

# Deutsche Telekom Press Conference FY/2020 results



LIFE IS FOR SHARING.

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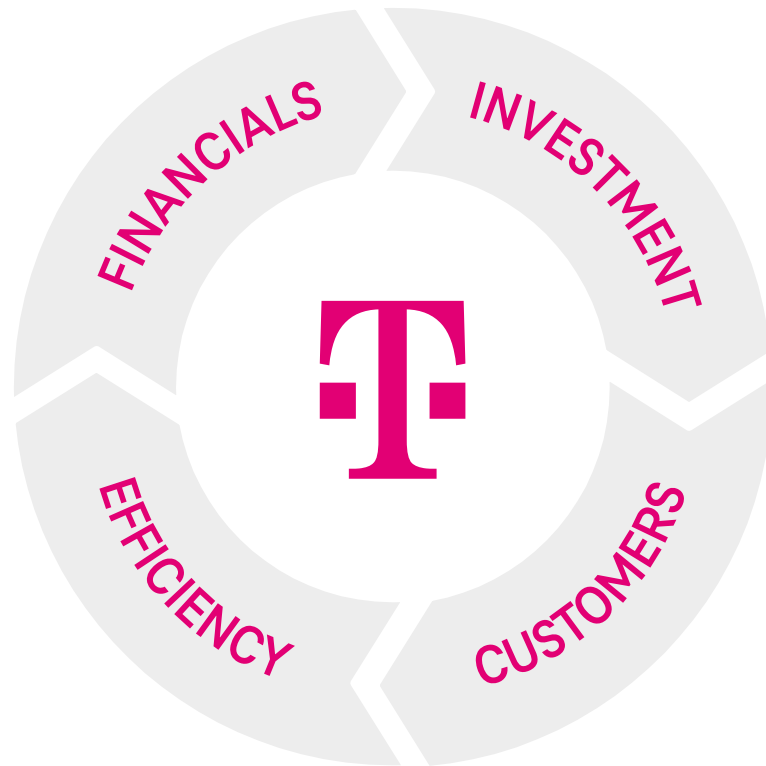
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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, free cash flow after leases, gross debt, net debt after leases, and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

# FY/2020 results

## sector leading growth



1) Includes 17 cents related to Softbank call option valuation

2) Subject to AGM approval



### T-Mobile

- Accelerated progress with 5G/integration
- 106m pops passed with 5G in 2.5GHz
- Customer and EBITDA growth – ahead of expectations

### Ex US

- GER: 17 consecutive quarters of EBITDA growth; EU: 12 quarters
- Guidance raised in Q3
- Strong customer growth; 121k GER broadband net adds in Q4

### Group

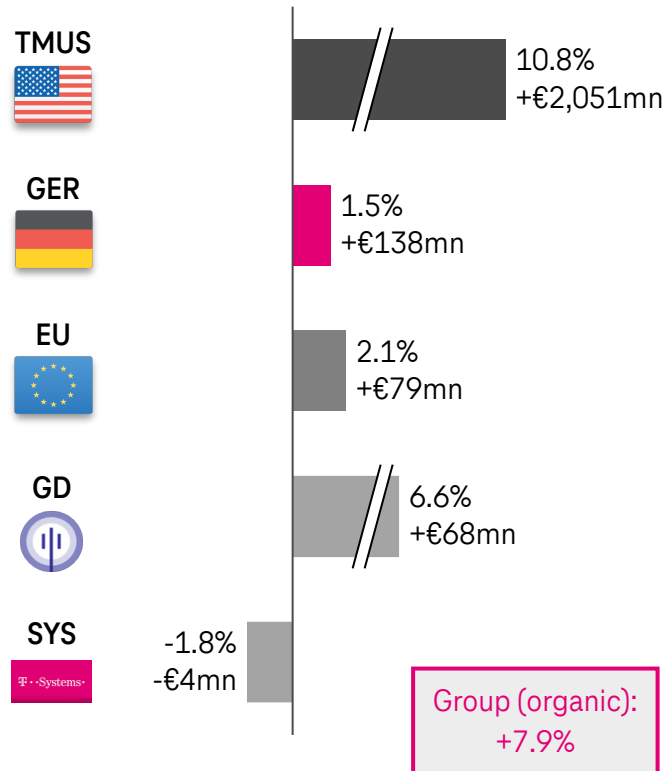
- 3% revenue organic growth
- 8% adj. EBITDA AL organic growth
- Delivered FCF AL (€6.3bn), adj. EPS (€1.2)<sup>1</sup>, dividend<sup>2</sup> (60 cents)
- Leverage without leases 2.4x

# FY/2020

## adj. EBITDA AL up 8% organic

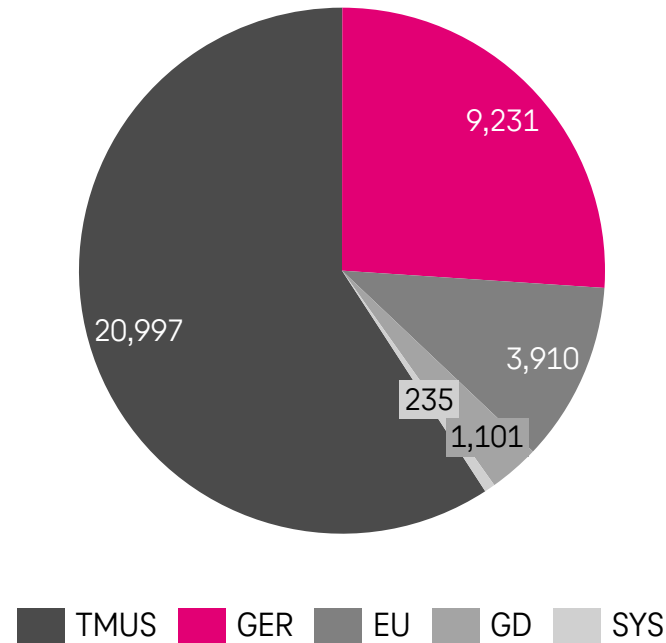


### Adj. EBITDA AL (organic growth)



### Adj. EBITDA AL<sup>1</sup>

€ mn



### FY/2020 reported growth

Revenue	+25.4%
Adj. EBITDA AL	+41.6%
Adj. EBITDA AL (excl. US)	+3.1%
Adj. net profit	+15.5%
Net profit	+7.5%
Adj. EPS (in €)	+15.4%
Free cash flow AL <sup>2</sup>	-10.3%
Cash capex (excl. spectrum)	+29.4%
Net debt AL	+53.7%

1) Excl. GHS, as reported

2) Includes US\$1.5bn of merger related cash payments

# Portfolio

## focus on execution



### T-Mobile US



- **Sprint merger**
  - Approved and closed
  - Synergies ahead of plan
  - Funding secured
- **Related transactions**
  - Agreements with Softbank (revised merger terms and call options)
  - Boost disposal
  - Shentel resolution
  - Spectrum acquisitions

### Ex US



- **EU**
  - Exit from Romanian fixed line
  - FTTH JV with Cetin in Czech Republic
- **Netherlands**
  - Tower merger with Cellnex
  - Acquisition of Simpel (MVNO)
  - Tele2 integration on track
- **DIV**
  - Creation of Pan-EU infrastructure fund
  - Together with Cellnex

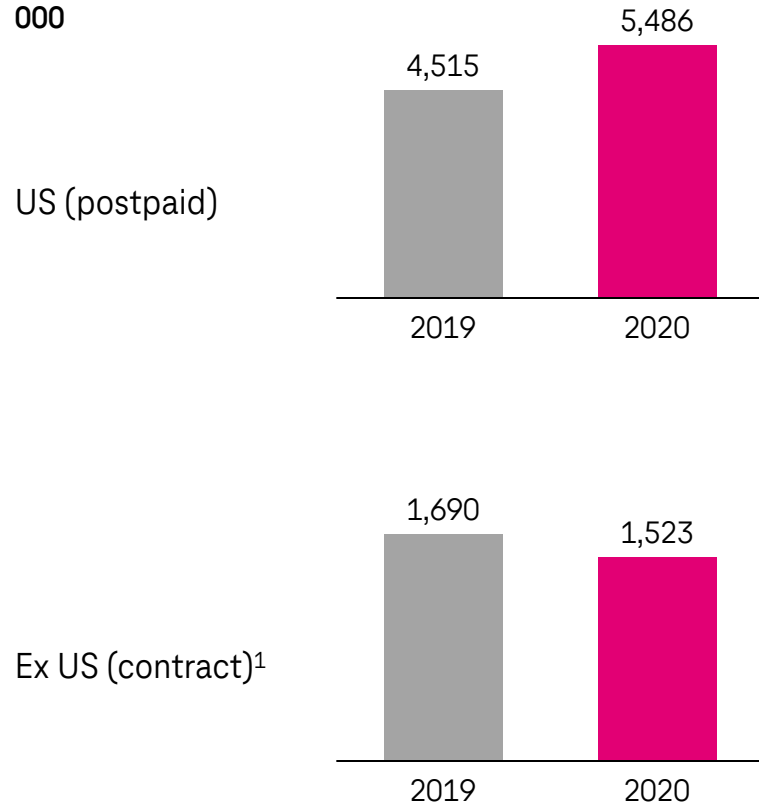
# Customers

growing strongly



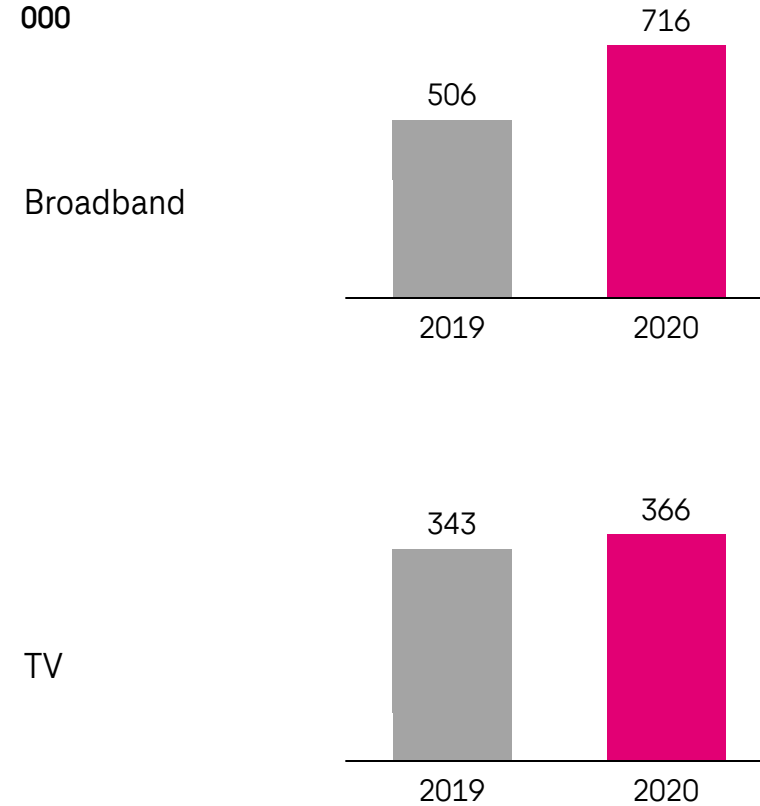
## Mobile net adds

000



## Fixed line net adds<sup>2</sup>

000



1) GER + EU + NL. GER: own brand only

2) GER + EU + NL



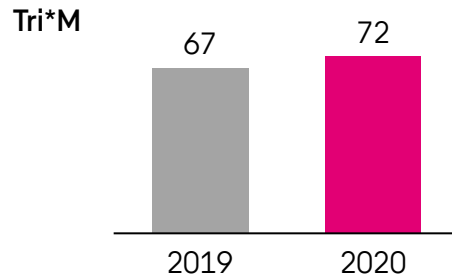
# Society and Environment

## progress with ESG agenda

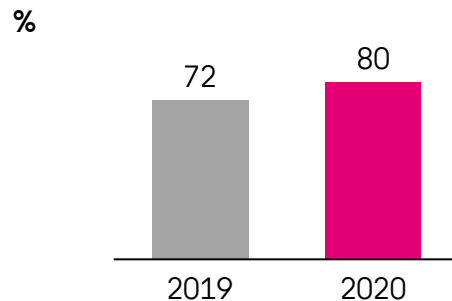


### Societal agenda

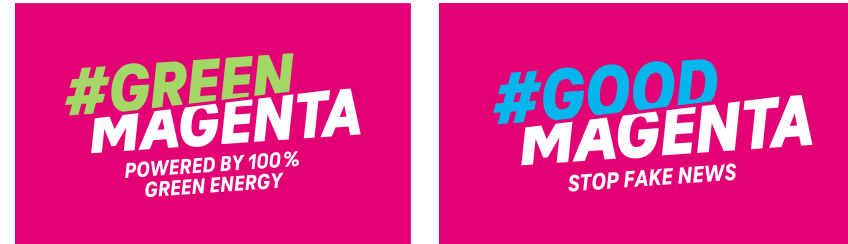
#### Customer satisfaction



#### Employee satisfaction



### #GreenMagenta #GoodMagenta



### Ongoing success in ESG Ratings



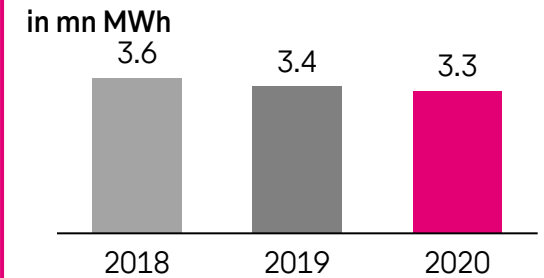
### Social responsibility

- Launch of a variety of Covid-19 measures for customers, employees, and society
- Support for schools and students on both sides of the Atlantic

