

# Deutsche Telekom Investor presentation March 2022



LIFE IS FOR SHARING.



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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, Core EBITDA, 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.

# Review 2021

## accelerated delivery on CMD 2021 targets

### Organic growth



#### Commercial growth

- 7.1 mn new postpaid subs
- 0.8 mn new broadband subs



#### Efficiency/Digitization

- Indirect cost reduction overdelivered (€1.8 bn vs. CMD 2018 target of €1.5 bn)
- On track for CMD 2021 targets



#### Guidance for 2022

- adj. EBITDA AL ~€36.5 bn
- FCF AL ~€10 bn



### Capital allocation/portfolio



Decisive steps towards TMUS majority taken (+5.2pp to 48.4%<sup>1</sup>)



Sale of TM NL at €5.1 bn EV



Sale of Romanian fixed network



#### Network Leadership



Fiber JV for 4 mn rural homes



1.2 mn FTTH homes



1.4 mn FTTH homes



>90% 5G coverage



210 mn POPs with 2.5GHz 5G



### Shareholder value



#### Adj. EPS

- €1.22 in 2021
- > €1.25 in 2022



#### Dividend

- 2021 dividend per share €0.64<sup>2</sup>



<sup>1</sup>Subject to closing of the TM NL transaction    <sup>2</sup> Final decision subject to AGM approval



# Financials 2021 reported strong growth

€ mn

	Q4			FY		
	2020	2021	Change	2020	2021	Change
Revenue	27,622	28,934	+4.7%	100,999	108,794	+7.7%
Adj. EBITDA AL	8,952	9,007	+0.6%	35,017	37,330	+6.6%
Adj. EBITDA AL (excl. US)	3,413	3,524	+3.3%	14,020	14,633	+4.4%
Adj. Net profit	1,643	1,234	-24.9%	5,715	5,862	+2.6%
Net profit	1,671	471	-71.8%	4,158	4,176	+0.4%
Adj. EPS (in €)	0.34	0.26	-23.5%	1.20	1.22	+1.7%
Free cash flow AL <sup>1,2</sup>	942	520	-44.8%	6,288	8,810	+40.1%
Cash capex <sup>2</sup>	5,468	5,046	-7.7%	16,980	17,978	+5.9%
Net debt excl. leases (AL)	89,556	100,649	+12.4%	89,556	100,649	+12.4%
Net debt incl. leases (IFRS 16)	120,227	132,142	+9.9%	120,227	132,142	+9.9%

<sup>1</sup> FY/20 before €1,600 mn zero bond redemption in Q1/20 and 2,158 mn TM US interest rate swap in Q2/20

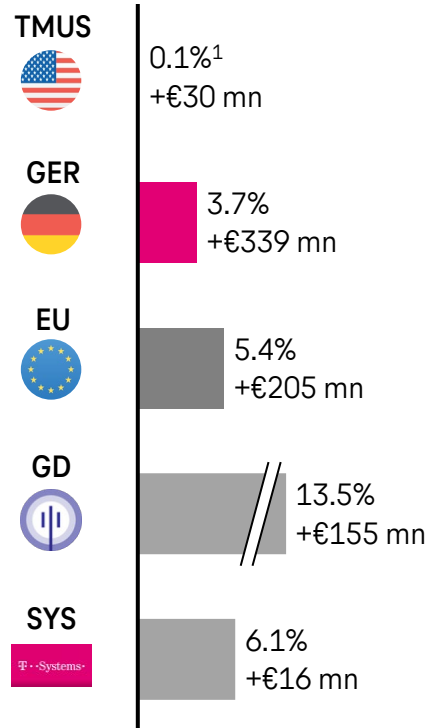
<sup>2</sup> Free cash flow AL before dividend payments and cash capex before spectrum investment. Spectrum: FY/20 €1,714 mn, FY/21 €8,388 mn. Q4/20: €346 mn; Q4/21: €60 mn

# Financials 2021 organic

## strong organic growth

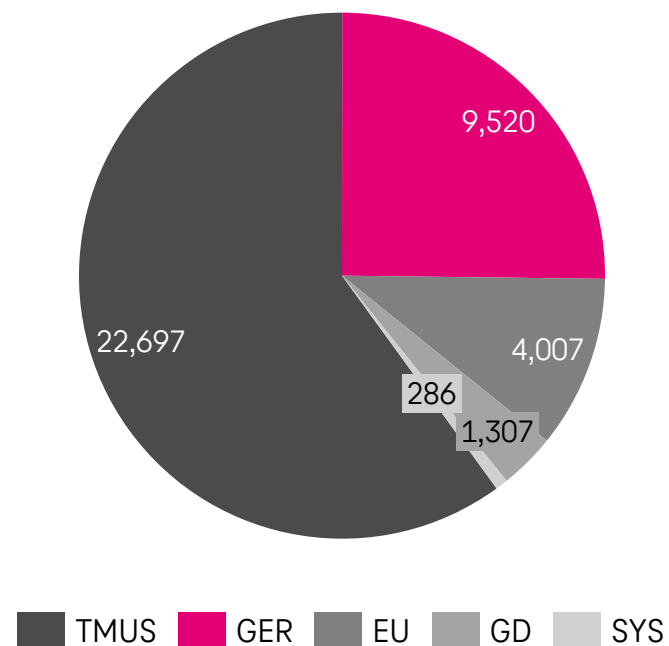
### FY/21 Adj. EBITDA AL

growth yoy, organic



### FY/21 Adj. EBITDA AL<sup>2</sup>

€ mn



### FY/21 Key Financials

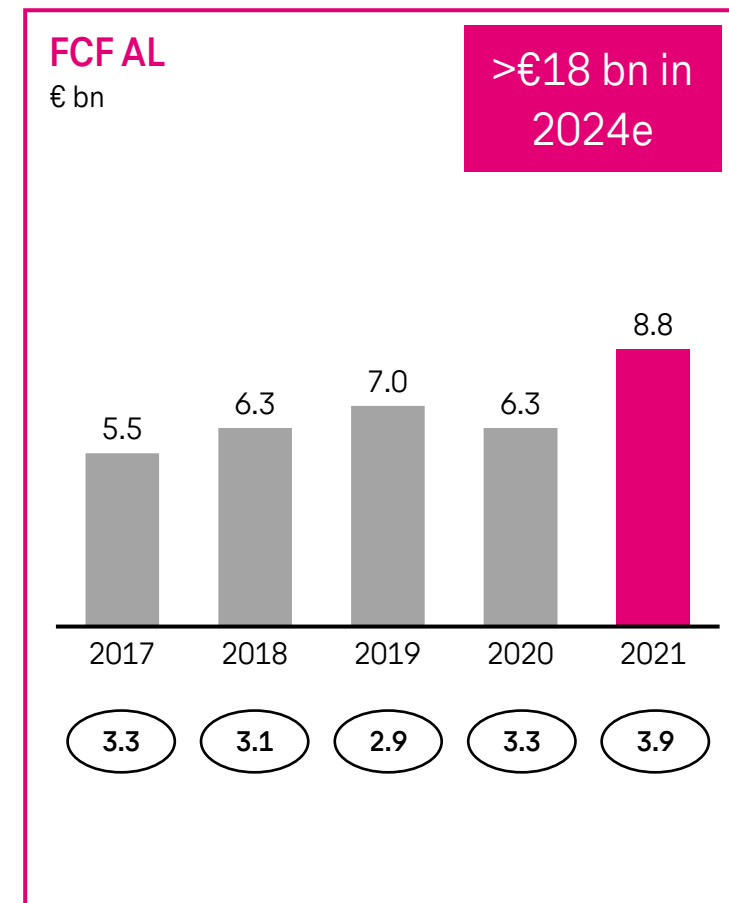
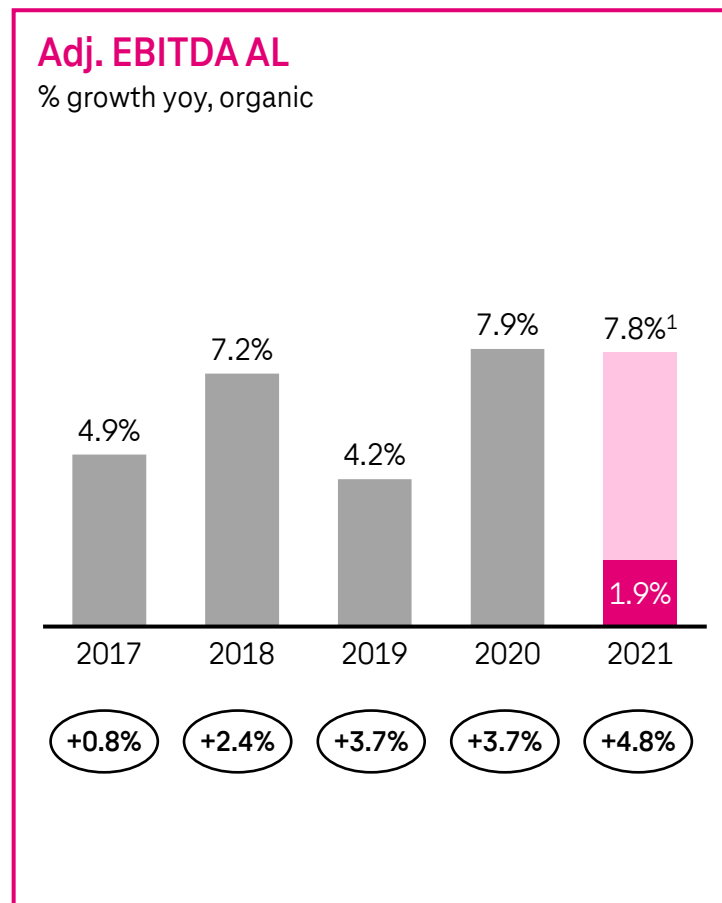
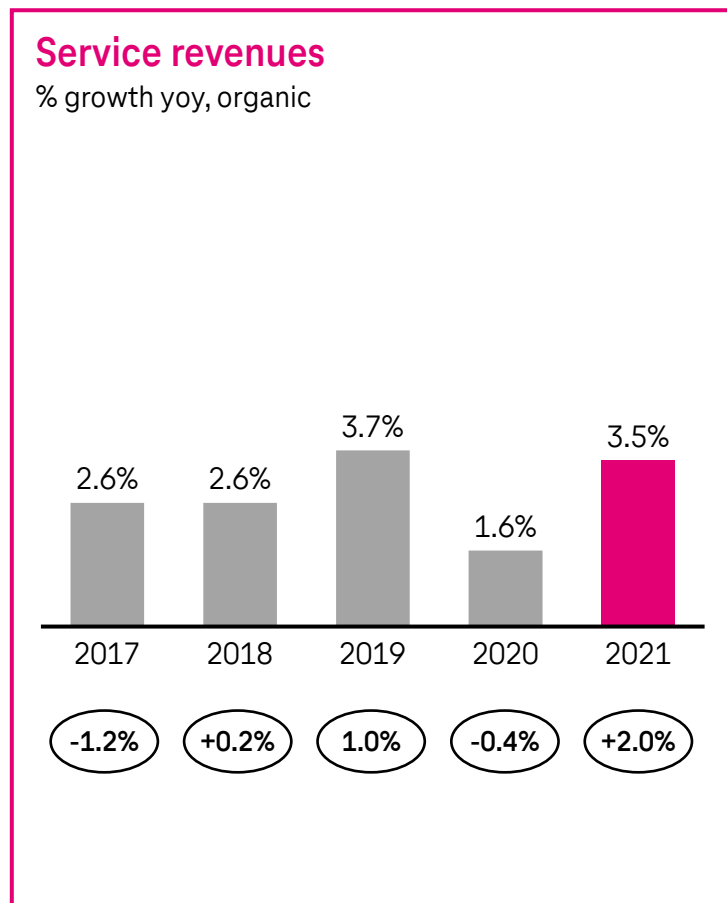
% growth yoy, organic

