachs - Analyst*

Yes, just in the tenure because when you launch new markets -- I just think of that almost as artificial. You launch new markets and you have very, very low penetration for a few months or zero penetration almost and then you have higher penetration just because you have low tenure and then it kind of moderates. So since you launched a lot at the third quarter I guess of '06 timeframe and then those would be kind of high churn and last year, I just wanted to understand am I thinking of that the right way?

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

I think you are, but let me explain it my way and see if we line up here. The second quarter -- we kind of outlined it. The second quarter last year had quite a bit of upward pressure related to customer tenure effects and those customer tenure effects were related to the strong late 2006 launch profile.

As we look towards the second quarter this year, you will see that that has inverted or you will see that the tenure effect has become smaller than what we had in the second quarter of last year. So you will see -- we believe we will see attenuation. Certainly relative to last year's churn performance, you will see a nice attenuation on that.

I did suggest to investors today that remember we are now starting to launch new markets and the tenure or factor, the churn effect of those new markets is they initially, in the first quarter after launch, tend towards reducing churn and then in the second and third quarter, they move, the tenure, the shorter life customers, the churn, the pressure is generally upward and then you watch that subside as those markets mature.

I don't have any data right now that says we won't follow that same path on these new market launches, so we will continue to watch that and if there is changes to what we have already previously disclosed, we will work towards updating people.

Scott Malat - *Goldman Sachs - Analyst*

Thanks. That's very helpful.

Operator

Phil Cusick, Bear Stearns.

Richard Choe - *Bear Stearns - Analyst*

Hi, this is actually Richard Choe for Phil. With a lot going on in terms of management time and focus, where are you kind of ranking M&A possibilities, roaming partner discussions and affiliate partners?

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

Well, there is a lot of exciting initiatives that we have shared with you that we started six months ago that are delivering results and we are pretty pleased with what we see there. And we expect to continue to stay focused on those and continue to deliver results on that.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

We clearly have done a little M&A activity when you look at the swap and the affiliate discussion or the Hargray acquisition, so we have done the due diligence and the work to bring those online as well and we will continue to look for opportunities like that.

The rest of that -- the business, there is a number of people involved with the company. They are good people. We have people focused not only on building our business, but also in addressing those other opportunities that might be out there and when we have an update on that, we will share that with you.

Richard Choe - *Bear Stearns - Analyst*

Okay. And in terms of [that], in the first quarter, which were pretty strong and given the mobile broadband product and the Cricket EZ handset, kind of what percentage was made up of that, was made up in the first quarter and then what can we expect in terms of the second quarter, especially given the 10-K guidance for the mobile broadband?

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

I didn't hear the back part of that question. I'm sorry.

Richard Choe - *Bear Stearns - Analyst*

How much of the 10-K in terms of adds should we expect in the second quarter for the mobile broadband stuff?

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

Well, the end-of-period customers we are expecting to be about 10,000. Most of those customers will be added during the quarter. So we were running it in a relatively small trial basis. Still we were comfortable we had things where they were. So we will update you, but I think -- assume that most of the 10,000 is added during the quarter. Does that answer on the mobile broadband?

Richard Choe - *Bear Stearns - Analyst*

Yes. And then the Cricket EZ, how much -- can you give us any color on --?

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

The lower-priced handsets tend towards being roughly about half our volume. It varies quarter-over-quarter, but our entry-level handset typically runs about half our volume. It can go up or down depending on where we are at with handsets. Sometimes a little higher during promotional periods, but there are other times we will move it down because there is a hot handset at the higher end, but overall, it typically runs about half our volume.

Operator

Chris Larsen, Credit Suisse.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Chris Larsen - *Credit Suisse - Analyst*

Hey, how are you? Good morning. A couple of questions. On the new market launches, the 8 million by the end of the summer, is that inclusive of the Oklahoma and the stuff that was launched in 2Q? And of the \$10 million of new market launches, are those expenses that you had to incur and couldn't capitalize despite the fact that those -- the Oklahoma and the other markets hadn't launched until 2Q? I just wanted to be clear on that.

And then churn, obviously it was down materially. Can you talk a little bit about comebacks and are you seeing any impact from rebate checks? And then lastly, I'll throw out the question that I know we are going to get, is there anything you can say relative to Metro regarding -- Metro PCS regarding M&A and/or partnering discussions? Thanks.

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

First off, I want to not let Glenn get off the hook here. It is 8 million by the end of the second quarter, so he is smiling here, not by the end of the summer. So I think with the Las Vegas launch, we will be part way there, but there are some other activities that the teams are working on. And we will update you as part of our second-quarter earnings process how we see things going from there.