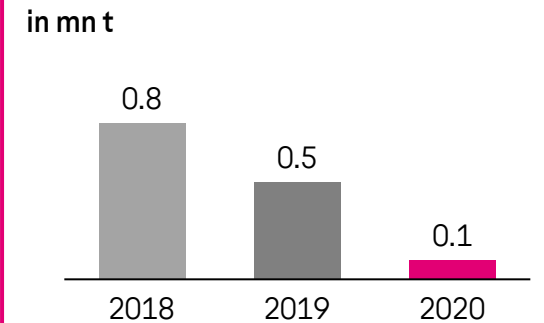


### Environmental agenda

#### Energy consumption<sup>1</sup>



#### CO<sub>2</sub>e emissions (scope 1+2)<sup>1</sup>



1) In Germany

# Networks

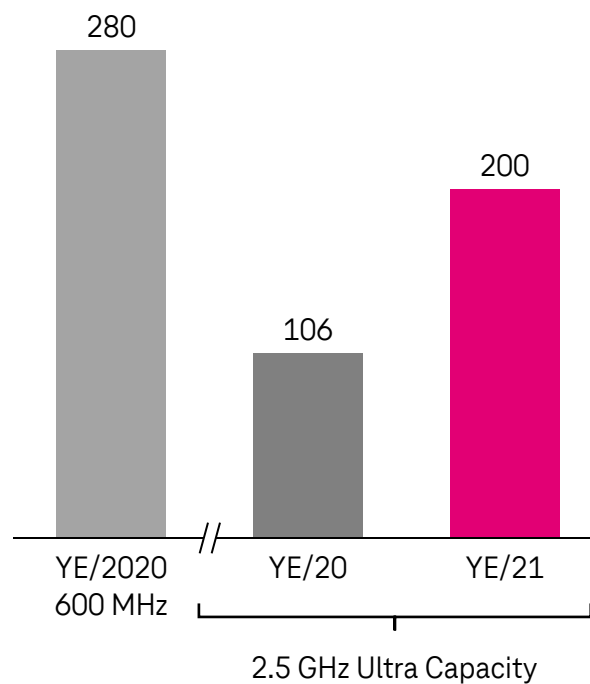
## progress with 5G



### T-Mobile US 5G coverage



mn POPs



### Ex US



#### Germany

- 67% coverage at YE/2020
- Targeting >80% YE/2021



#### EU

- Austria: 40% coverage at YE/2020
- Greece: 40% coverage at YE/2020
- Poland: launched in June 2020, 15% coverage



#### Netherlands

- Nationwide coverage





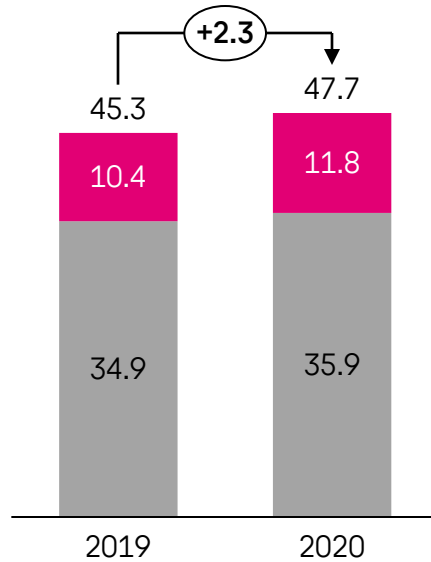
# Networks

## FTTH acceleration underway



### Fiber networks

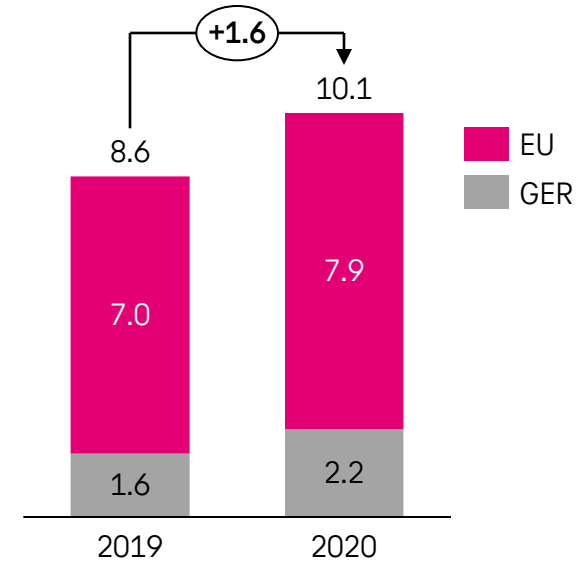
Fiber households<sup>1</sup>  
mn



- 82.5% of German homes provided
- Build-out largely completed

### FTTH (1Gbps)

Fiber households  
mn



- Combined 2020 run rate of 1.6mn
- Up from c1mn annual run rate in 2019
- Included in stable ex US capex envelope

1) EU9: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. GER: FTTC and FTTH/B lines

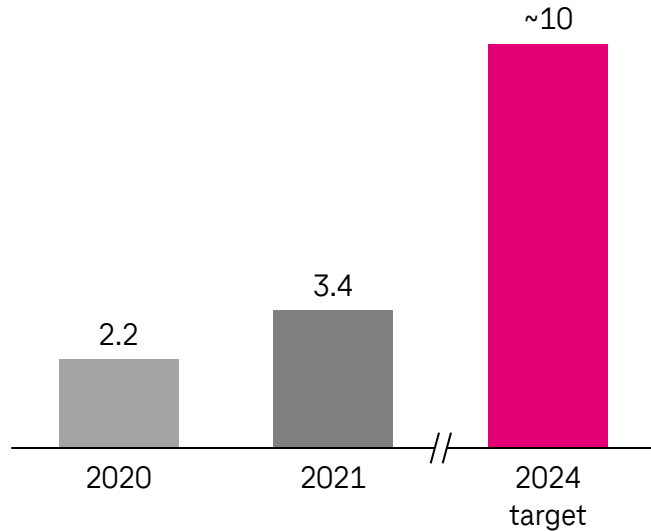
# FTTH Germany

further accelerating our FTTH build



## Fiber homes passed

mn



- Significant FTTH build acceleration towards c2.5m run-rate by 2024

- 100% of Germany to be covered with FTTH by 2030, by DT and others
- DT is uniquely positioned to lead
- We have a predictable investment framework
- FTTH will extend our proven upsell and grow ARPAs in retail and wholesale
- We are ramping up efficiencies (“Fiber Factory”, “Save for Fiber”)
- FTTH will drive further growth in revenues and earnings

# FTTH Germany

## DT uniquely positioned to lead



### Infra leadership

- 82.5% of homes passed with dense FTTC connectivity
- 13,000 employees in highly digital & scaled “fiber factory”
- Benchmark collaborations for various buildout models
- On track for <€1,000 cost/home passed

### Customer base

- 14mn retail broadband subs, de-risking utilization
- High customer satisfaction and very low churn
- Proven and steady customer upselling path

### Predictable framework

- Established M4M wholesale & retail pricing framework
- Commercial 10-year wholesale agreements with 1&1, TEF DE, Vodafone, and others
- Endorsed by BNetzA
- Government wants to remove rental privilege and supports with subsidies

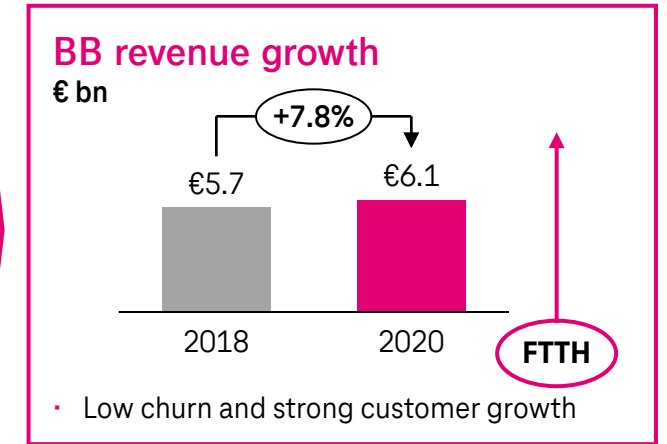
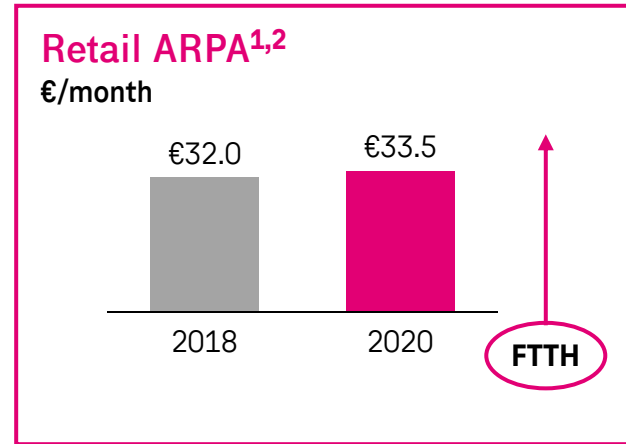
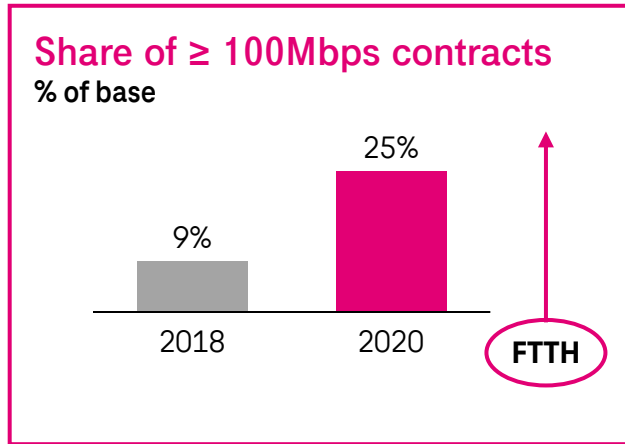
**Positive set-up for DT FTTH acceleration**

# FTTH Germany

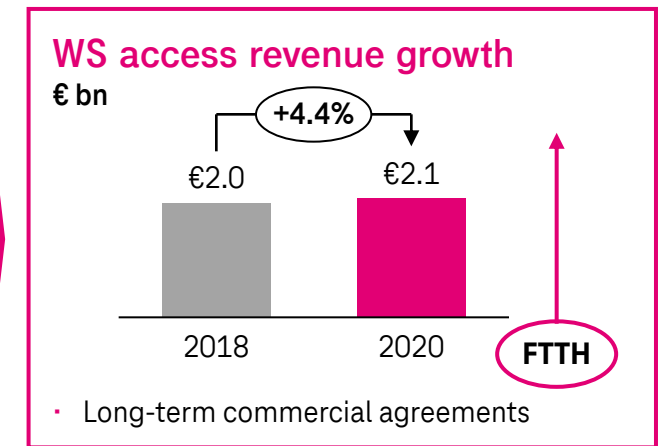
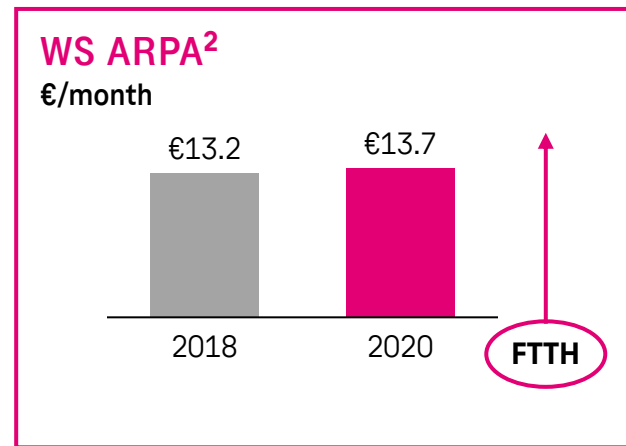
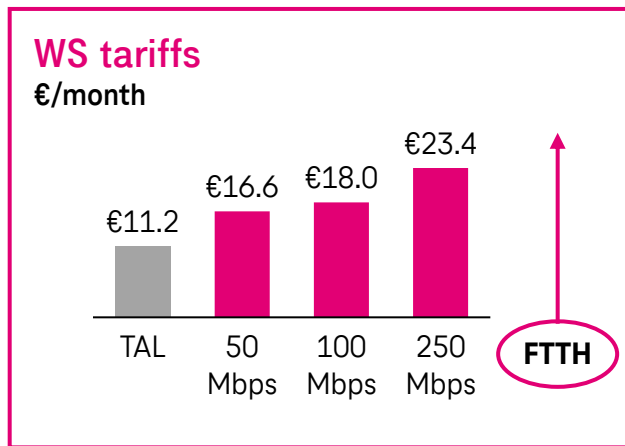
## FTTH extends our proven upsell and growth