Revenue	+4.5%
Service Revenues	+3.5%
Service Revenues (excl. US)	+2.0%
Adj. EBITDA AL	+1.9%
Adj. Core EBITDA AL	+7.8%
Adj. EBITDA AL (excl. US)	+4.8%

<sup>1</sup>Trend impacted by decreasing handset leases: Excl. handset leases: Adj. Core EBITDA AL growth of +10.1% <sup>2</sup> Excl. GHS; reported EBITDA AL €37.3 bn

# Financials 2017–2021

## consistent growth in key KPIs

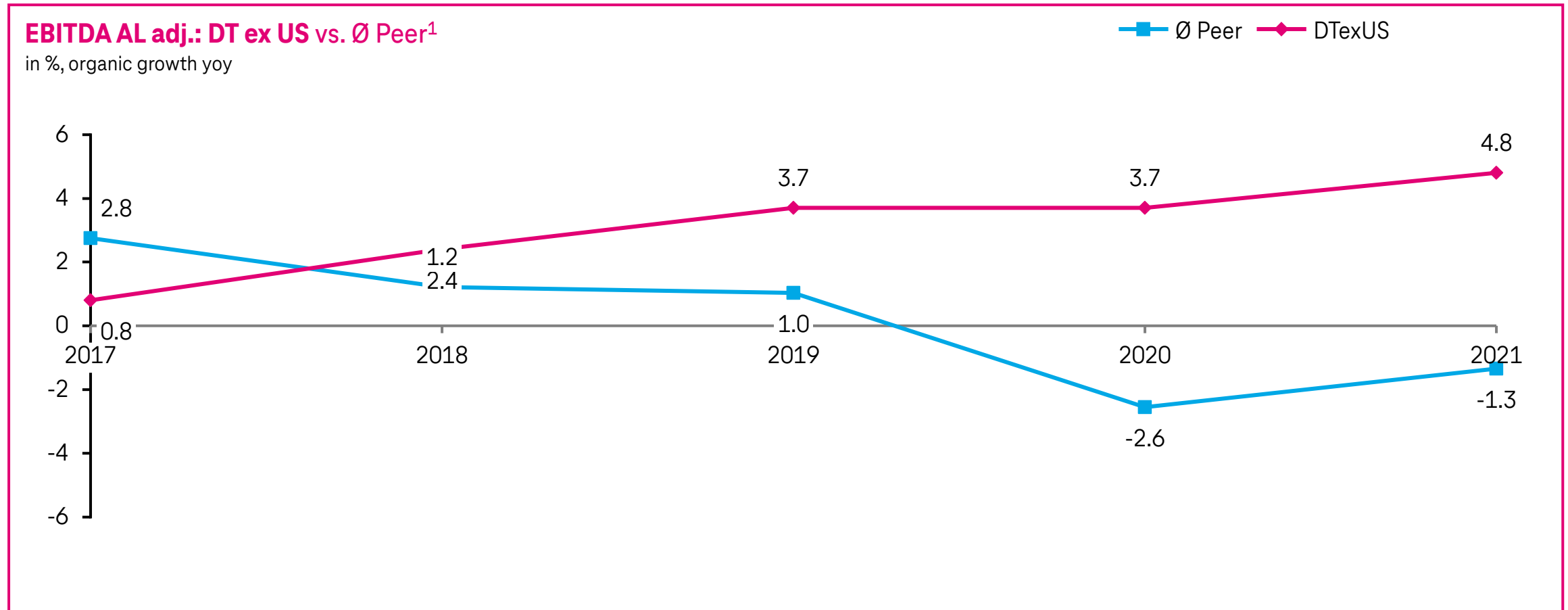


+/-X.X% = Ex US

<sup>1</sup> adj. Core EBITDA AL

# DT ex US

## strong EBITDA growth outperformance



1) Peer group: 8 European Telco groups (Orange, Telefonica, Vodafone, BT, Telecom Italia, KPN, Proximus, Telia), Ø peer is unweighted average; Vodafone included in 2021 (H1 as reported, H2 as per FY consensus);



# T-Mobile US

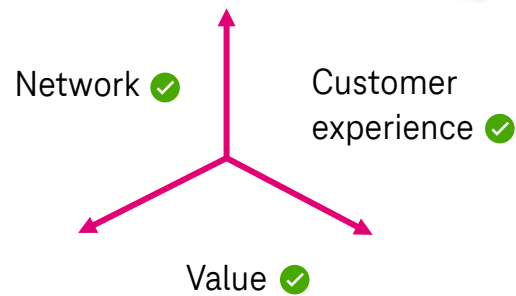
## consistent growth leader



### Key opportunities

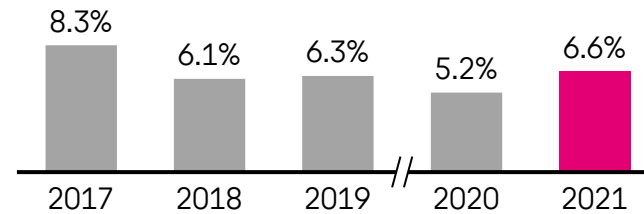
- SMRA
- B2B
- Home internet
- Sprint Integration

### Key advantages



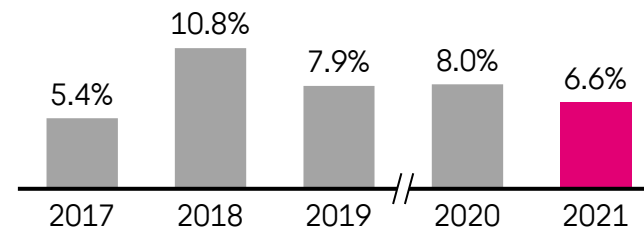
### Service revenue (US GAAP)<sup>1</sup>

% growth yoy, organic



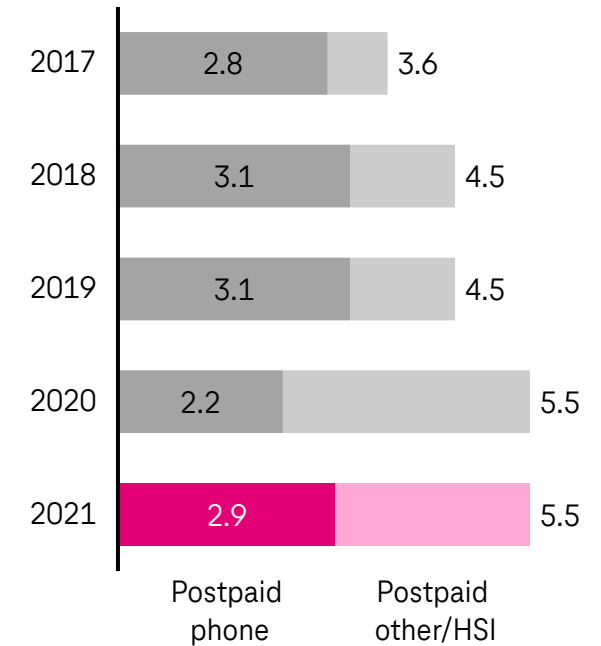
### Adj. EBITDA (US GAAP)<sup>1</sup>

% growth yoy, organic



### Customer growth

Postpaid net adds in mn



<sup>1</sup> US GAAP, 2020/21 pro forma for Sprint merger. 2021 and 2020 growth rate calculated on adj. core EBITDA, 2019, 2018 and 2017 on adj. EBITDA



# CMD 2018 review

## strong delivery on commitments

	Ambition	Merger Impact	Achievements 2017-2021 <sup>1</sup>
Revenue CAGR <sup>1</sup>	1–2%		● 3.3%
Adj. EBITDA (AL) CAGR	2–4%		● 5.3%/7.7% <sup>2</sup>
Adj. EBITDA (AL) CAGR (ex US)	2–3%		● 3.7%
FCF (AL) CAGR	~10%; 2021: >€8 bn	Dilutive	● 18.7%; €8.8 bn
FCF (AL) (ex US)	2021: ~€4 bn		● €3.9 bn
Adj. EPS	2021: ~€1.2	Dilutive	● €1.2
ROCE	ROCE > WACC		● 4.1%
Cash Capex (ex US)	Stable		● Stable
Adj. indirect cost (AL) (ex US)	€1.5 bn (net savings)		● €1.8 bn
Dividend	To reflect growth in adj. EPS; €50 c floor		● €64 c in 2021 <sup>3</sup>

<sup>1</sup> On a like-for-like basis, actual results    <sup>2</sup> Corrected for handset leases “Core EBITDA AL”    <sup>3</sup> subject to final AGM approval