On the churn, as far as comebacks, we had normal, nothing out of the normal on what we see in normal returns of customers. Remember, the first quarter tends towards being seasonally our strongest quarter, but when we see customers return and this year was no different and there are always evolutions of programs that we have to do that, but those programs that we had in place weren't materially different than what we would do.

On the rebate effect, I think it is early. Typically when customers have a little bit more disposable cash, that tends towards providing a little bit of a stronger reactivation pressure, but we are not in a position to update. We don't know where that money is going to go with \$4.00 gas. There is also going to be some pressure at the pump, which I tried to highlight and again, at this point, on the M&A front, I don't have anything to update you on.

Chris Larsen - *Credit Suisse - Analyst*

Thank you very much.

Operator

Steve Clement, Pacific Crest Securities.

Steve Clement - *Pacific Crest Securities - Analyst*

Thanks. Just looking for a point of clarification on the covered POPs. You were reporting 53 million at the end of the quarter. I thought that you were at 54 million at the end of 2007. Can you clarify what the 53 million compares to for the last couple of quarters?

And also looking for some insight on linearity in Q1. It seems like based on where you are at the end of February that March was a bit better than expected. What do you see as having driven that and wondering how that might have carried into April? Thanks.

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

Jim Seines - *Leap Wireless International - VP, IR & Acting Treasurer*

Thanks, Steve. This is Jim. On the covered POP number, we have gone back and we scrubbed those numbers and adjusted that. So the starting point for the year is at 53 million. So I believe that answers that particular question.

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

And then on the March versus the other months, I think the initiatives that the team had that we normally put in place in late January and ride through most of the first quarter worked as we typically see. So I think March was a good month, not abnormally strong, nor did we do anything to abnormally stimulate the month. It just followed our normal rhythms.

As far as April or other months, our business is a seasonal business and so in periods where it slows down a little, we wait it out and then it comes back. April is not typically -- it is not a December for us, but we don't see anything in any one month that seems out of expectations. We have seen like what we see as we've anticipated it and believe that we are doing fine, looking forward to moving into the year.

I think as I look at customer growth this year, we have more attractive initiatives to roll out that are working that cause us to look into the middle of the year and feel positive that there is a lot of opportunity for us and we will [wade] -- the economy, as we have said, is going through its transition and the gas prices and such. But I think the Company has clearly done well at getting itself positioned to move through this time period. So we look forward to moving into it and advancing and updating you on our progress.

Amy Wakeham - *Leap Wireless International - Director, IR*

JD, we have time for one more question.

Operator

Todd Rethemeier, Soleil Securities.

Todd Rethemeier - *Soleil Securities - Analyst*

Thanks, good morning, guys. In the fourth quarter, you were running a \$25 promotion for a while. I am just wondering have you seen any anything on that in the first quarter in terms of churn or any other metrics you can share with us that you have tracked and how those customers have compared to your normal base.

Doug Hutcheson - *Leap Wireless International - President, CEO & Acting CFO*

Well, remember, first off, that the fourth quarter is typically a giftgiving quarter and the first quarter is a -- the customers typically have disposable income and the actual user tends towards being the buyer. So what we have seen on the fourth-quarter customer is actually attractive. We have been pleased with the results that we have seen and what we expect is going to occur is, in fact, occurring and a number of those customers are upgrading to the more feature-rich plans as it moves from a gift and moves into being the phone that they use every day. So I think the promotional plan that we laid out in the fourth quarter did a nice job.

I will say that we didn't do a lot of similar promotions in the first quarter, so the results that you see in the first quarter had a time period where we were running for a little bit a \$30 rate plan, but most of the quarter was at a \$35 rate plan. So I think as

May. 09. 2008 / 8:30AM, LEAP - Q1 2008 Leap Wireless International Earnings Conference Call

we look at things, we are pleased where we see ourselves on the ability to manage the ARPU and think the rate plan mixes that we are doing are being effective.

Todd Rethemeier - *Soleil Securities - Analyst*

Okay. Thank you.

Amy Wakeham - *Leap Wireless International - Director, IR*

All right, thank you for participating in our call today. We appreciate your interest and support and look forward to updating you on our business progress during our next quarterly conference call. If you have any further questions about our first-quarter results or need additional clarification on the information we have presented today, please feel free to call us at 858-882-6084. Thank you.

Operator

Thank you for your participation in today's conference. This concludes our presentation and you may now disconnect. Have a great day.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.