### Retail



### Wholesale



1) B2C only  
2) Values reflect Q4 only



# FTTH Germany

## creating value from fiber



### Revenues

#### German FTTH leadership

- Superior, future-proof infrastructure
- 10mn homes passed in 2024

#### Upselling opportunities

- Established M4M framework
- Long-term commercial wholesale contracts

### Costs

#### (FTTH) cost transformation

- Best-in-class FTTH digitization, scale, and partnerships
- Capex reallocations and efficiencies
- “Save for fiber”

#### Cost benefits

- Lower future network running costs
- Reduced energy consumption & emissions

▪ **IRR > WACC** ✓

▪ **Growth** ✓

- Revenues
- EBITDA
- Ex US FCF
- ROCE
- EV

# Ex US FCF

despite FTTH acceleration, FCF in Europe is growing



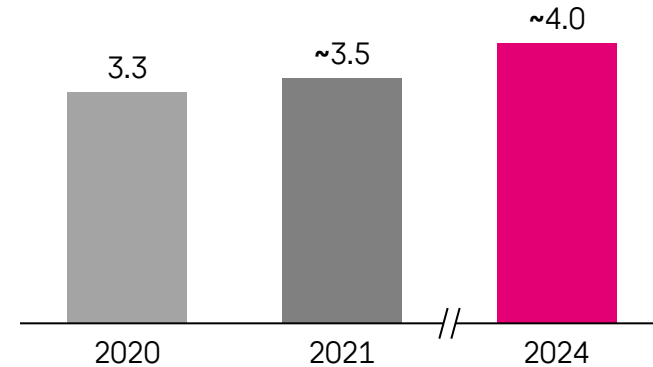
## DT ex US Capex outlook



- 2021 ex US capex stable vs. 2020 (€7.7bn)
- 2024 ex US capex around €0.5bn higher vs. 2021
- Gradual increase from 2021 to 2024

## DT ex US FCF

€ bn



### • Capex envelope driven by

- Capex reprioritization
- Deployment efficiencies
- Area selection

### • Ex US FCF growth driven by

- Revenue growth, from network leadership and upselling
- Cost efficiencies / “Save for fiber”

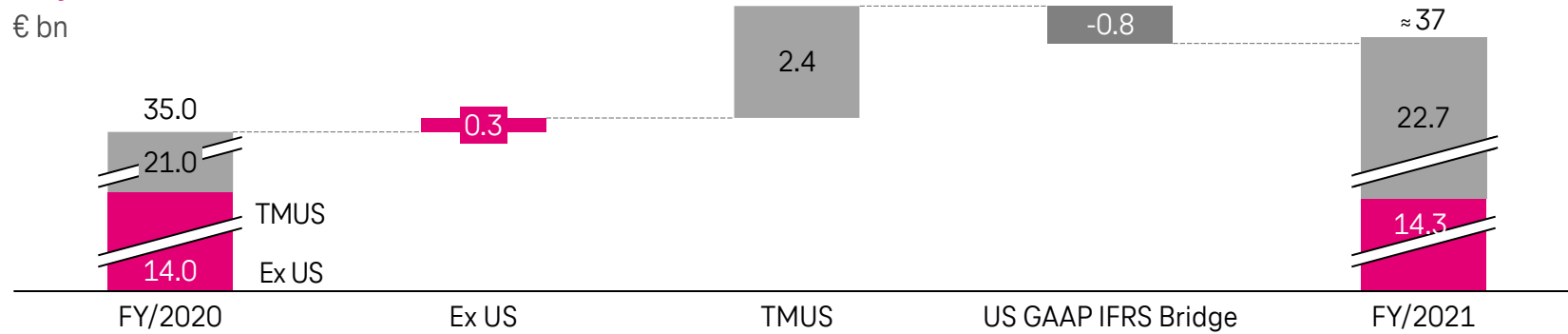
# Guidance 2021

we grow on both sides of the Atlantic



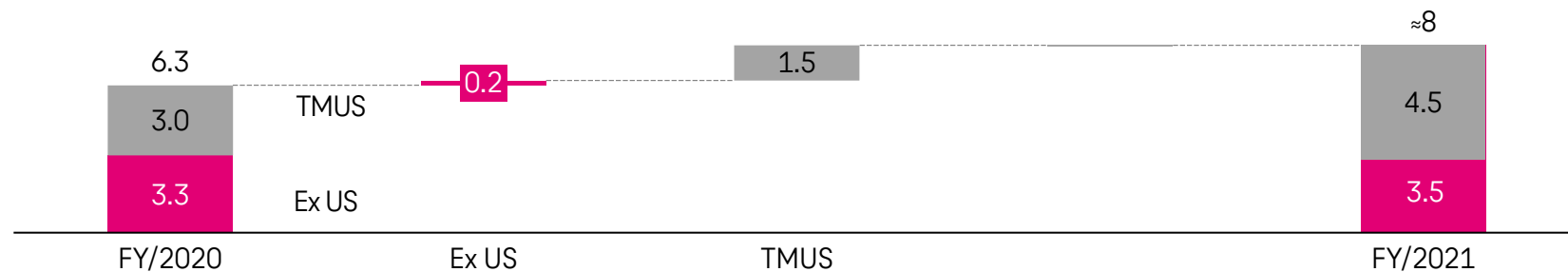
## Adj. EBITDA AL

€ bn



## FCF AL

€ bn



Based on €1 = US\$1.14

TMUS EBITDA included at midpoint of US GAAP 2021 guidance of US\$26.5bn to 27.0bn, adjusted for estimated bridge of €0.8bn.

US FCF included at midpoint of US GAAP 2021 guidance of US\$4.9bn to 5.4bn.

Ex US with adj. EBITDA AL of around €14.3bn and FCF AL of around €3.5bn included in 2021 guidance.



# Review Q4/2020



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# Financials

## strong growth

€ mn

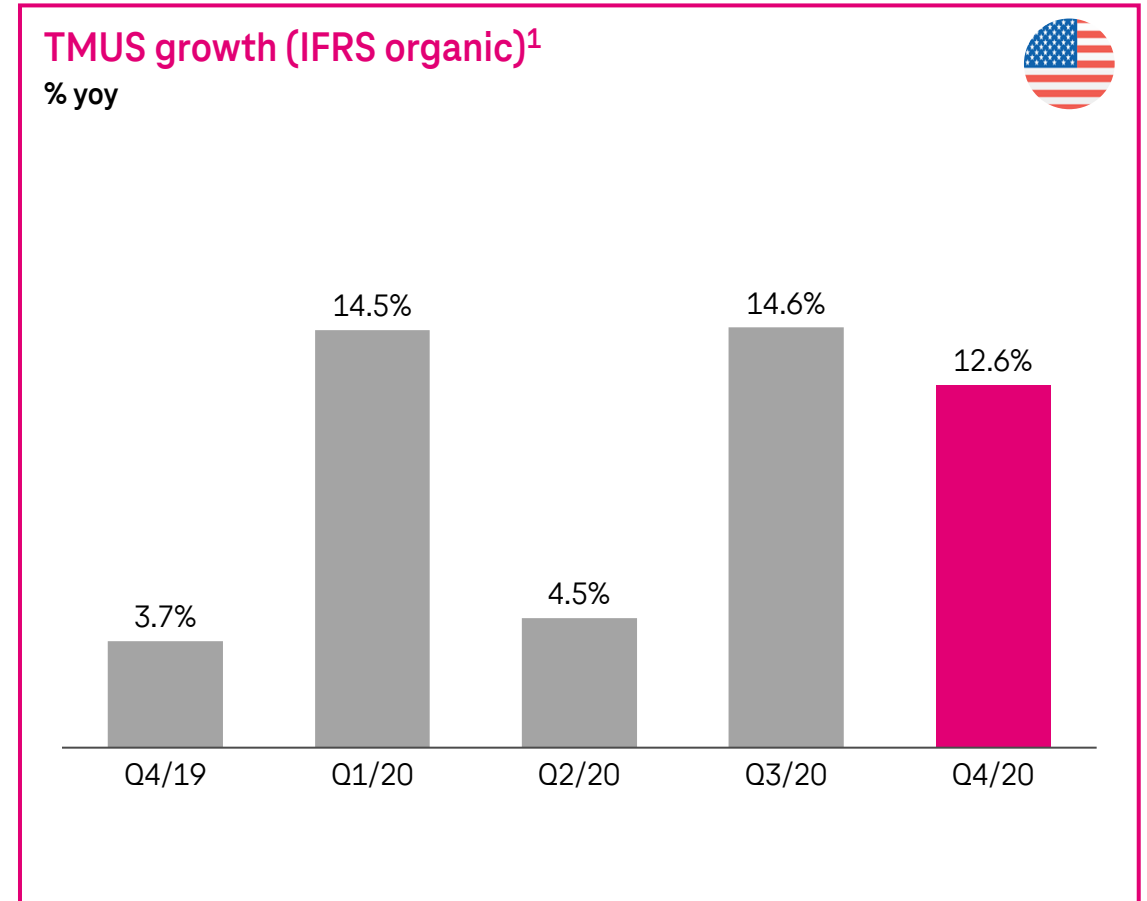
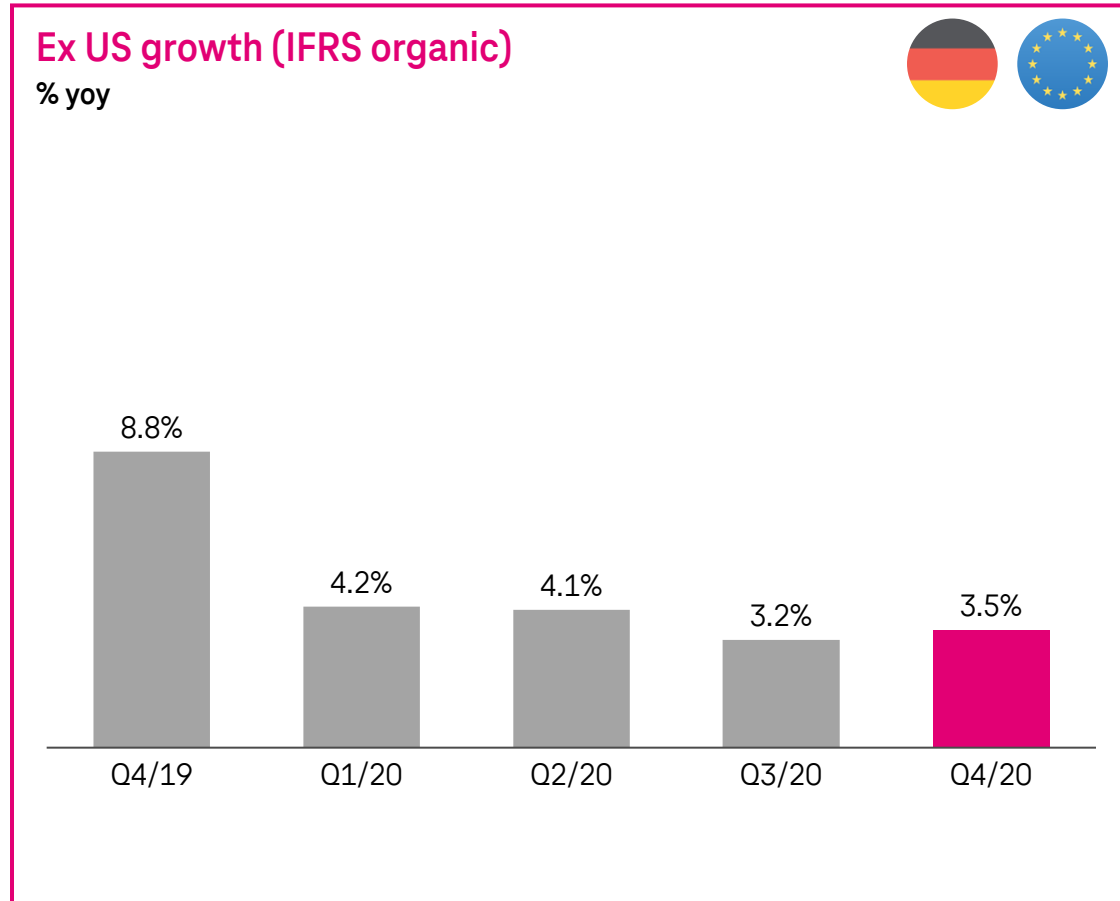
	Q4			FY		
	2019	2020	Change	2019	2020	Change
Revenue	21,361	27,622	+29.3%	80,531	100,999	+25.4%
Adj. EBITDA AL	6,030	8,952	+48.5%	24,731	35,017	+41.6%
Adj. EBITDA AL (excl. US)	3,320	3,413	+2.8%	13,597	14,020	+3.1%
Adj. net profit	1,016	1,643	+61.7%	4,948	5,715	+15.5%
Net profit	654	1,671	+155.5%	3,867	4,158	+7.5%
Adj. EPS (in €)	0.21	0.34	+61.9%	1.04	1.20	+15.4%
Free cash flow AL <sup>1,2</sup>	1,763	942	-46.6%	7,013	6,288	-10.3%
Cash capex <sup>2</sup>	3,075	5,468	+77.8%	13,118	16,980	+29.4%
Net debt	76,031	120,227	+58.1%	76,031	120,227	+58.1%
Net debt AL	58,248	89,556	+53.7%	58,248	89,556	+53.7%