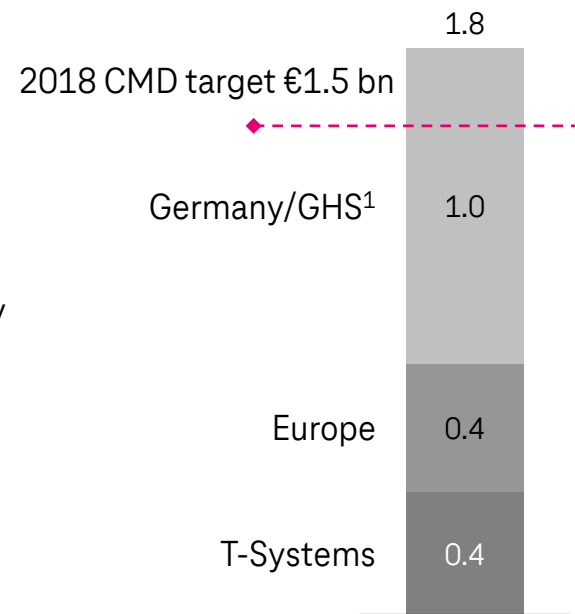
# Indirect costs

## CMD 2018 target overdelivered, CMD 2021 target on track

### Organic net savings 2017–2021

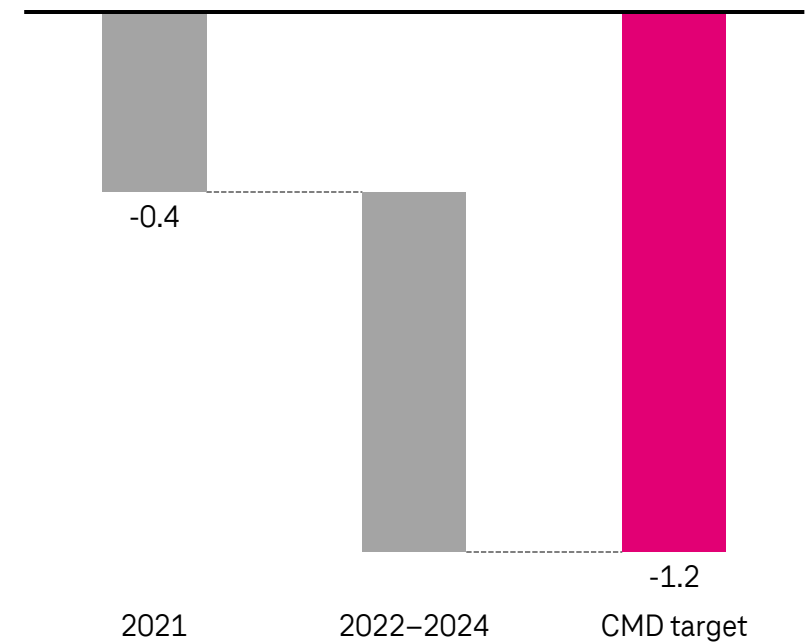
€ bn

- 9% of IDC AL saved
- Driven by greater agility and digitalization
- Personal productivity +20%



### Organic net savings 2020–2024

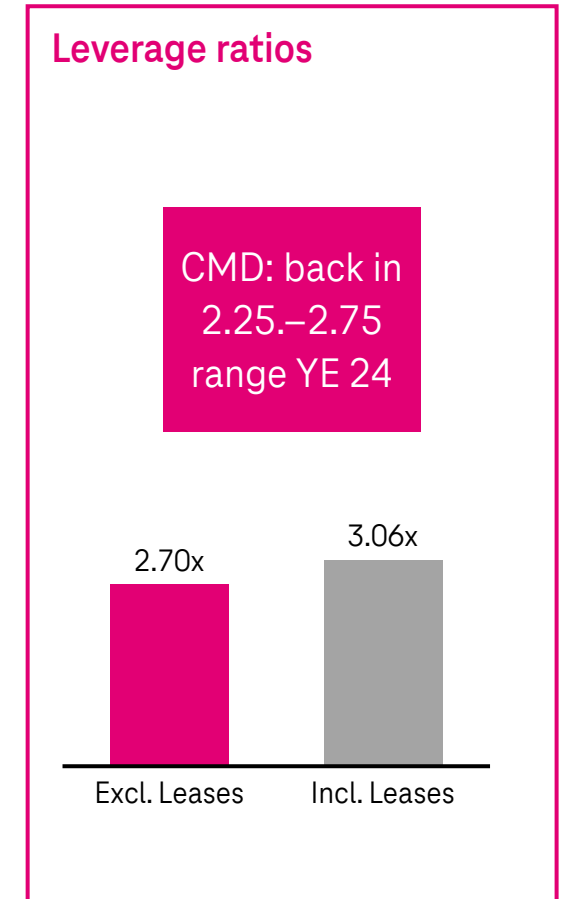
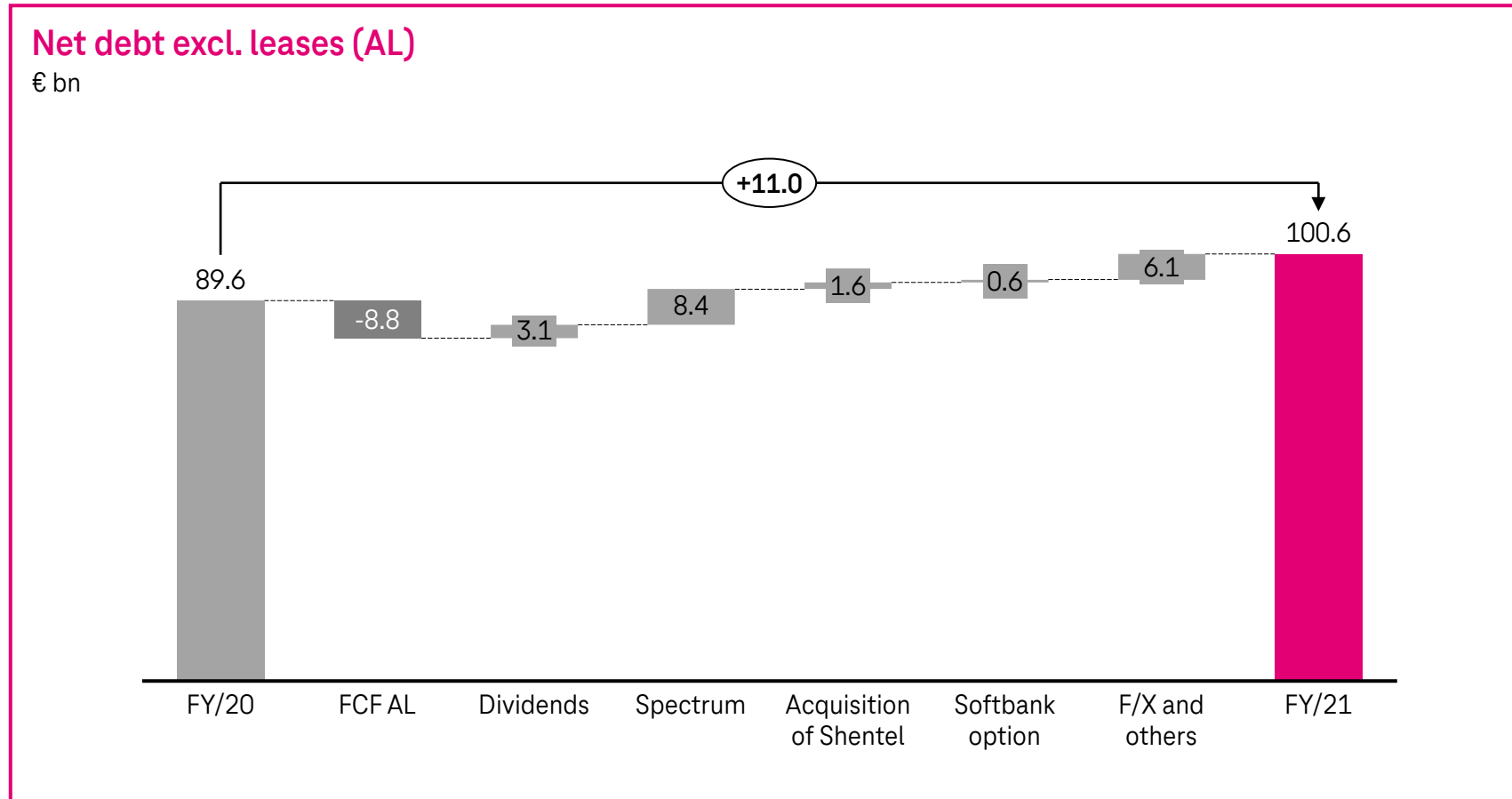
€ bn