1) FY/20 before €1,600mn zero bond redemption (in Q1) and before €2,157mn US payer swap payment (in Q2)

2) Free cash flow AL before dividend payments, cash capex before spectrum investment. Spectrum: Q4/19: €75mn; Q4/20: €346mn, FY/19: €1,239mn, FY/20: €1,714mn

# EBITDA AL





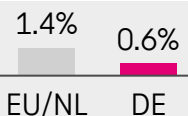
growth on both sides of the Atlantic



1) Sprint included since Q2/20

# Covid-19 impacts

## expected headwinds

	Maximum possible exposure (ex US)	Q4/2020 estimated impact	Outlook 2021
Retail roaming revenue	 EU/NL DE ~€0.35bn	€60mn	Modest improvement
Mobile handset revenue	 EU/NL DE ~€3.5bn	Limited impact	Limited impact
ICT revenue	 DE EU/NL TSI ~€9bn <sup>1</sup>	~€100mn	Ongoing headwind
Fixed call revenue	 EU/NL DE ~€0.6bn	~+€25mn	Less tailwind in 2021
Bad debt	 1.4% 0.6% EU/NL DE ~€0.3bn	Limited impact	Prudent outlook
Adj. EBITDA AL (ex US)	<ul style="list-style-type: none"> <li>• Q4 adj. EBITDA AL ex US +3.5% organic growth and increased FY/2020 guidance of €14.0bn delivered</li> <li>• Q4 estimated EBITDA headwind c€0.1bn (similar as in Q3). FY/2020 total c€0.2bn</li> </ul>		<ul style="list-style-type: none"> <li>• EBITDA AL headwind similar to 2020</li> </ul>

1) Split in previous reporting structure

# Germany

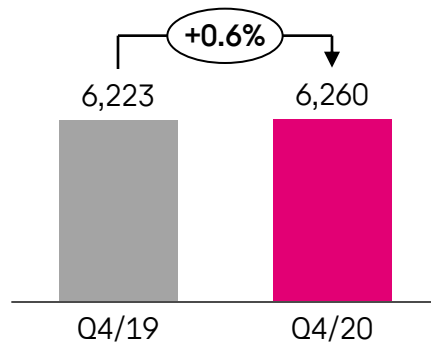
## 17<sup>th</sup> consecutive quarter of EBITDA growth



### Revenues

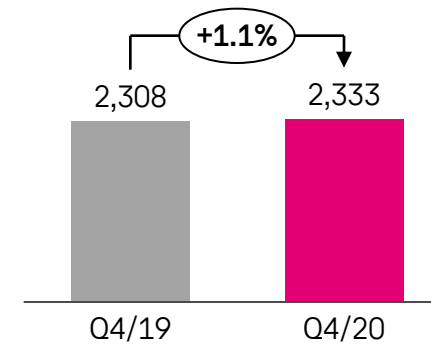
€ mn

- Covid-19 related >1pp



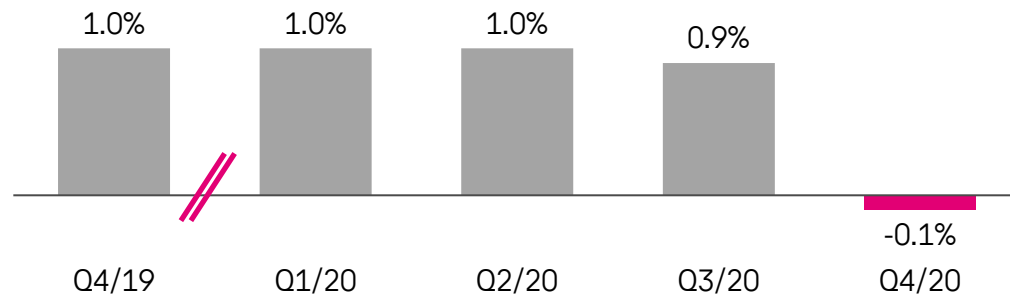
### Adj. EBITDA AL

€ mn



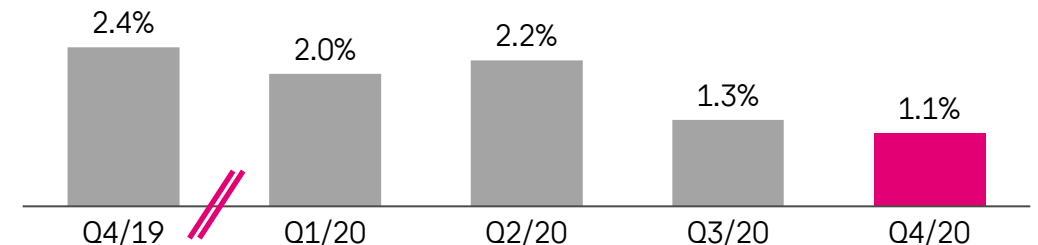
### Total service revenue growth<sup>1</sup>

% yoy



### Adj. EBITDA AL growth (organic)<sup>1</sup>

% yoy



1) 2020 quarterly trends in new reporting structure; TSR Q4/20 ex Covid-19 headwinds c1% yoy

# Germany

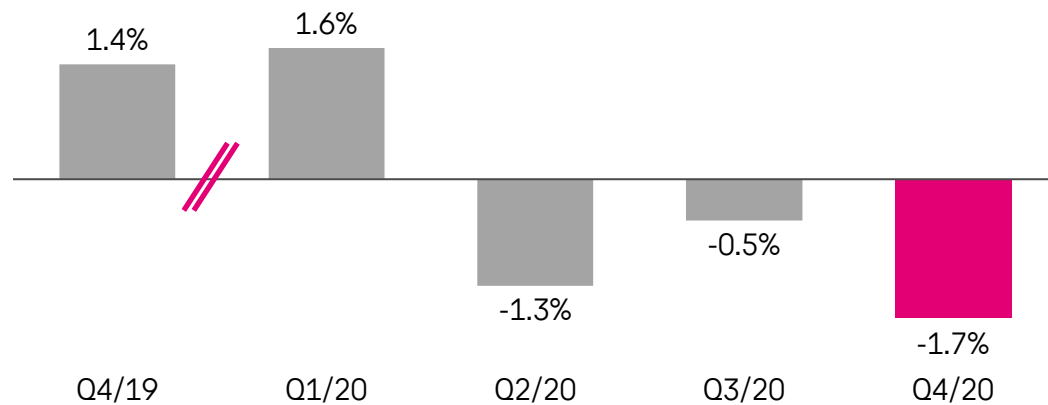
## service revenues impacted by Covid-19 headwinds



### Mobile service revenue growth<sup>1</sup>

% yoy

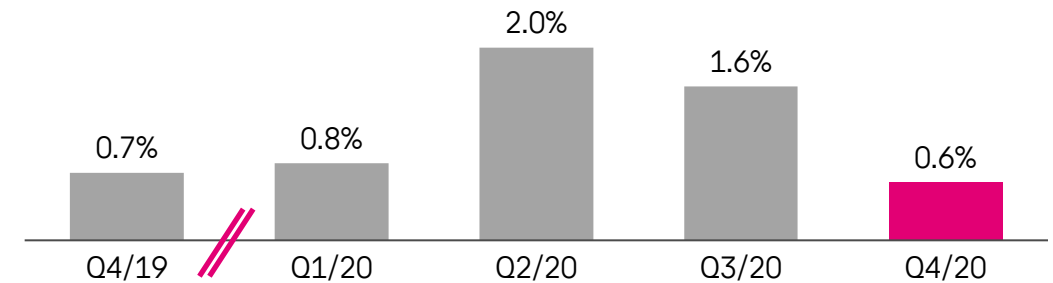
- Covid-19 related headwind on roaming and on visitor revenues (2.8pp after 2.3pp in Q3). Ex Covid-19 growth +1.1%



### Fixed service revenue growth<sup>1</sup>

% yoy

- Strong broadband growth diluted by volatility in newly integrated enterprise business
- Mixed Covid-19 impacts. Ex Covid-19 growth c1%



1) 2020 quarterly trends in new reporting structure

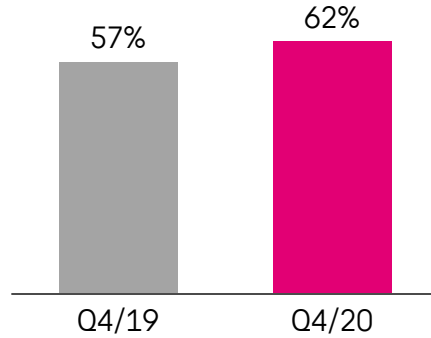
# Germany

## positive mobile KPIs



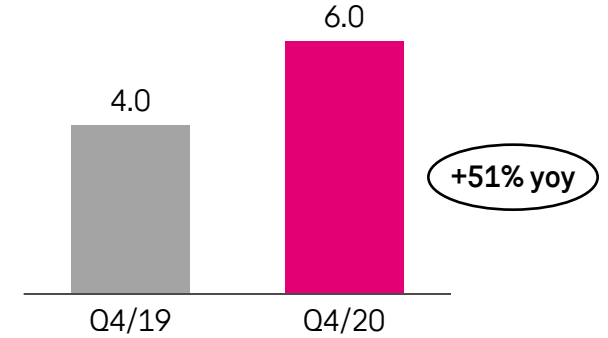
### MagentaEINS share (mobile)<sup>1</sup>

%



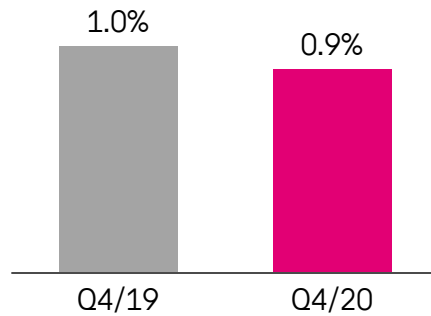
### Data usage<sup>3</sup>

GB



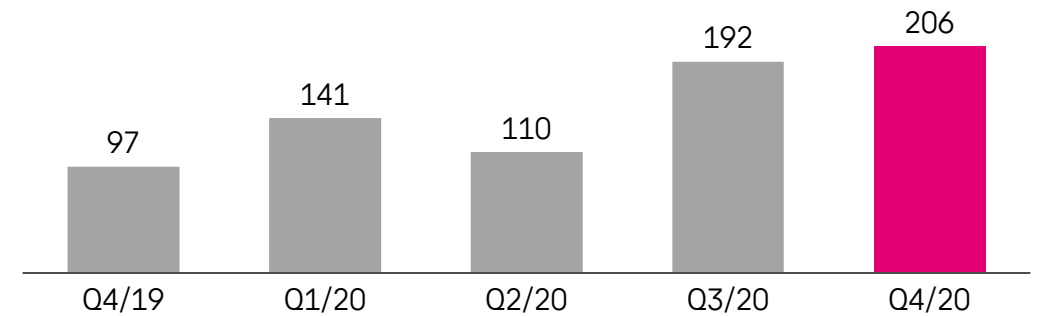
### Churn<sup>2</sup>

%



### Branded contract net adds<sup>4</sup>

000



1) As % of B2C T-branded contract customers 2) Contract excl. Lebara  
 3) Per month of B2C T-branded contract customers 4) Of own branded retail customers excl. multibrand

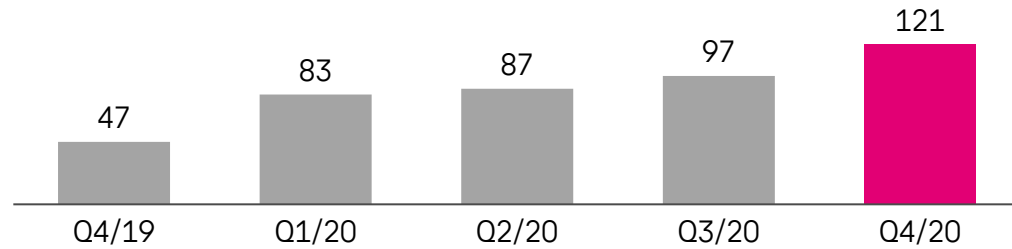
# Germany

## strong commercials in fixed



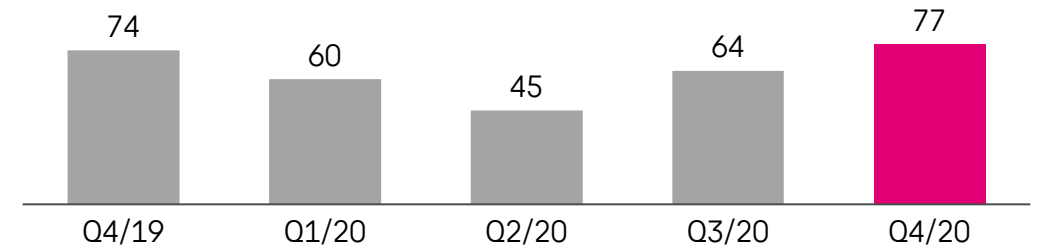
### Broadband net adds

000



### TV net adds

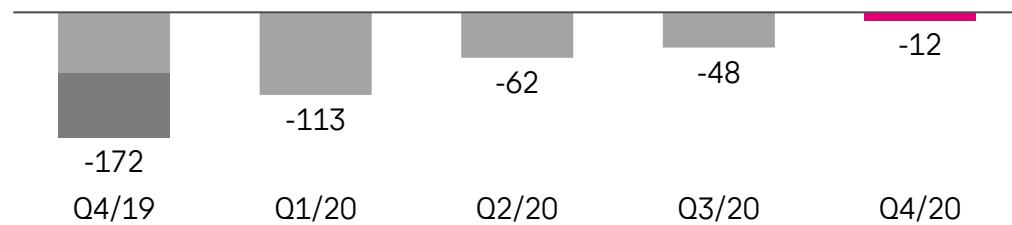
000



### Line losses

000

Line losses org.  
 Line losses triggered by IP-migration

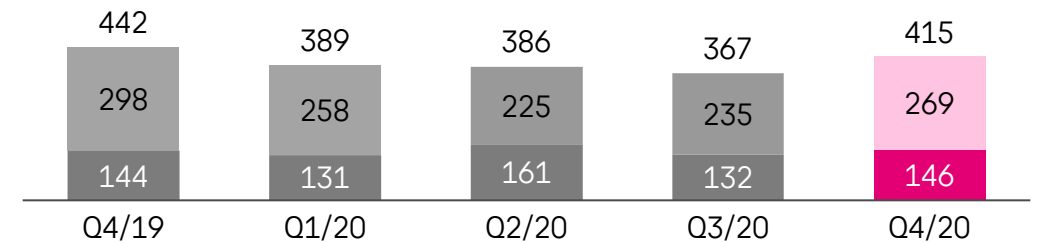


### Fiber net adds

000

• 0.7mn super vectoring customers (+0.1mn q/q)

Retail  
 Wholesale

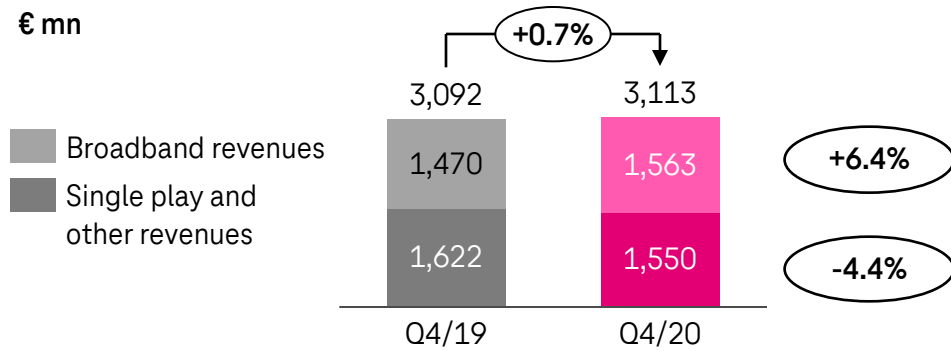


# Germany growth in fixed



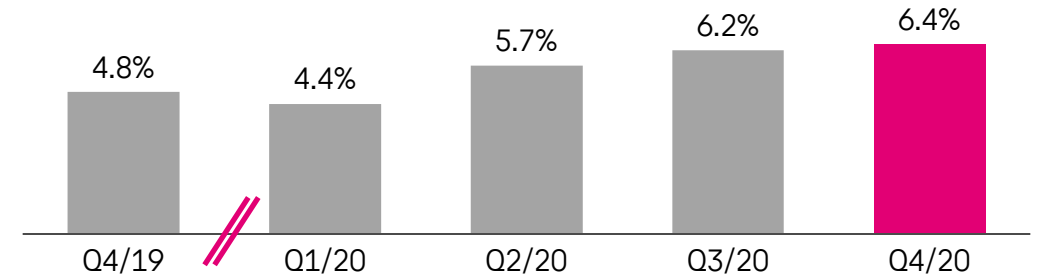
## Retail fixed revenues<sup>1</sup>

€ mn



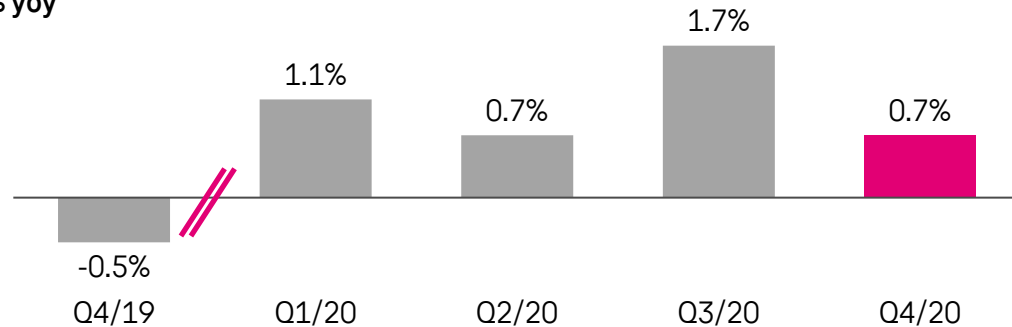
## Broadband revenue growth<sup>1</sup>

% yoy



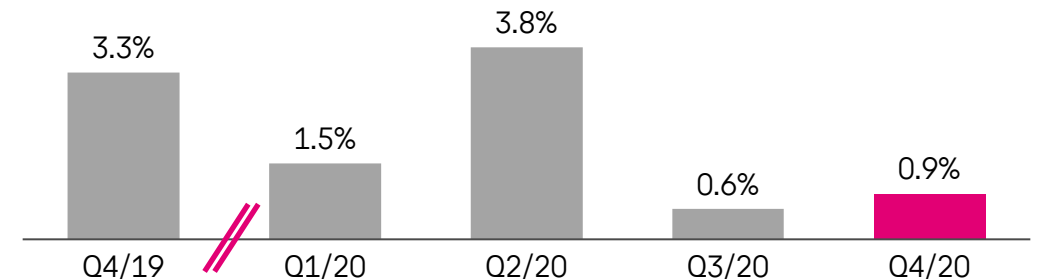
## Retail fixed revenue growth<sup>1</sup>

% yoy



## Wholesale revenue growth<sup>1</sup>

% yoy



1) 2020 quarterly trends in new reporting structure



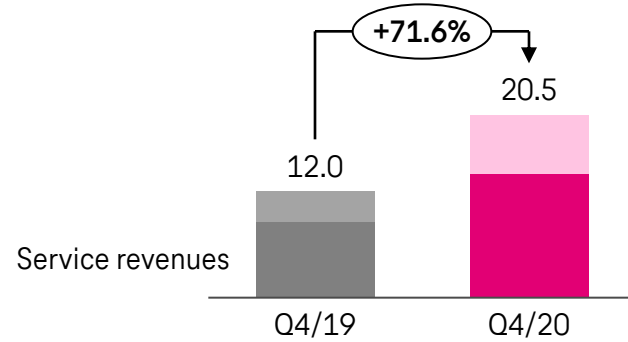
# T-Mobile

## excellent first year



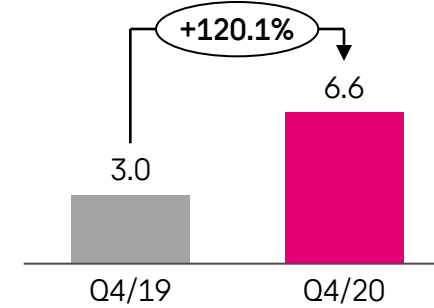
### Revenues (IFRS)

US\$ bn



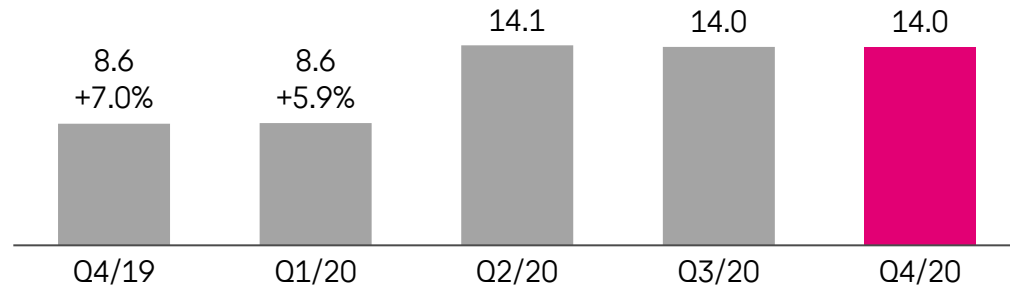
### Adj. EBITDA AL (IFRS)