<sup>1</sup> also includes GD

# Financials 2021

## net debt and leverage ratios

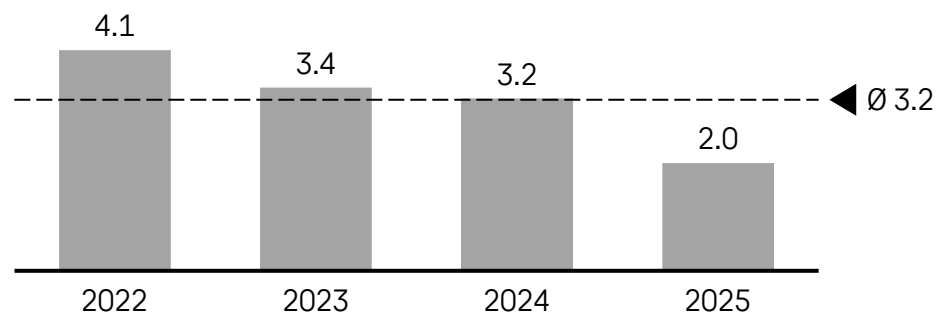


# Financials

well balanced maturity profile with strong liquidity reserve

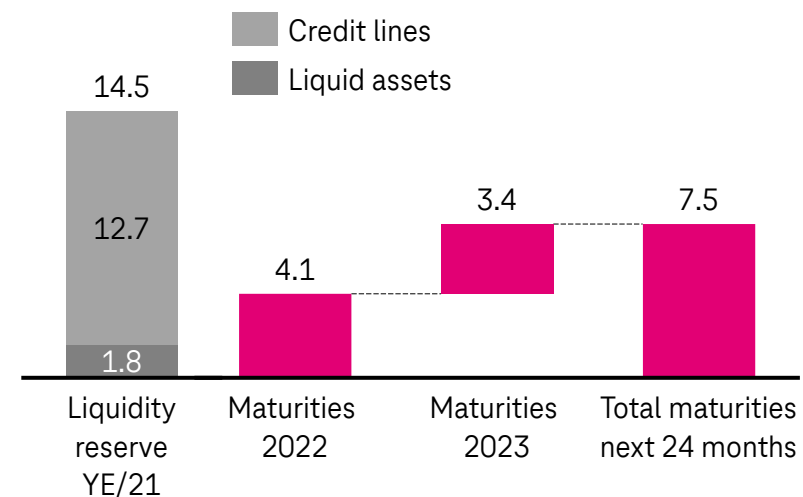
## DT (ex US) bonds maturing

€ bn



## Ex US liquidity position

€ bn



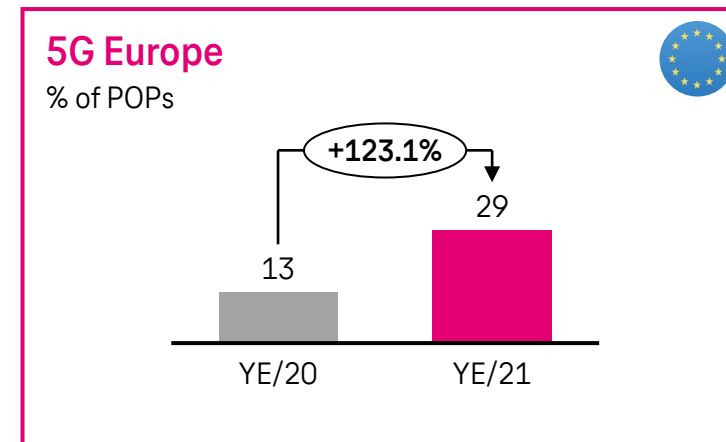
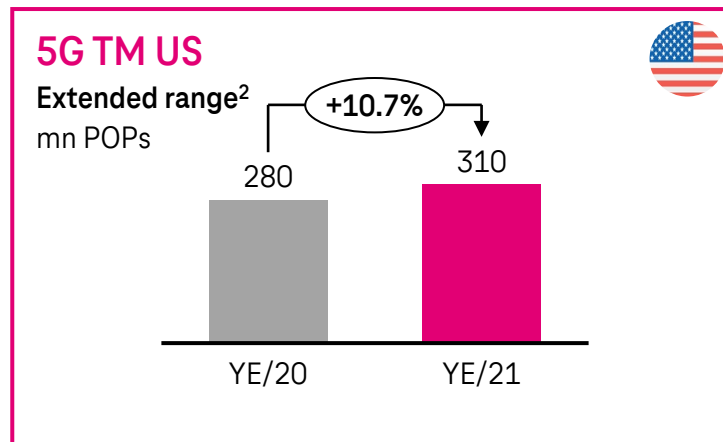
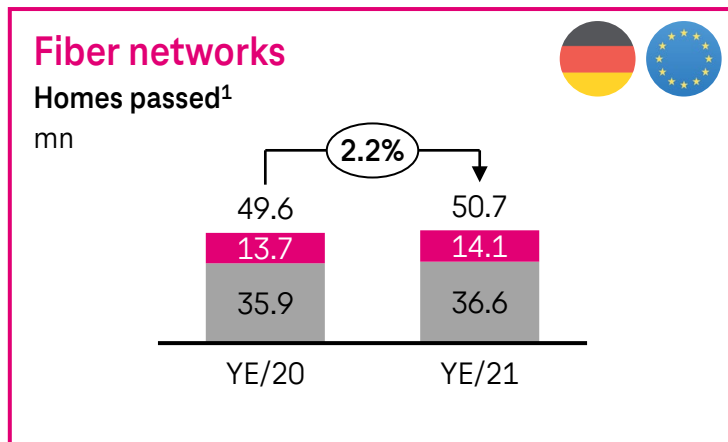
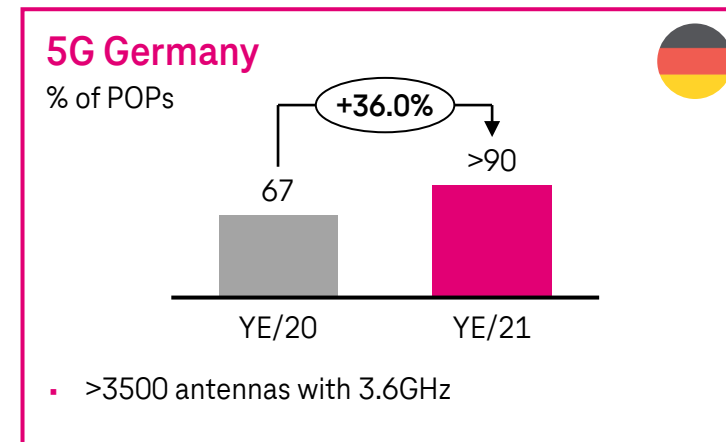
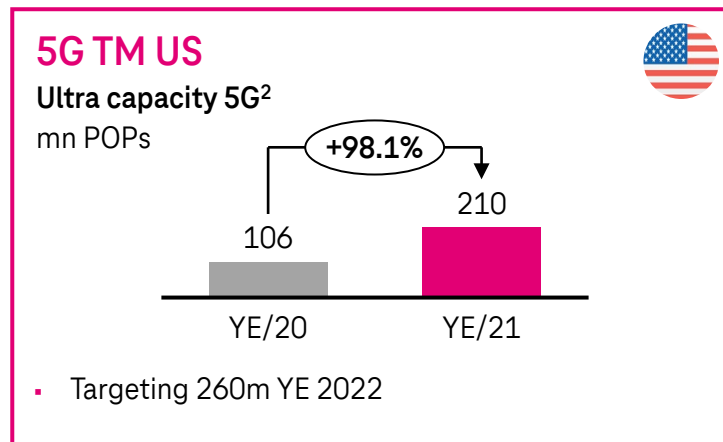
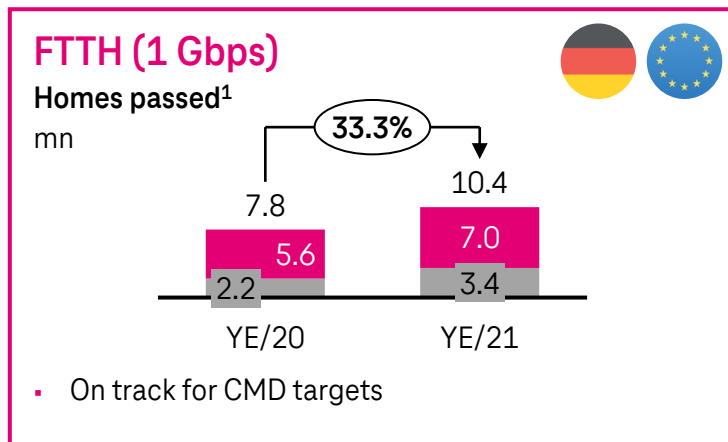
- Additional \$3.75 bn of outstanding TM US shareholder loans (repaid by 2028 at the latest)
- Well balanced maturity profile will carry on beyond 2024

# Operations Review 2021



# Networks

## leading with 5G, FTTH well on track

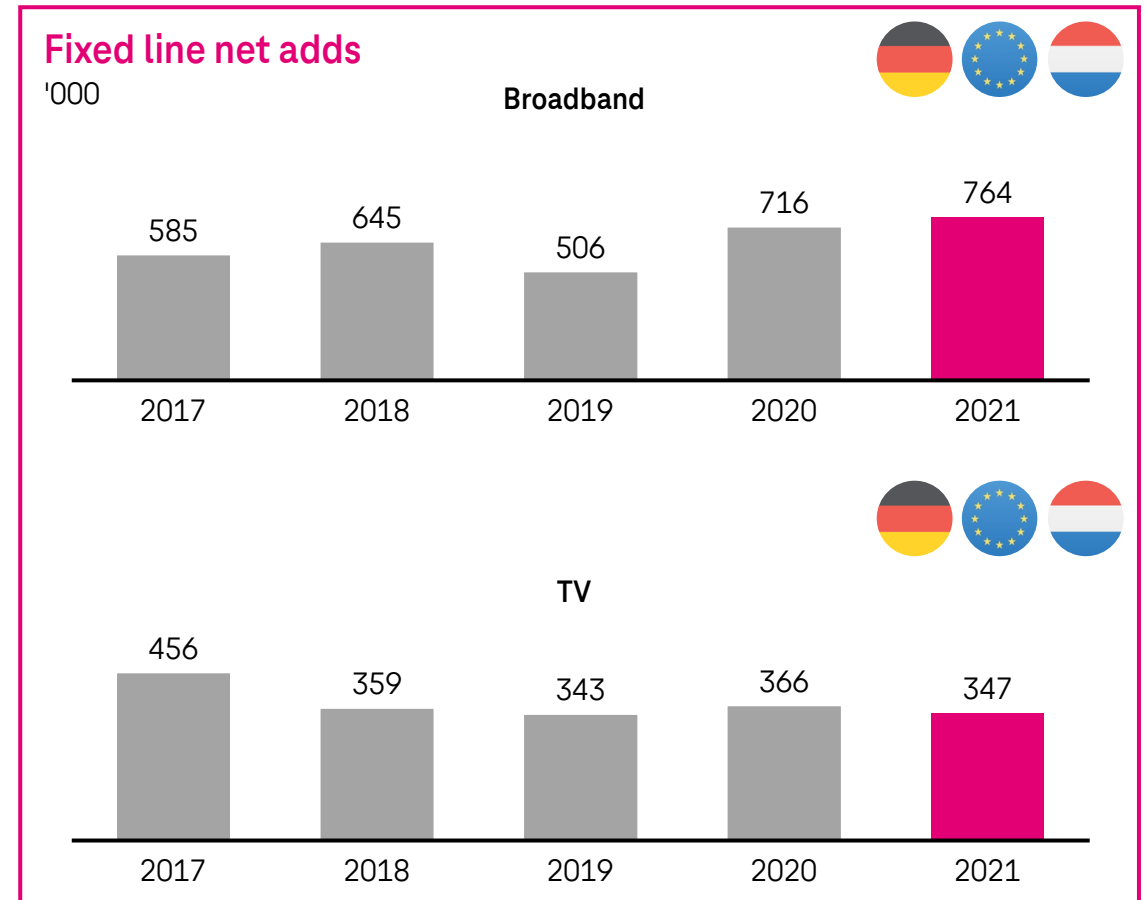
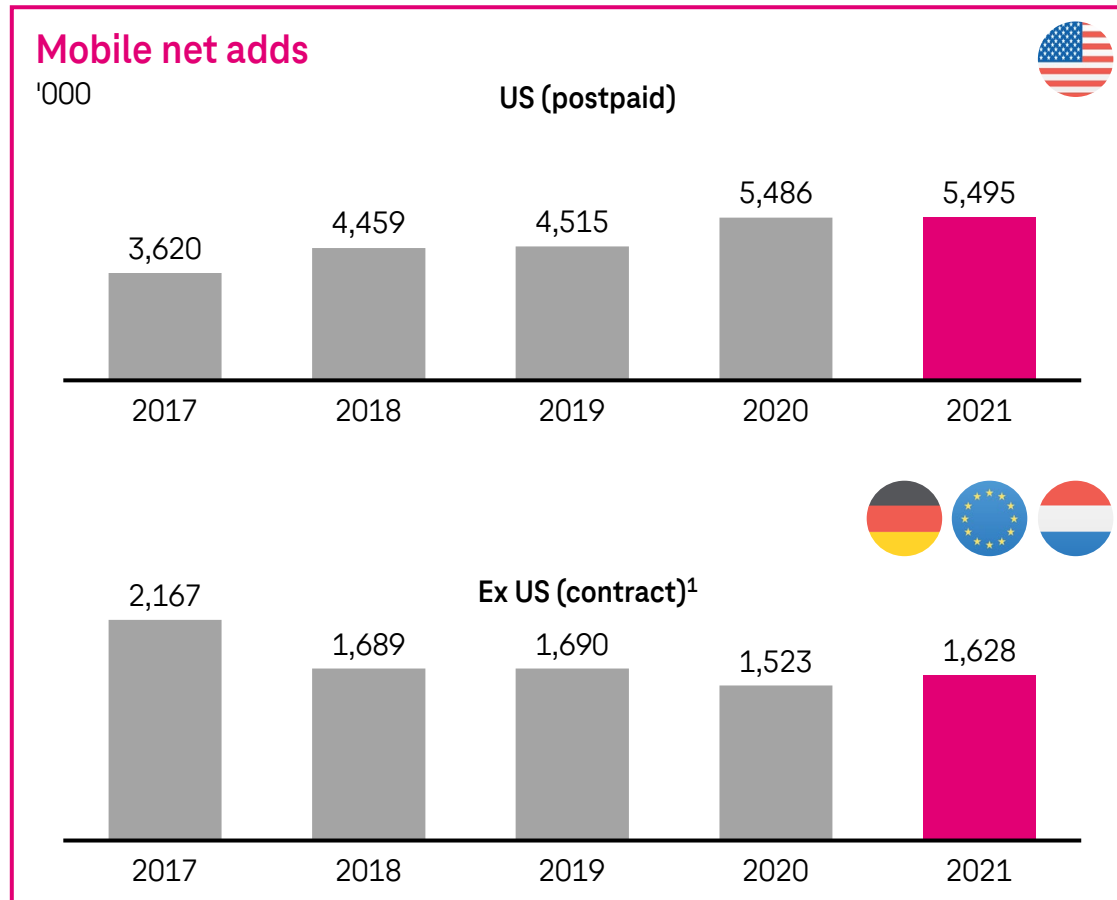


■ EU ■ GER

<sup>1</sup> EU8: FTTC, FTTH/B lines and cable/ED3. GER: FTTC and FTTH/B lines incl. cooperations and cable <sup>2</sup> Extended range on 600 MHz, Ultra capacity on 2.5 GHz

# Customers

## consistent strong growth



<sup>1</sup> GER + EU + NL. GER: Since 2021 Own branded retail customers excl. multibrand, consumer IoT and "Schnellstarter"

# Society and Environment

## strong ESG Performance in all dimensions



**#GREEN  
MAGENTA**

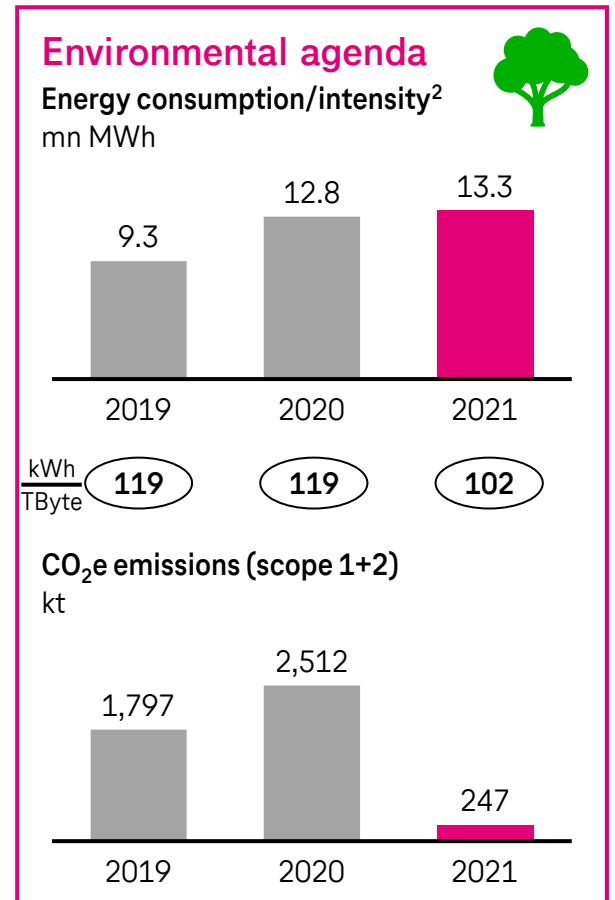
- Switch to 100% electricity from renewables accomplished
- Eco Rating: Successful launch of industrywide initiative

**#GOOD  
MAGENTA**

- Support for flood victims

### Governance

- Move of corporate responsibility department to CEO
- Environmental targets in remuneration for board from 2021, for all executives from 2022
- Reporting in line with new EU Taxonomy regulation requirements
- Ongoing success in ESG Ratings



<sup>1</sup>positive answer on employee/pulse survey question: “How do you feel at our company”

<sup>2</sup>energy intensity includes only fixed and mobile services at DT Group





# Germany Review 2021

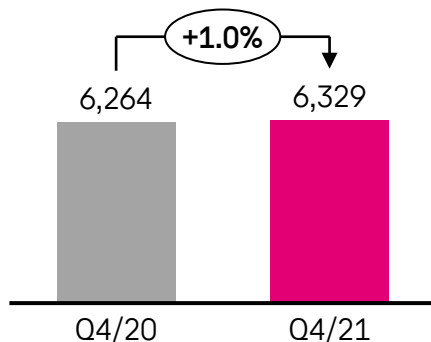
# Germany

## 21<sup>st</sup> consecutive quarter of EBITDA growth



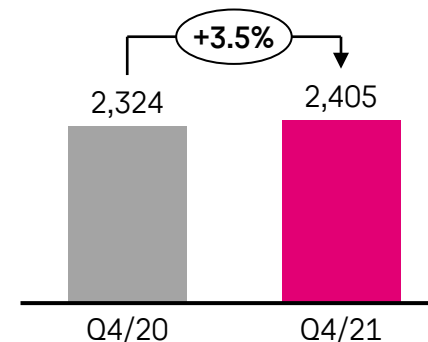
### Revenues (as reported)

€ mn



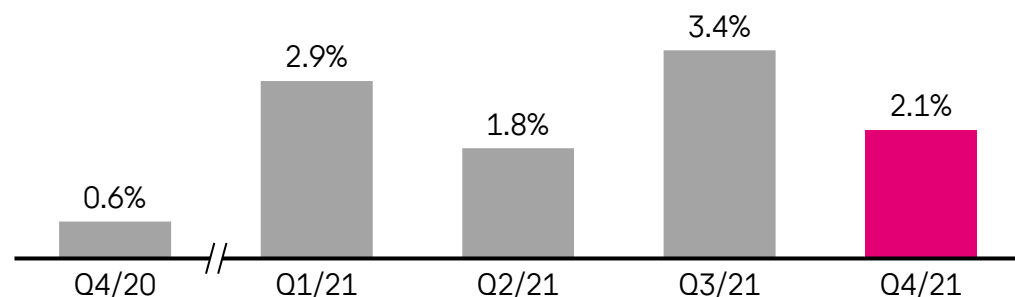
### Adj. EBITDA AL (as reported)

€ mn



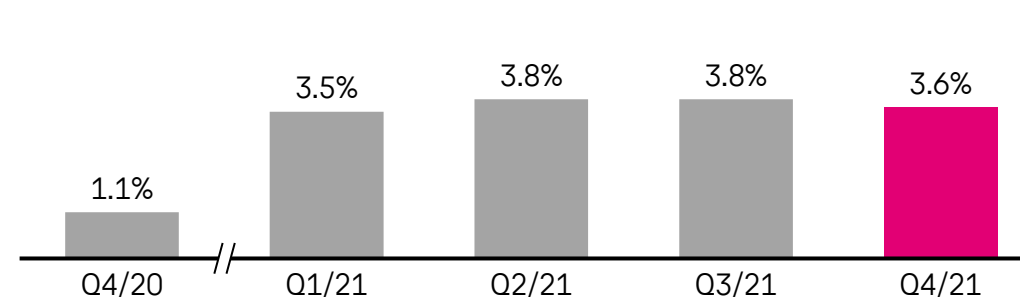
### Revenue growth<sup>1</sup>

% growth yoy, organic



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

% growth yoy, organic



<sup>1</sup> 2021 quarterly trends in new reporting structure. Organic view reflects transfer of certain business units into GHS as of 01.01.2021, currency and the accounting change to certain principal agent transactions.

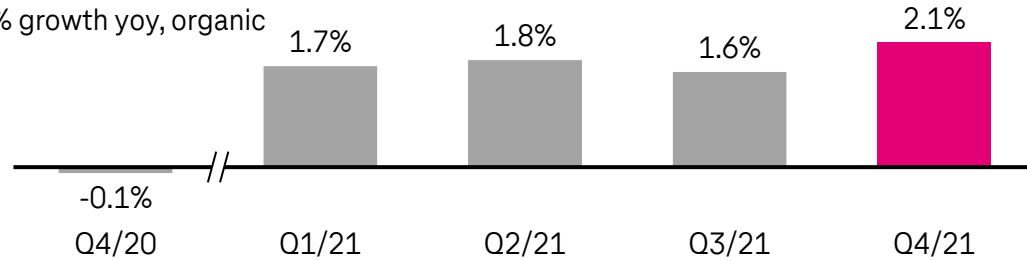
# Germany

## service revenue growth driven by mobile and fixed



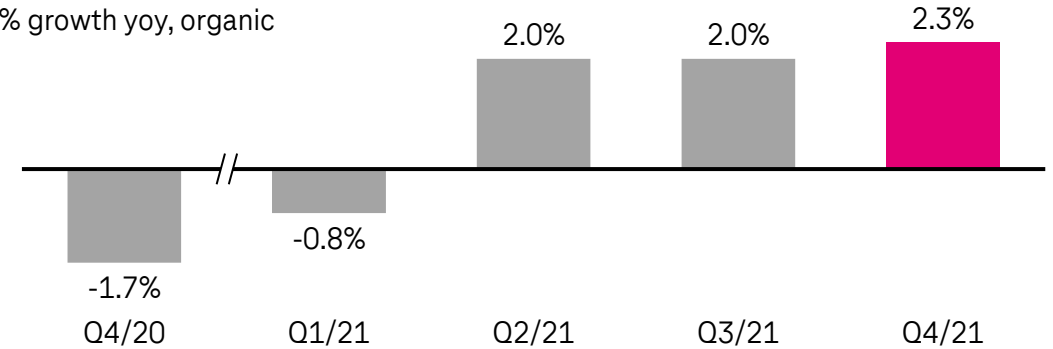
### Total service revenue<sup>1,2</sup>

% growth yoy, organic



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

% growth yoy, organic



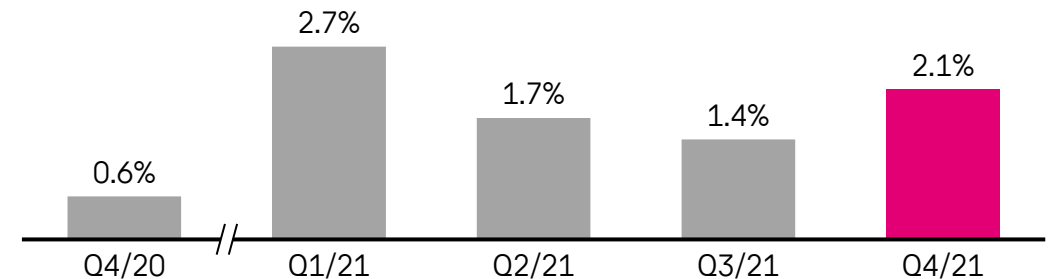
Reported Total Service revenue growth: +1.4%.

Reported Fixed Service revenue growth: +1.1%

TSR growth in both B2C and B2B

### Fixed service revenue growth<sup>1,2</sup>

% growth yoy, organic



<sup>1</sup> 2021 quarterly trends in new reporting structure <sup>2</sup> Organic view also reflects accounting change to certain principal agent transactions. No impact on mobile service, broadband or wholesale revenues.