US\$ bn



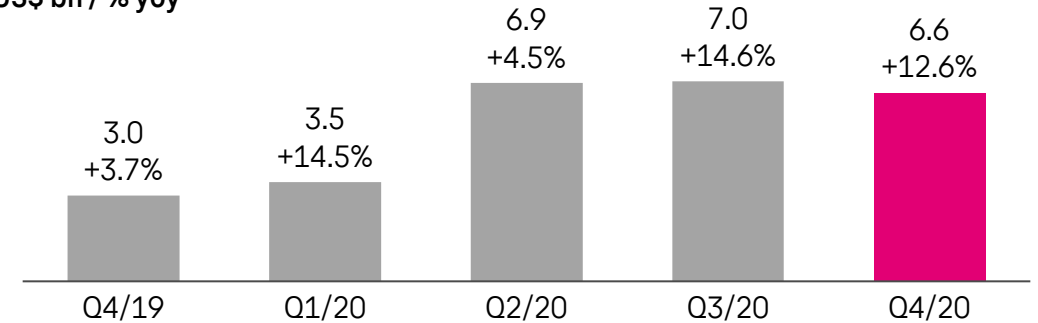
### Service revenue (IFRS)<sup>1</sup>

US\$ bn / % yoy



### Adj. EBITDA AL growth (IFRS) organic

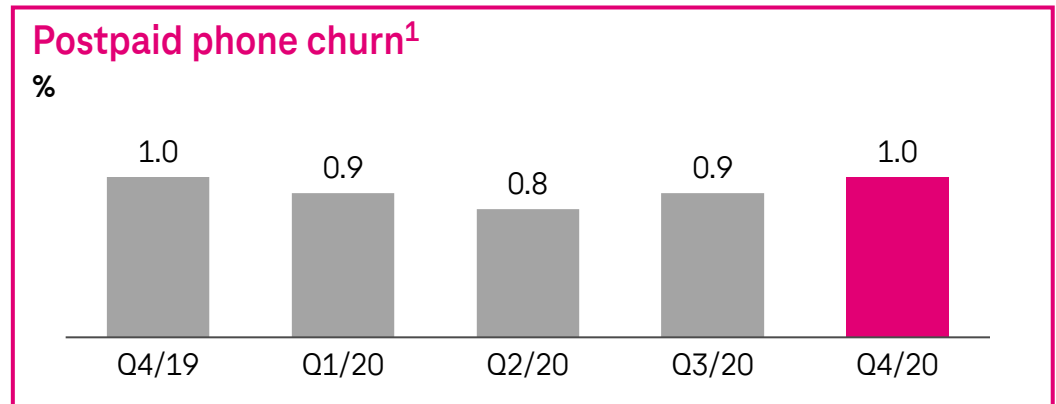
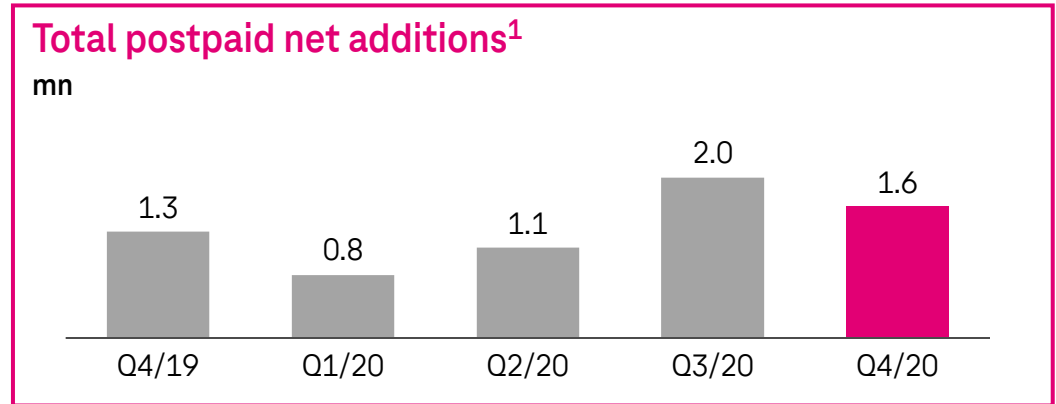
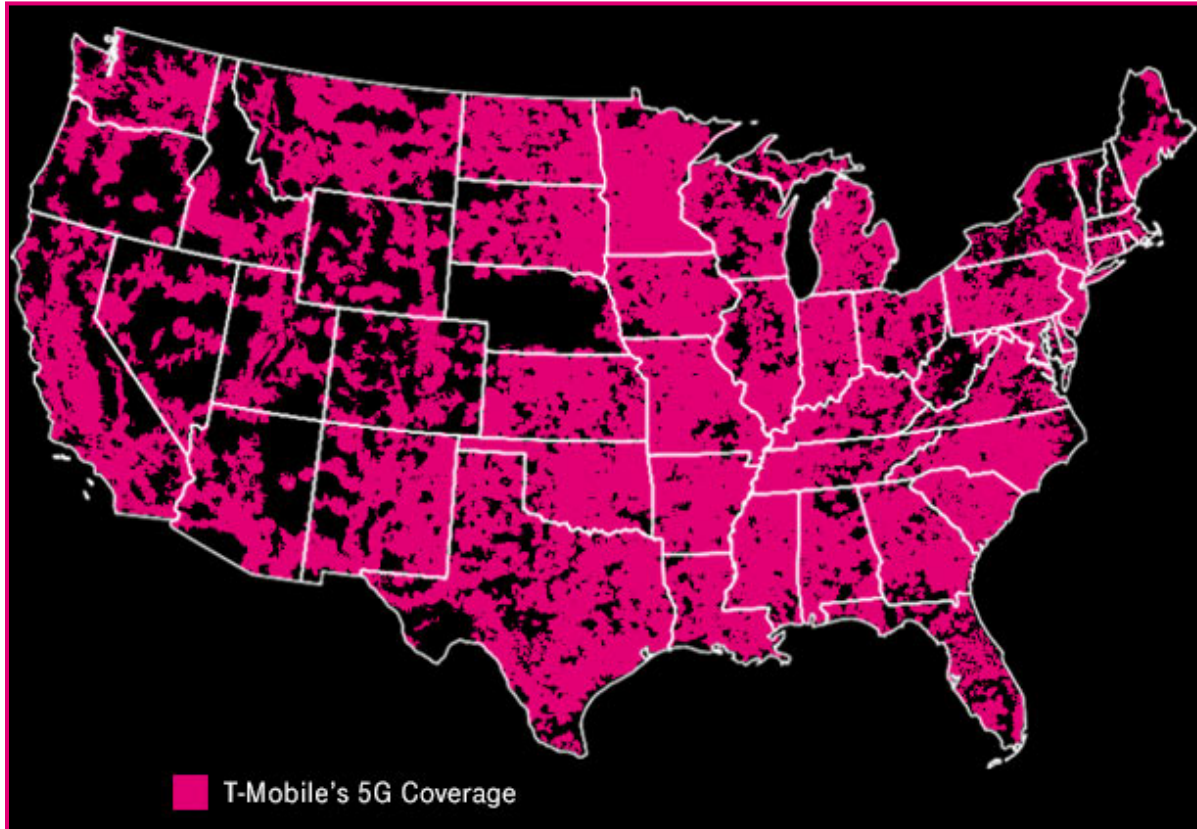
US\$ bn / % yoy



<sup>1</sup> No restated historic service revenues available for Q2, Q3 and Q4/2020. Revenues attributed to wireline operations and handset insurance services acquired in the Sprint Merger were classified as service revenue in Q4. Q2/2020 and Q3/2020 have been adjusted accordingly

# T-Mobile

industry leading network and strong customer KPIs



1) Q4/19 and Q1/20 excluding Sprint



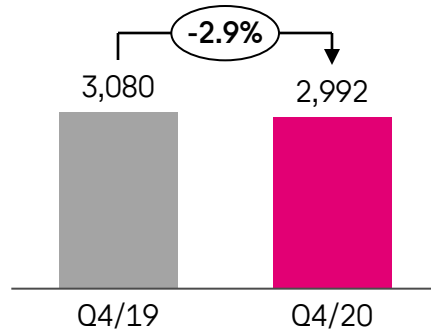
# Europe

## 12<sup>th</sup> consecutive quarter of organic EBITDA growth



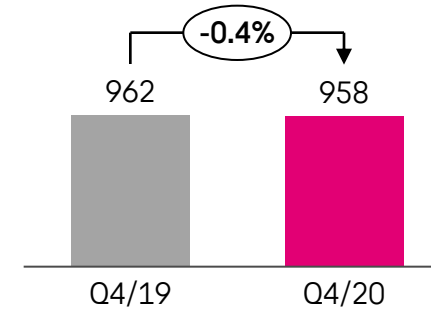
### Revenues

€ mn



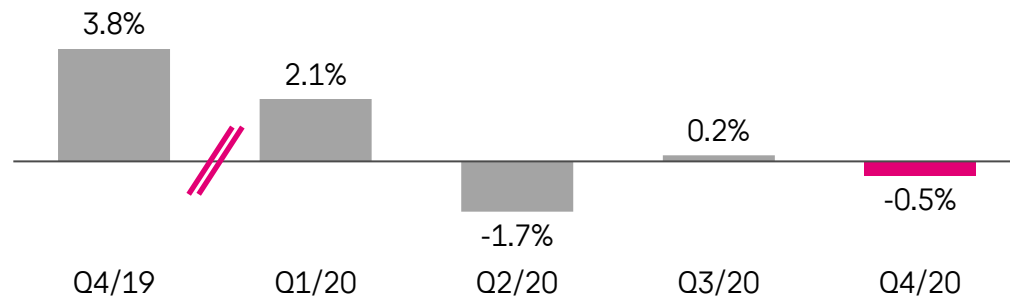
### Adj. EBITDA AL

€ mn



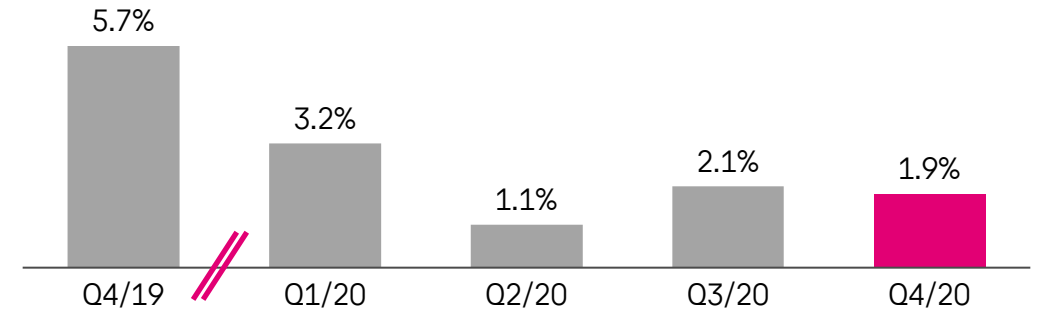
### Revenue growth (organic)<sup>1</sup>

% yoy



### Adj. EBITDA AL growth (organic)<sup>1</sup>

% yoy



1) 2020 quarterly trends in new reporting structure

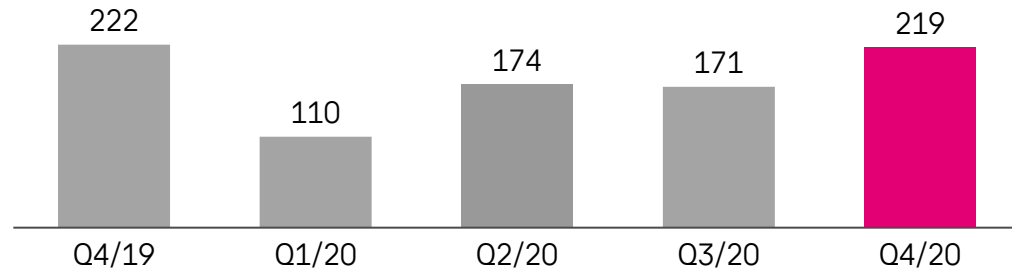
# Europe

## strong net adds in all categories



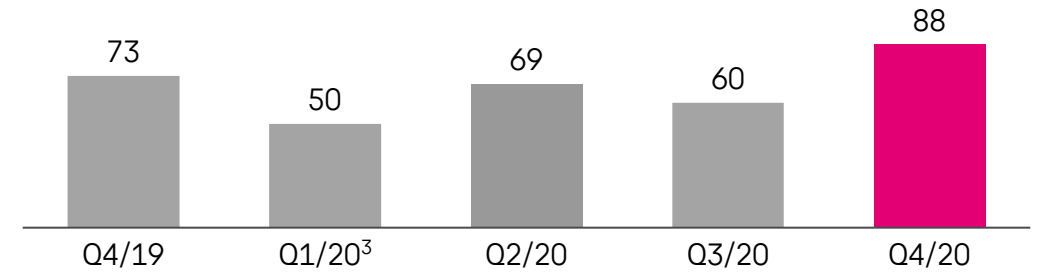
### Mobile contract net adds<sup>1</sup>

000



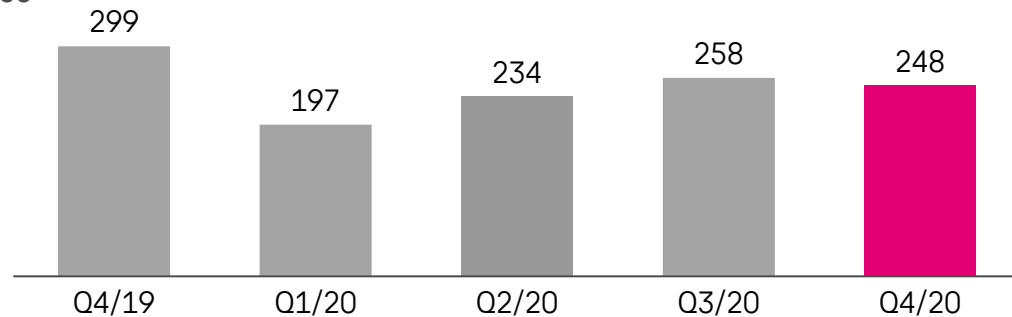
### Broadband net adds

000



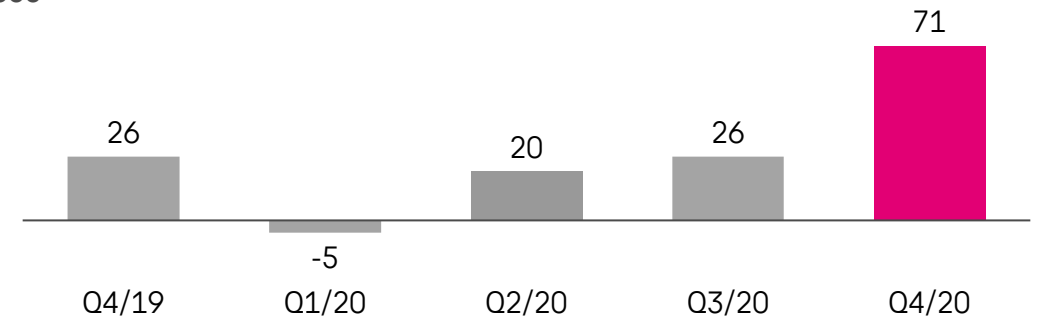
### FMC net adds<sup>2</sup>

000



### TV net adds

000



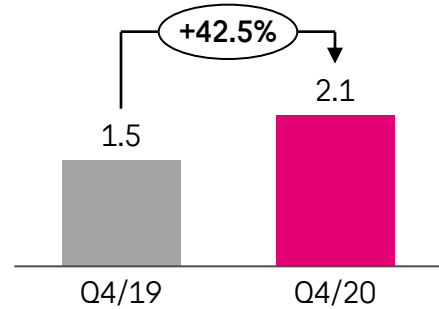
1) M2M customers have been re-allocated to prepay as of Q1/20. Historic figures have been adjusted 2) Prior quarters in 2020 re-stated due to an alignment of definition  
 3) Organic view. Excludes 15k subs acquired in the Czech Republic

# T-Systems

## covid-19 weighs on transformation

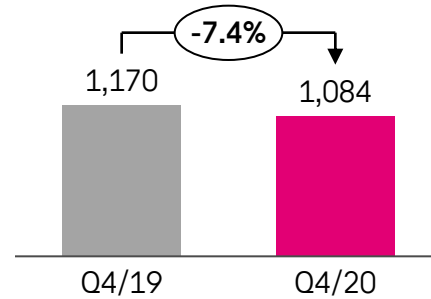
### Order entry

€ bn



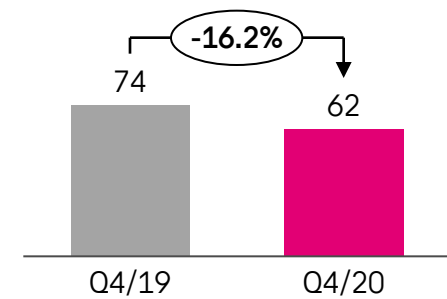
### Revenues

€ mn



### Adj. EBITDA AL

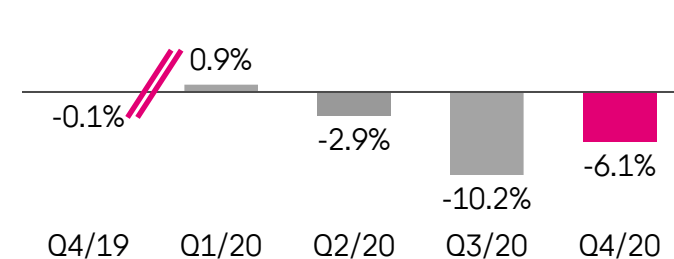
€ mn



- Order entry benefitted from significant renewals.
- Growth in Cloud, Security and IoT offset by decline in mature businesses.
- Accelerated transformation. Outlook for 2021 stable<sup>2</sup>.

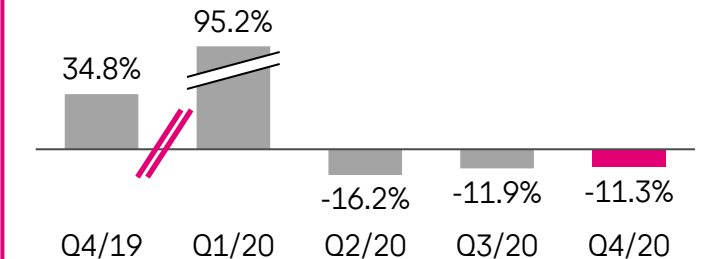
### Revenue growth (organic)<sup>1</sup>

% yoy



### Adj. EBITDA AL growth (organic)<sup>1</sup>

% yoy



1) 2020 quarterly trends in new reporting structure

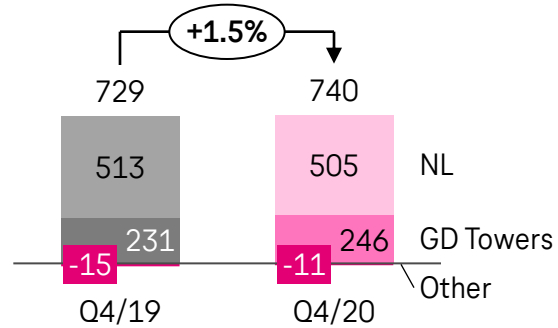
2) Excl. IoT business transferred to Germany segment Jan. 1, 2021

# Group Development

## ongoing strong performance

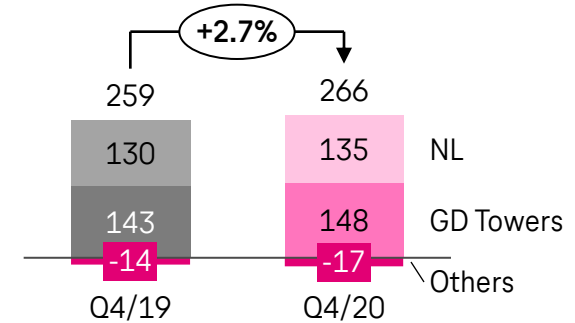
### Revenues

€ mn



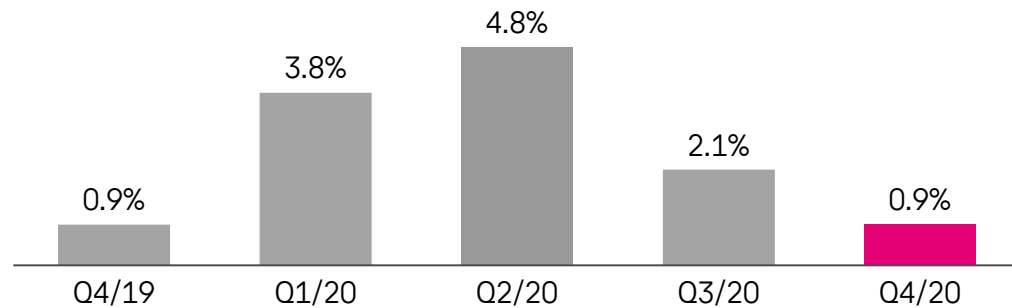
### Adj. EBITDA AL

€ mn



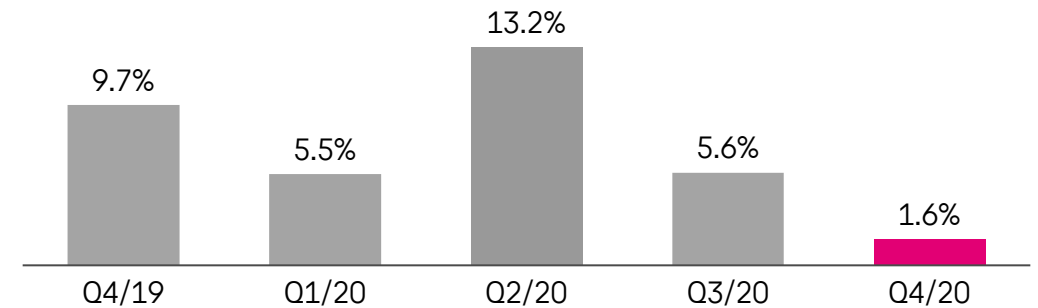
### Revenue growth (organic)

% yoy



### Adj. EBITDA AL growth (organic)

% yoy



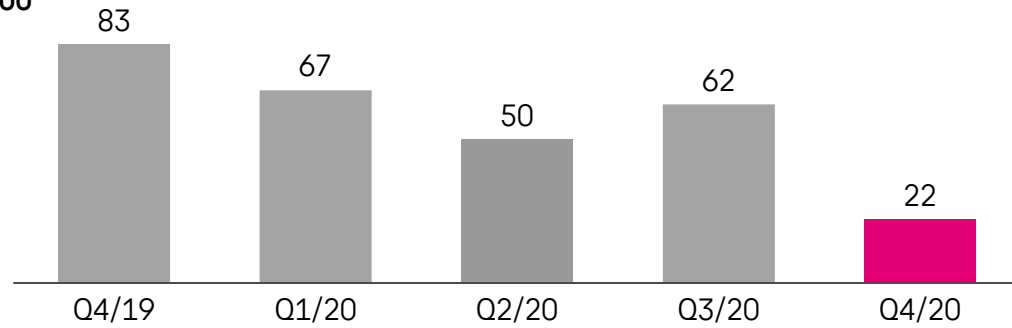
# GD/TMNL

## EBITDA growth continues



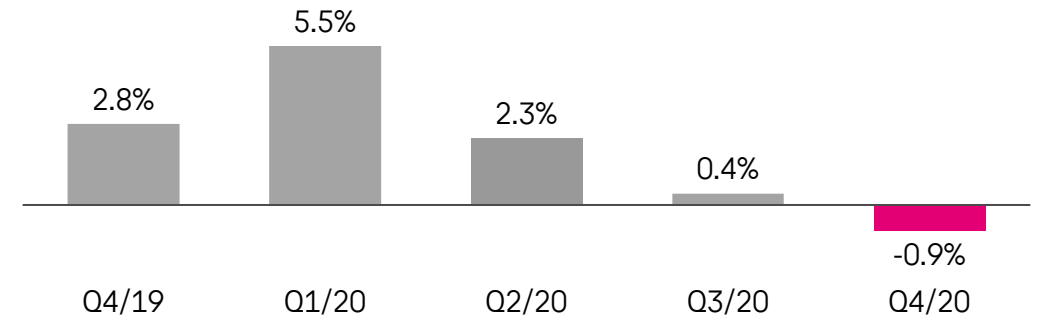
### Contract net adds

000



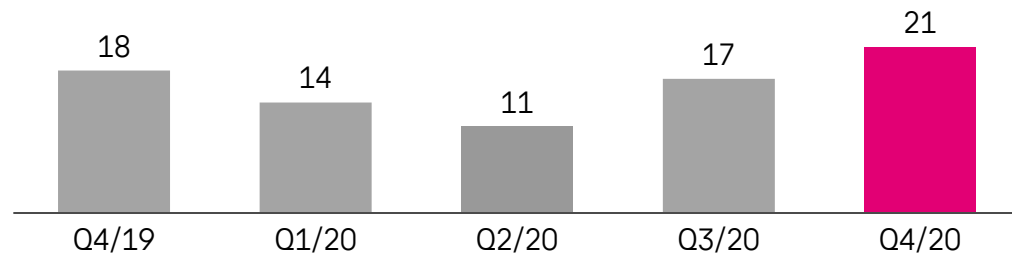
### Mobile service revenue growth (organic)