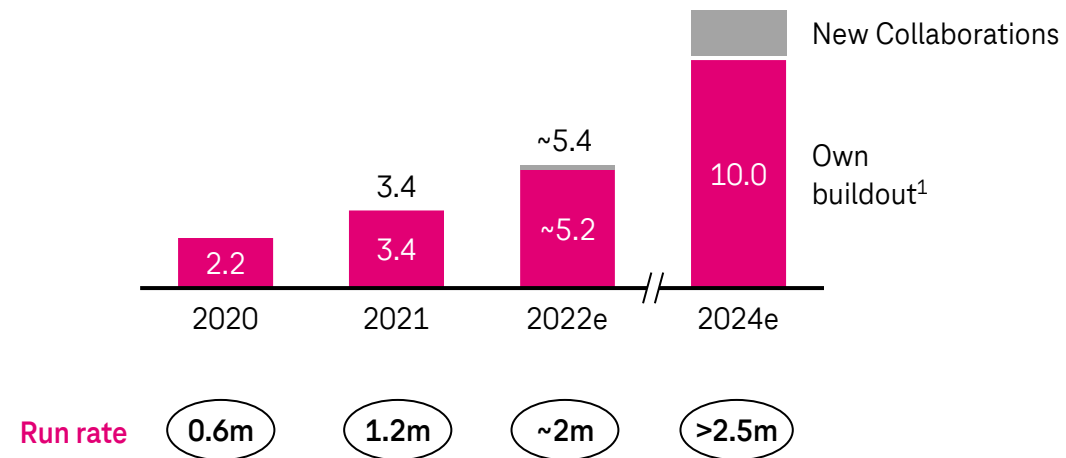
# Germany

## FTTH on track with buildout and monetization



### Progress with FTTH buildout

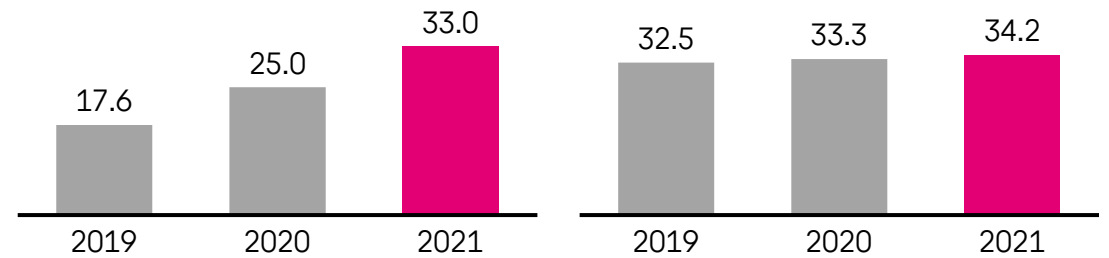
Homes passed, mn



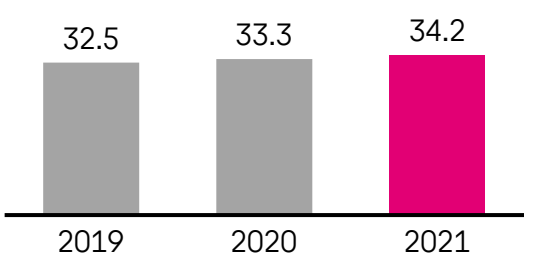
- Fiber JV with IFM to pass 4m rural homes by 2028
- On track to reduce unit costs by 25% by 2024

### Progress with monetization

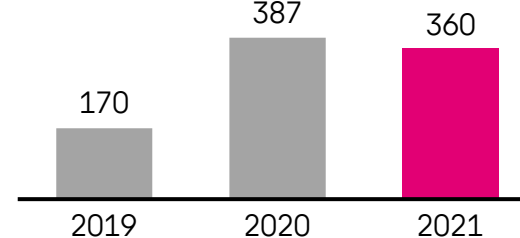
Share of ≥ 100 Mbps contracts  
% of broadband base



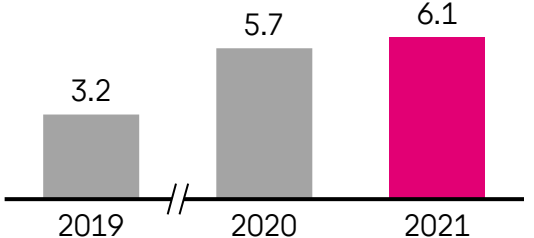
Retail broadband ARPA<sup>2</sup>  
€/month



Broadband Net Adds  
k



Broadband revenue growth  
%



<sup>1</sup> Incl. collaborations agreed prior to CMD 2021    <sup>2</sup> Only B2C

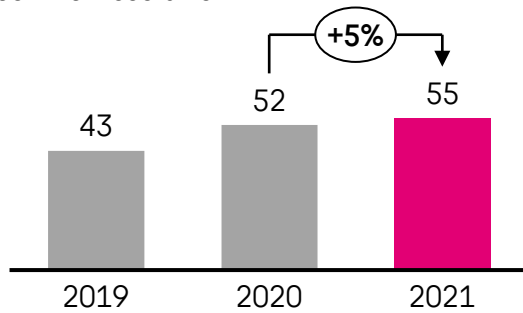
# Germany

ongoing strong execution and digitization

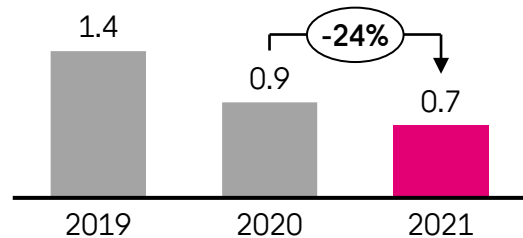


## Service

First contact resolution %

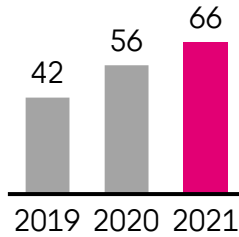


Customer complaints mn

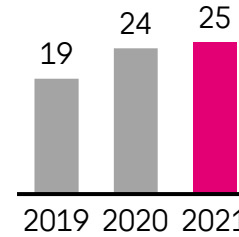


## Digitization

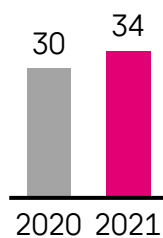
App penetration %



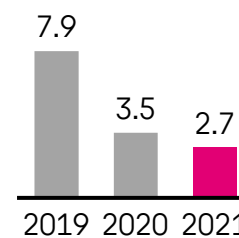
E-sales share<sup>1</sup> %



Calls shifted to digital %

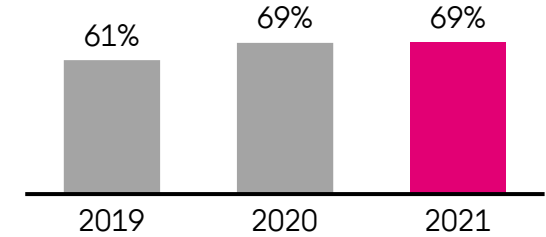


IT time to market mth

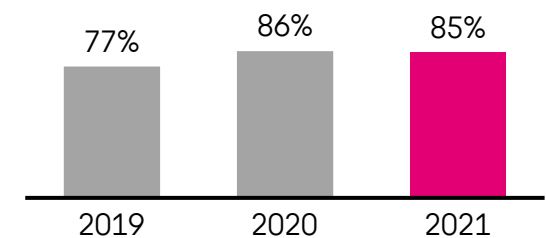


## Customer satisfaction

TRI\*M



## Employee satisfaction



<sup>1</sup> Only B2C



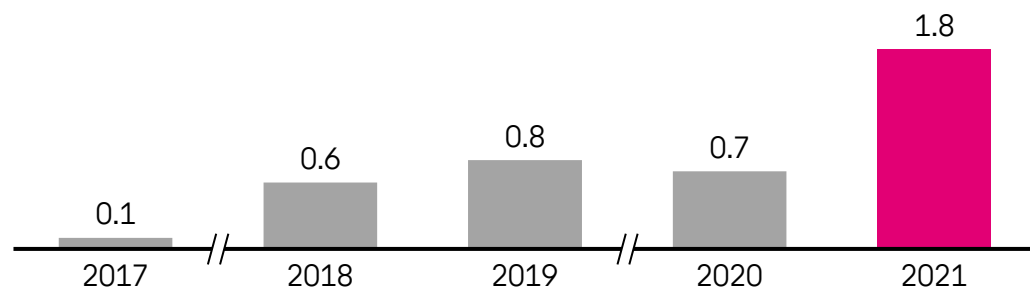
# Germany

## consistent growth



### Total service revenue

% growth yoy, organic

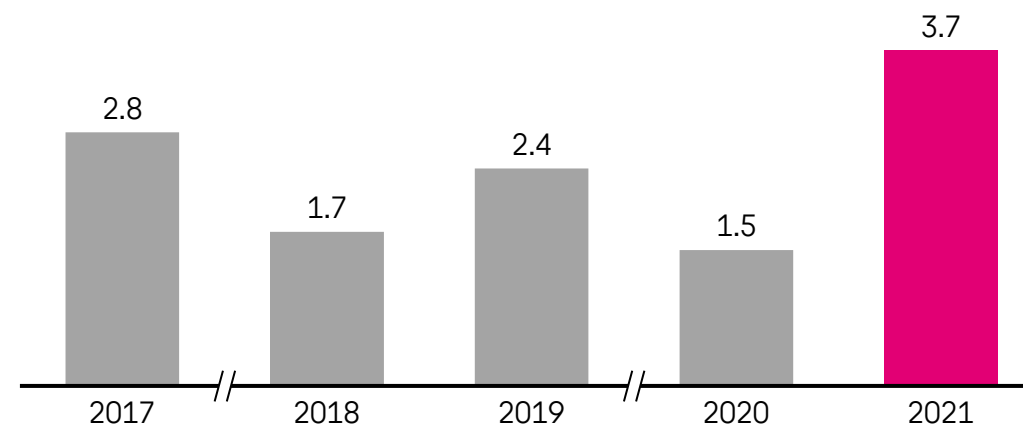


- 2021 positively impacted by non-recurring public sector revenues (~0.4pp)

### Adj. EBITDA AL

% growth yoy, organic

CMD: 2.5–3.0%  
CAGR 2020–2024



- 2022 guidance of €9.8 bn
- Growth supported by net margin growth and indirect cost savings

# Other segments

## Review 2021



# Europe

## fastest growing large European telco



### FTTH (1 Gbps)<sup>1</sup>



- 1.4 mn additional homes passed in 2021
- 7 mn homes YE 21

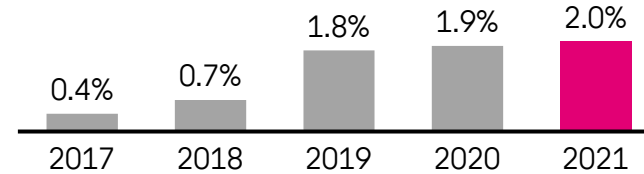
### Convergence



- 0,4 mn additional homes
- 0.8 mn additional subs
- 3,3 mn homes YE 21

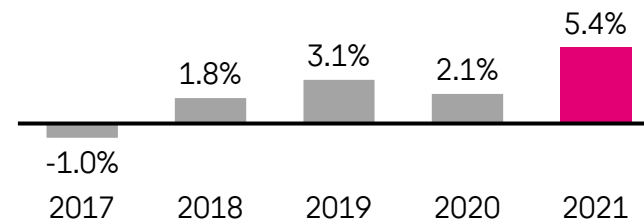
### Total service revenue growth

Organic, %



### EBITDA (AL) adj. growth

Organic, %



CMD: 1.5–  
2.5% CAGR  
2020–2024

### Digitization



- App penetration 64%
- Truck Rolls reduced by 200k in 2021 leading to a significant CO2 reduction.

### Customer satisfaction



- 9 out of 10 NatCos are #1 or #2 in B2C TRIM
- Voice of customers program with good progress: 8 NatCos live

<sup>1</sup> FTTH/B & Docsis 3.1 (1 Gbps) in AT, CZ, GR, HR, HU, ME, MK, SK



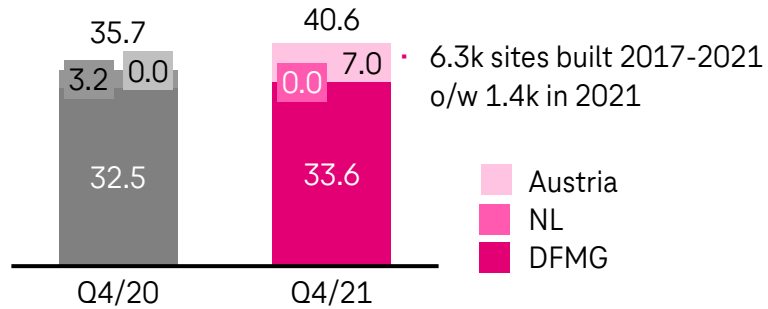
# GD/Towers

## ongoing expansion



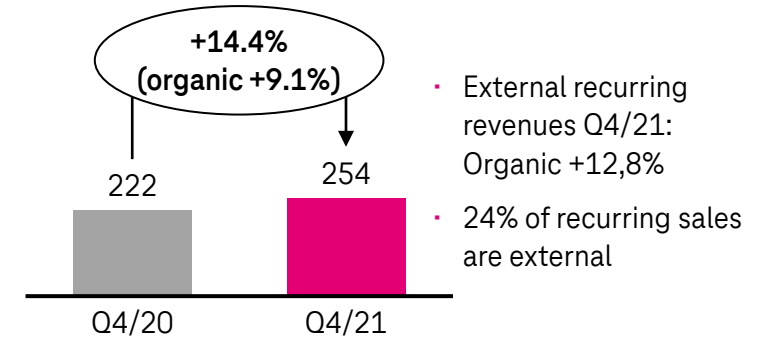
### Total sites<sup>1</sup>

'000



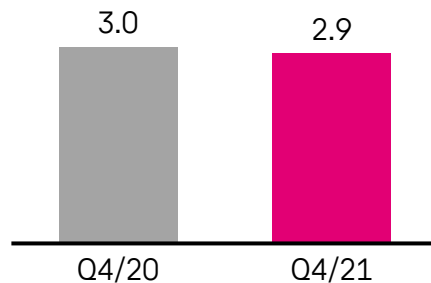
### Recurring rental revenues

€ mn



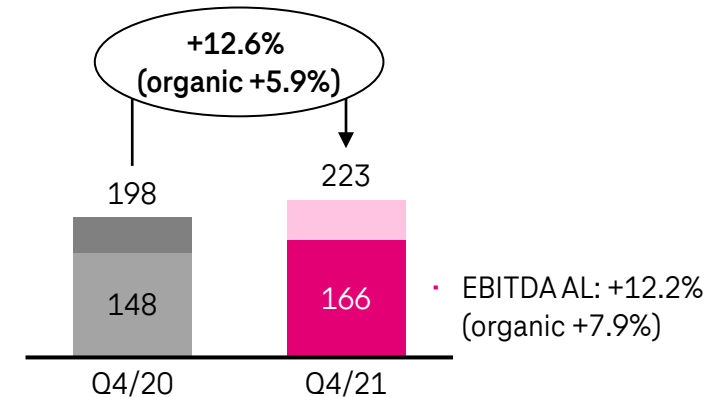
### Opex AL per site

€ '000



### Adj. EBITDA

€ mn



<sup>1</sup> The 0 refers to the Austrian sites in Q4/20 (not yet part of tower business) and to the Dutch sites in Q4/21 (de-consolidated in June 21). 2021: 33.6k include 1.4k newly build sites and 0.3k de-commissioned sites

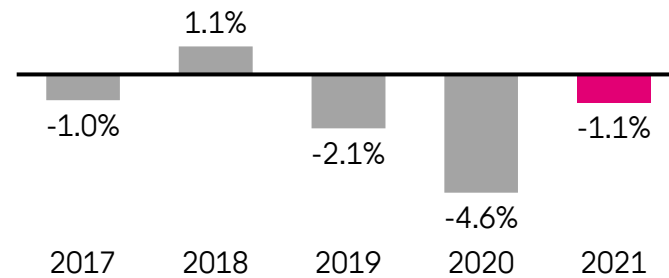
# Systems Solutions turnaround continues

## Revenue drivers

- Public Cloud +19%<sup>1</sup>
- Digital Solutions +14%<sup>1</sup>
- Ongoing legacy decline (MIS -14%<sup>1</sup>)
- MIS now down to 32% of TSI revenues vs. 42% 2019. Growth areas >50% of portfolio
- Revenue drag due to planned reduction from end-user services and resale c.2pp
- CMD 2021: Strategy centered on focused industries and markets with unique vertical & horizontal portfolio

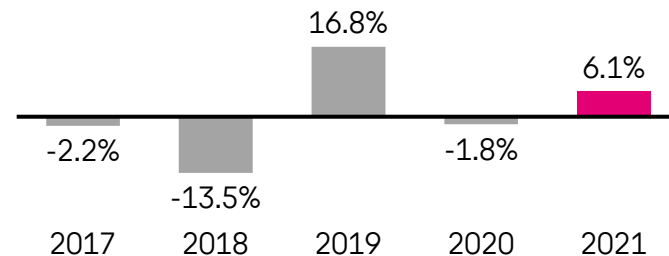
## Revenue

% growth yoy, organic



## Adj. EBITDA AL

% growth yoy, organic

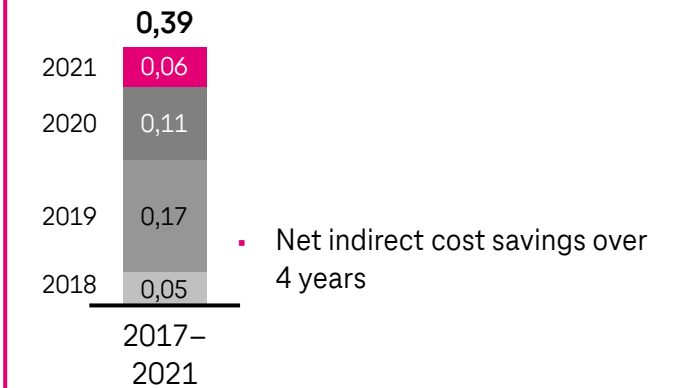


**CMD: >5% CAGR  
2020-2024**

## Transformation drivers

### IDC savings

€ bn



### Key levers:

- Delivery optimization, i.e. Shoring/Automation
- Overhead reduction
- Reduced real estate costs, travel expenses