% yoy



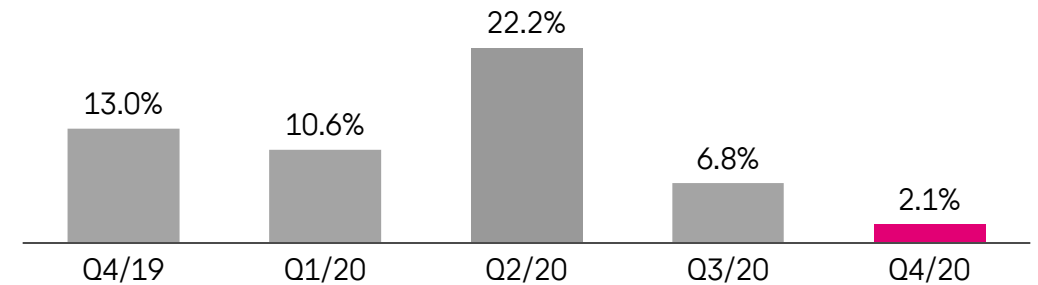
### Broadband net adds

000



### Adj. EBITDA AL growth (organic)

% yoy



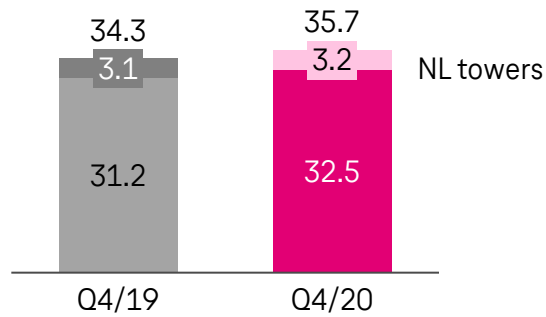
# GD Towers

## ongoing expansion



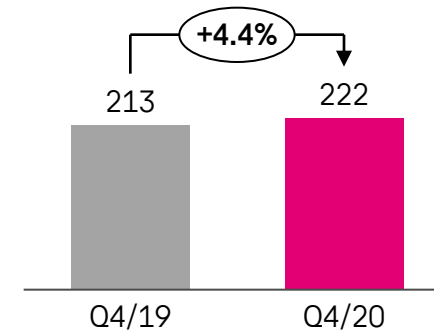
### Total sites

000



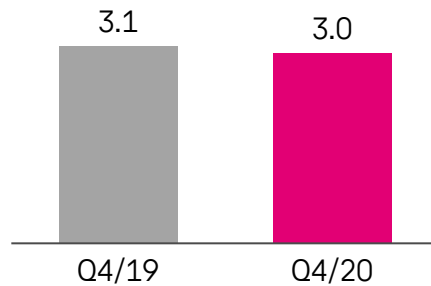
### Recurring rental revenues

€ mn



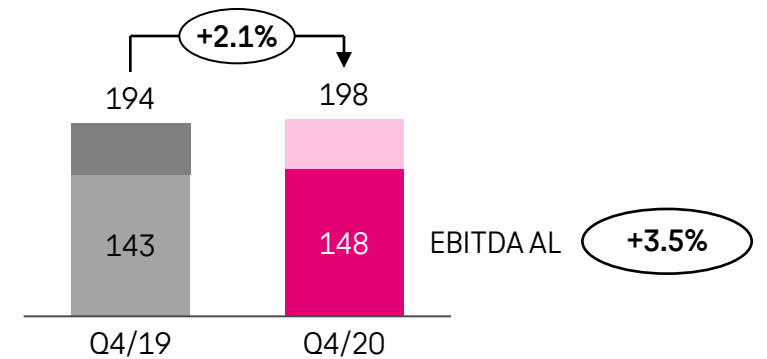
### Opex AL per site

000 €



### Adj. EBITDA

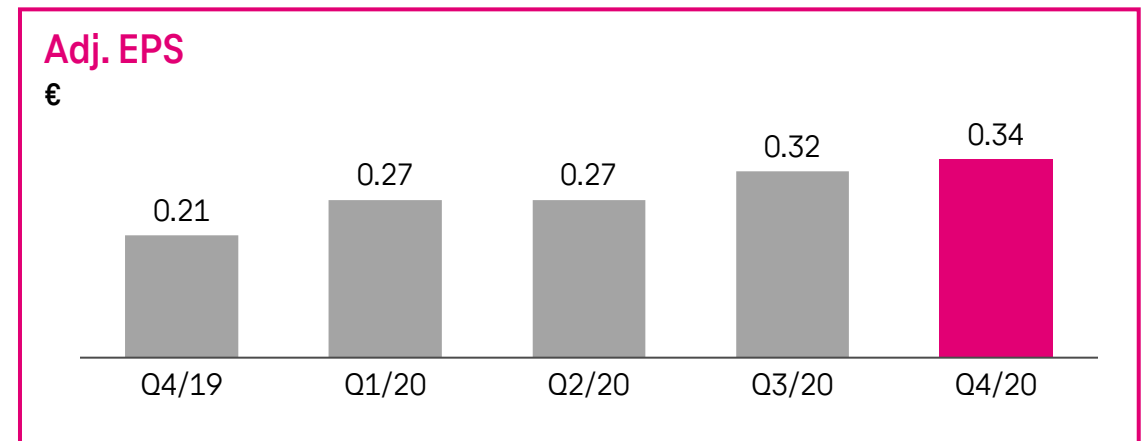
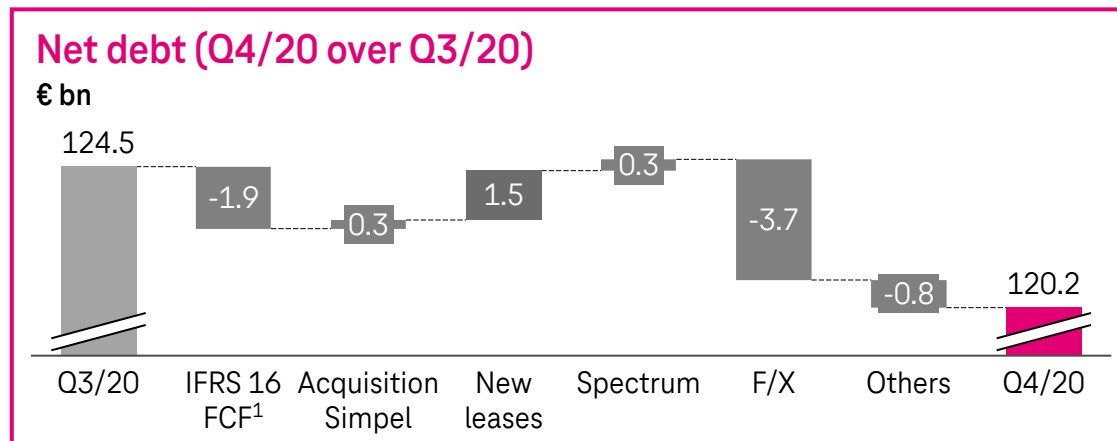
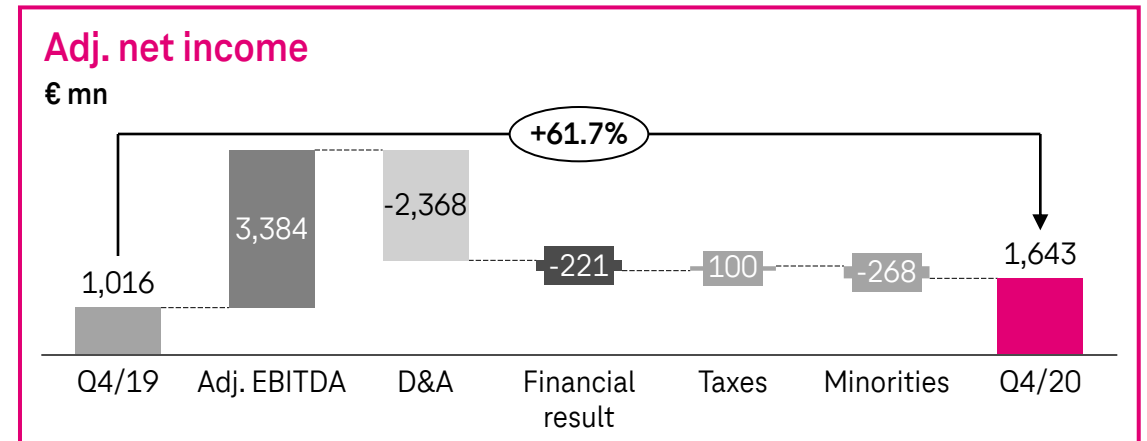
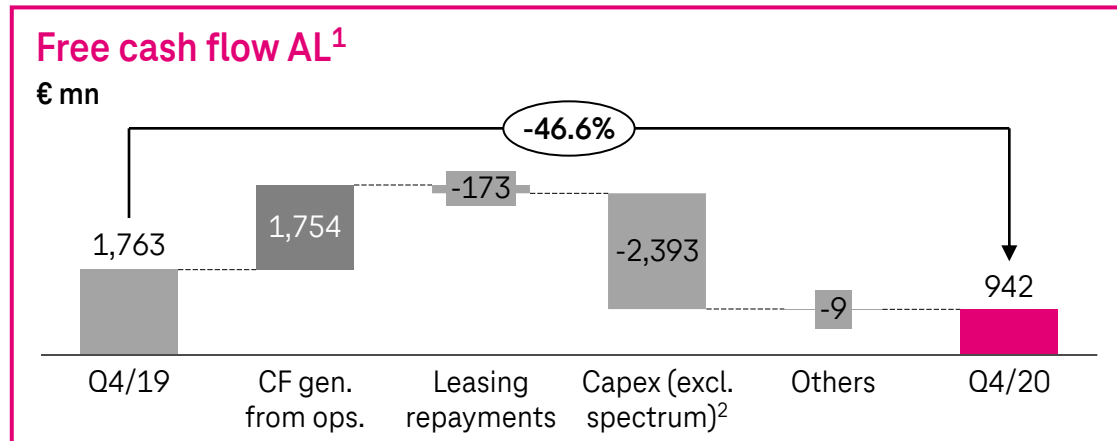
€ mn





# Financials

## FCF delivered, above H1/20 guidance



1) Free cash flow and FCF AL before dividend payments and spectrum investment

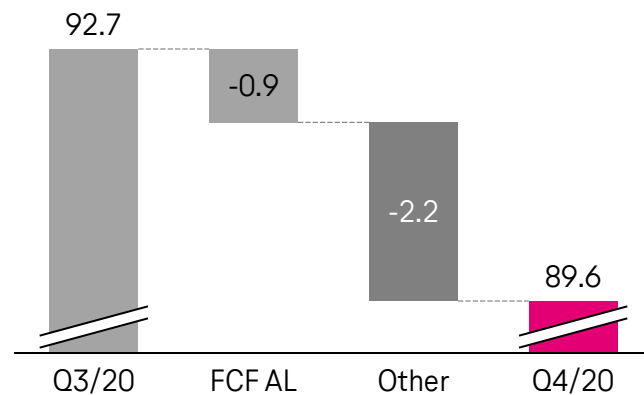
2) Excl. spectrum: Q4/19: €75mn; Q4/20: €346mn

# Net debt analysis

financial leverage down to 2.4 times

## Q4/20 net debt w/o leases<sup>1</sup>

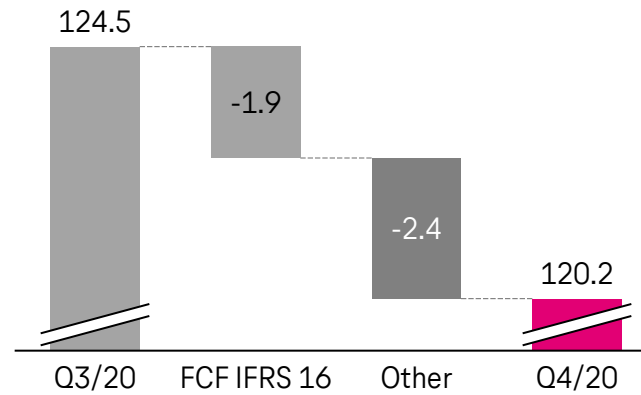
€ bn



Other includes currency (-2.0), acquisitions of Simpel and spectrum (+0.6), update Sprint consolidation effect (-0.6) and miscellaneous (-0.2)

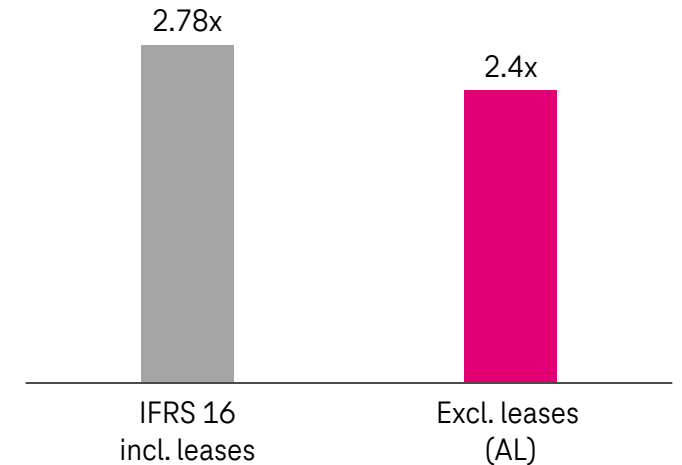
## Q4/20 net debt incl. leases

€ bn



Other includes currency (-3.7), acquisitions of Simpel and spectrum (+0.6), update Sprint consolidation effect (-0.6) new leases (+1.5) and miscellaneous (-0.2)

## Leverage ratios<sup>2</sup>



We reconfirm returning into comfort zone of 2.25 to 2.75 in year 3 after merger

1) Net debt w/o leases includes finance leases of TMUS

2) Based on the previous four quarters, since Q2 including pro forma EBITDA incl. Sprint

# Balance sheet

## net debt ratio marginally outside of IFRS 16 comfort zone

€ bn	31/12/2019	31/03/2020	30/06/2020	30/09/2020	31/12/2020
Balance sheet total	170.7	173.6	270.0	265.3	264.9
Shareholders' equity	46.2	45.9	73.5	72.0	72.6
Net debt	76.0	77.4	120.9	124.5	120.2
Net debt/adj. EBITDA <sup>1</sup>	2.65	2.64	2.90	2.90	2.78
Net debt w/o leases/adj. EBITDA AL <sup>1</sup>	2.4	2.4	2.7	2.5	2.4
Equity ratio	27.1%	26.4%	27.2%	27.2%	27.4%

### Comfort zone ratios

Rating: A-/BBB	
2.25–2.75 net debt/adj. EBITDA	
25–35% equity ratio	
Liquidity reserve covers redemptions of the next 24 months	

### Current rating

Fitch:	<b>BBB+</b>	stable outlook
Moody's:	<b>Baa1</b>	negative outlook
S&P: <sup>2</sup>	<b>BBB</b>	stable outlook

1) Ratios for the interim quarters calculated on the basis of previous four quarters. Since Q2 including historic pro formas for Sprint

2) S&P changed rating from BBB+ credit watch negative to BBB stable outlook following the closing of the US transaction in April 2020