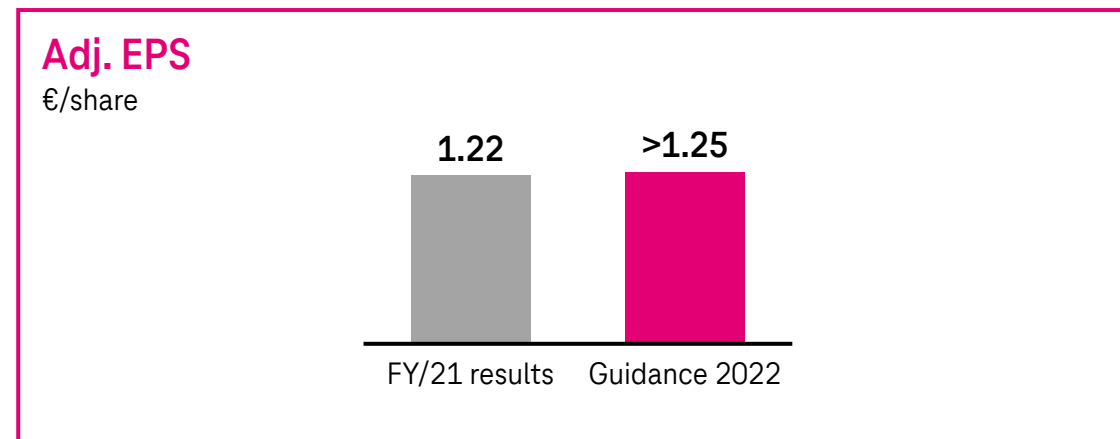
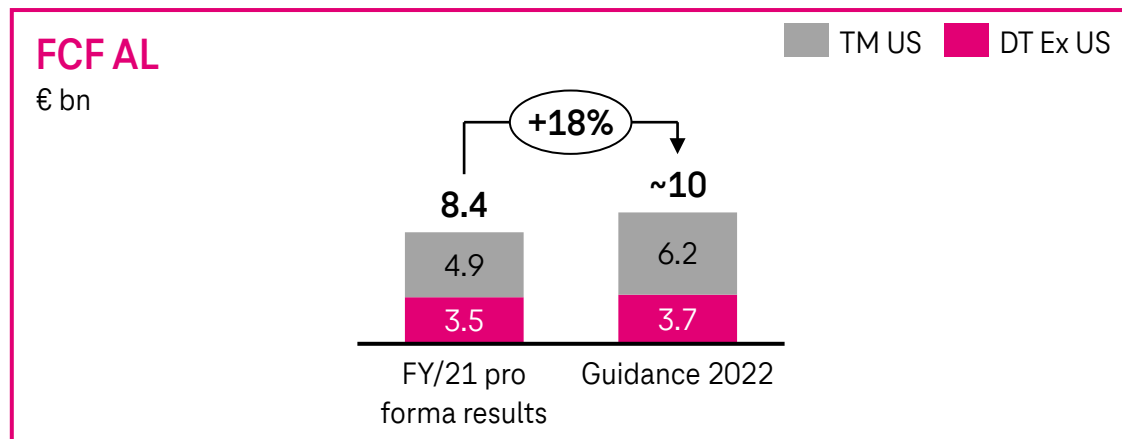
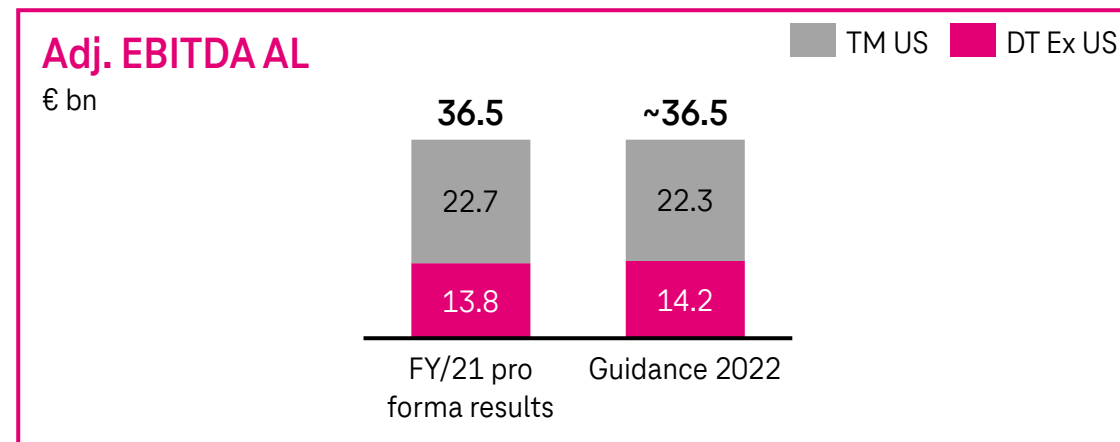
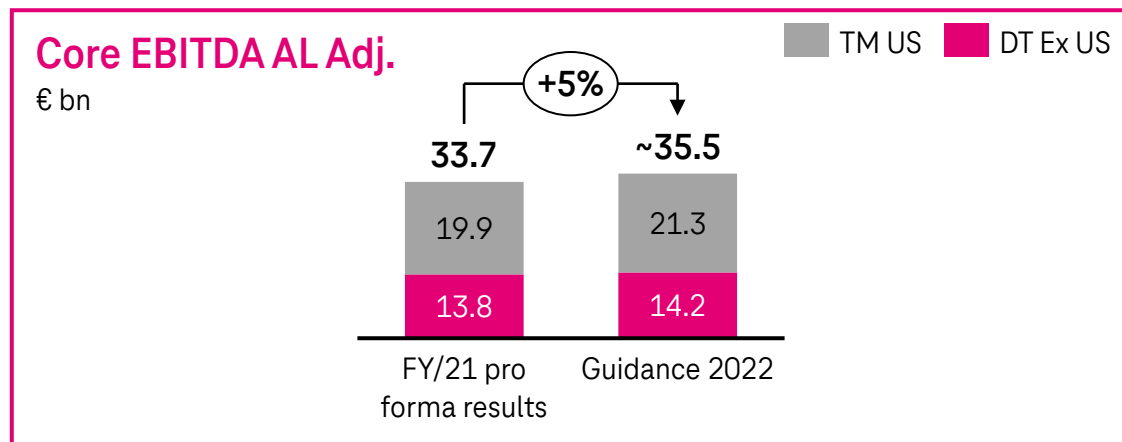
<sup>1</sup> 2021 vs. 2020, organic

# Outlook



# Guidance 2022<sup>1</sup>

## group outlook

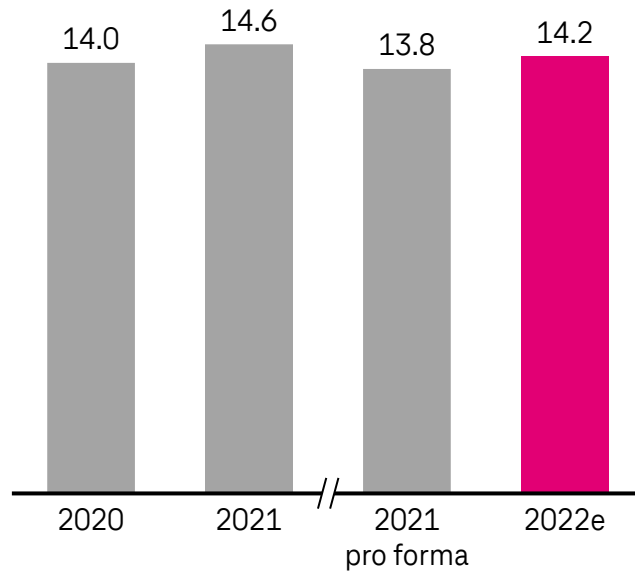


<sup>1</sup> Guidance for adj. EBITDA AL of around €36.5 bn reflects €1.8 bn decrease in handset leasing revenues in the US. TM US adj. EBITDA and Core EBITDA AL adj. included at midpoint of US GAAP guidance of US\$26.7 bn to 27.5 bn and US\$25.6 bn to 26.1 bn, adjusted for estimated bridge of US\$0.6 bn.  
US FCF included at mid-point of US GAAP guidance of US\$ 7.1 bn to 7.6 bn.  
Based on € 1 = US\$ 1.18

# EX US financials

## Adj. EBITDA AL

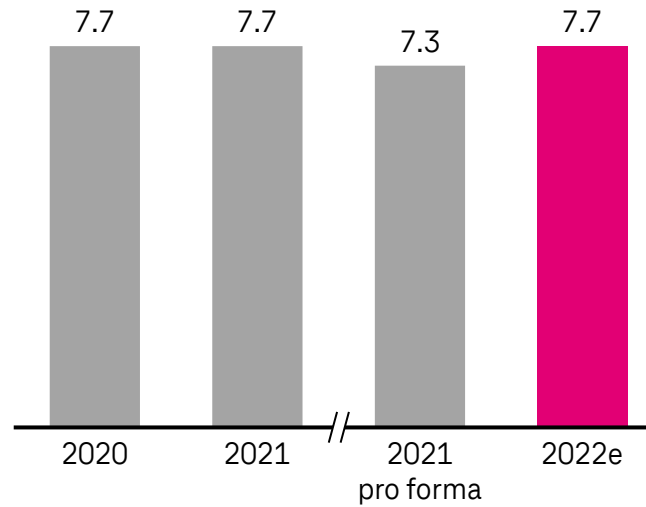
€ bn



**CMD targets<sup>1</sup>** · 2–3% CAGR in 2020-24

## Cash capex

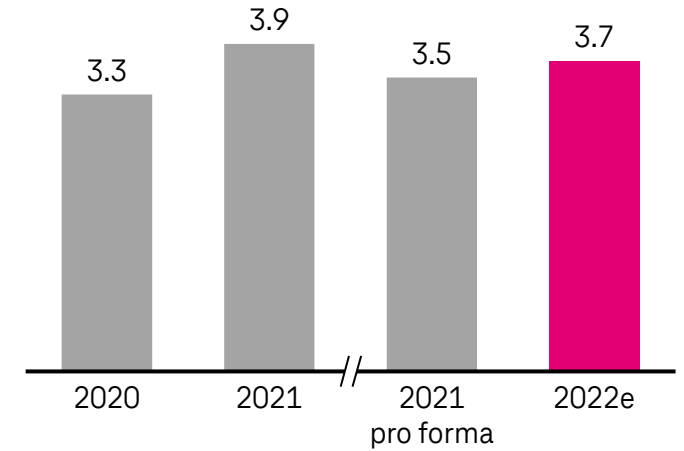
€ bn



· Increase for FTTH of ~€ 0.5 bn from 2020 through 2024

## FCF AL

€ bn

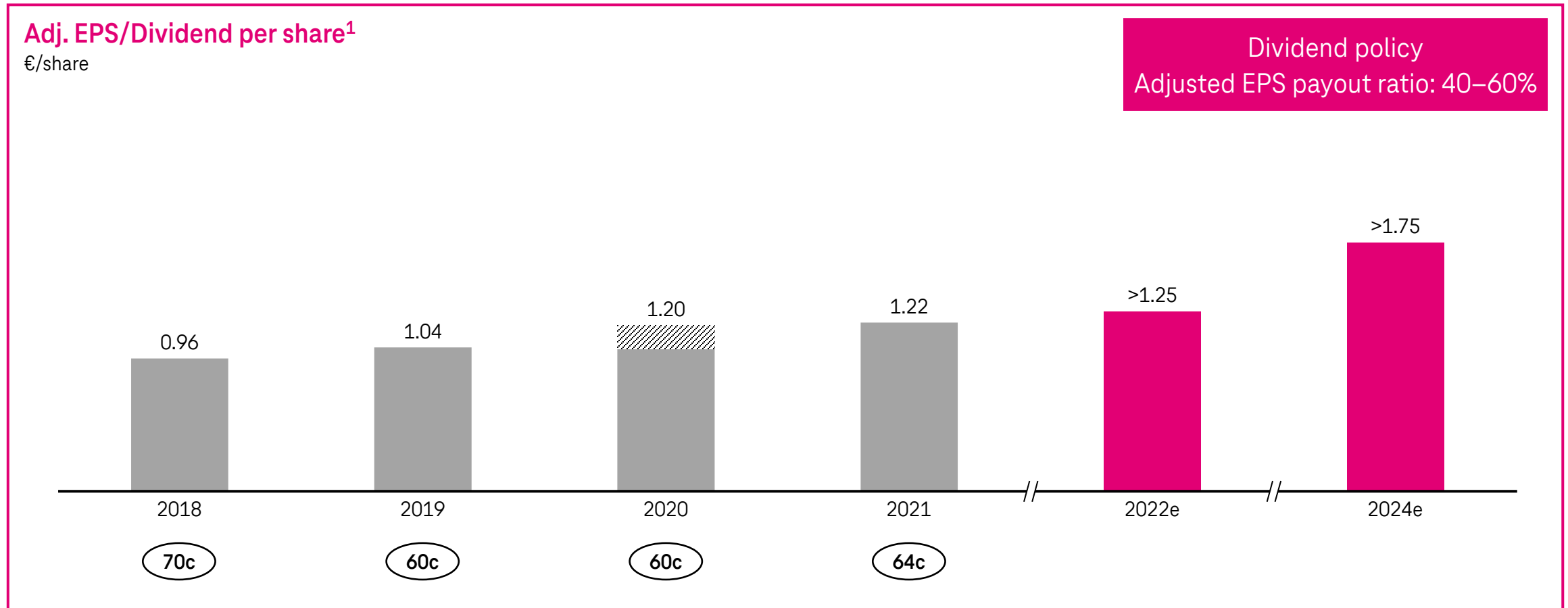


· ~€ 4.0 bn in 2024

<sup>1</sup> All organic. See annual report for additional details concerning pro forma values

# Financials

growing adj. EPS and dividends



<sup>1</sup> 2020 EPS benefitted from TM US options (+17c). 2021 includes -4c from TM US options and +2c from held for sale TM NL. 2021 dividend subject to AGM approval.

# Further questions

please contact the IR department

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