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DTEGn.DE - Full Year 2023 Deutsche Telekom AG Earnings Call

EVENT DATE/TIME: FEBRUARY 23, 2024 / 1:00PM GMT

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PRESENTATION

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Good afternoon, and welcome to Deutsche Telekom's Full Year 2023 Conference Call. As you can see, with me today are our CEO, Tim Hottges; and our CFO, Christian Illek. As usual, Tim will first go through a few highlights for the year as a whole, followed by Christian, who will talk about the quarterly performance and the group financials in greater detail. After this, we have time for Q&A.

Before I hand over to Tim, please pay attention to our usual disclaimer, which you'll find in the presentation. And please also note that this conference will be recorded and uploaded to the Internet.

And now it's my pleasure to hand over to Tim.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

And welcome, everybody. So where do we stand at the end of 2023? I think, obviously, our strategy is working. Our flywheel, as we always stated, is working pretty nice over the last 10 years. I've invested EUR 170 billion. So that's quite an amount. And we now have 300 million customers on this infrastructure. We have leading networks, I think all networks are stating this on both sides of the Atlantic and a result of a focused and far-sided capital allocation strategy, which worked pretty well for us.

We continue to invest into future growth for sure with our fiber investments, our new EUR 2 billion tech fund with our Open RAN technologies, with generative AI, all of this becoming stronger in regard to the leading telco. Magenta has become the most valuable brand in Europe, and it has become the most valuable global telco brand, I think, a very nice achievement.

Our customer satisfaction scores are moving up as well in all areas. And by the way, there's not a single market except Romania, where we are not leading from a Net Promoter Score, I think, as well a good outcome. Customer growth continues at a high level. I think that's the stunning part of the fourth quarter here, the great customer growth on both sides of the Atlantic. We're seeing as well good customer growth in the B2B area. And mobile contract growth in Germany, I think, a great number despite the fact that we had strong competition here in this overall situation.

Our customer service made huge progress as well. First-time resolution rate in Germany has now achieved 70%. Our complain rate, by the way, came down since 2016 by 90% from 5.4 million down to 300,000 last year. T-Mobile in the U.S. has launched a dividend program on top of its buyback, and DT itself has launched a EUR 2 billion share buyback program on top of the dividend. Our total shareholder return was 20% in 2023. For the last 10 years, this was 174%.

That brings me to our financials for 2023. And you know the numbers, I'm quickly going over them. Our service revenue grew by 3.6% organically. EBITDA almost 7%. By the way, if you look hindsight, we are growing now since a couple of years with something -- the vicinity of 4% on the service revenues and 7% on EBITDA. And the guidance going forward is in the same magnitude. So this is a good indication. 4% and 7%, I like that number, especially when you know where the industry is coming from and where are we.

Our free cash flow grew by 41% to over EUR 16 billion, well in line what we laid out. Europe is now on 6, Germany on more than 7 years of consecutive quarterly organic EBITDA growth. I think these investments in our infrastructure and in leading services is paying off. We delivered again against our 2023 guidance, which we have raised throughout the year. Our '24 guidance means that strong growth will continue this year and that we are looking good for our '21 capital markets targets, and we will discuss that later on in more detail.

Capital allocation remained focused. We regained our majority in T-Mobile last year despite the dilution from the true-up, well prepared. We completed our Tower joint venture, and we reduced our net debt by EUR 10 billion in the last 12 months. And T-Mobile launched a new shareholder remuneration program up to $19 billion. And for the first time, this includes a dividend as well. At the DT level, we propose to increase our dividend by 10% to EUR 0.77. And on top of that, we have launched the EUR 2 billion share buyback program, which was mentioned to you already.

Moving to the organic numbers on Page 6 here. You can find that all segments are contributing to our growth. By the way, it's not only true for EBITDA, it's as well true for revenues, on service customers as well. So it is in all categories. But here, you see the EBITDA growth, organic group service revenues grew up by 3.6%. Look, we have to consider some foreign exchange changes, but Christian will talk about that in a second. U.S. service revenue grew by 2.8% and in the last quarter by 3.5%. Overall, revenues were impacted by lower equipment revenues. And as mentioned, our organic EBITDA, 6.8% growth -- 6.9% growth and 7.2% growth in the last quarter.

The foundation of all this success is our network leadership. In the last 12 months, we passed 3.5 million additional European homes with FTTH has now reached 17 million fiber homes. We passed 2.6 million additional German homes with FTTH and reached 8 million last month. In the U.S., 5G leadership is underpinned by spectrum leadership and confirmed by all the tests. T-Mobile got a clean sweep in every category of network performance from Ookla now for the fifth quarter in a row.

In Europe, our 5G coverage increased 20 percentage points last year, and there's clearly no doubt who has the best mobile network in Germany or even in the European entities. Please have a look to all the different network tests, Deutsche is always leading.

Our customer growth continues, both in the U.S. and in Europe. We totally added nearly 8 million postpaid customers last year. And on broadband and TV nets, we accelerated as well, driven especially by strength in Germany. And by the way, the customer growth of today is the service revenue growth of this year and tomorrow. So therefore, this number means a lot to me.

Moving on to ESG. Despite strong growth in data usage, we further reduced our energy consumption on both sides of the Atlantic. We also reduced our CO emissions by 7%. By the way, this is more than what we have originally foreseen. And with this, our climate targets are well on track, and our targets are SBTI approved.

Our customer satisfaction improved further, while our employee satisfaction returned to -- no, that's not true, to pre-pandemic level, it's still higher than pre-pandemic, but they came down a little bit. I'm sorry for this statement. So it is in the high 70s now, and it was a little bit about 80% by the -- in our survey in spring.

Our campaigns against hate speech achieved absolutely great recognition. By the way, for the first time in history, we got the black Effie, which is the highest recognition for any kind of advertising you can do on this. We were official partner of the last year's Special Olympics, and T-Mobile has by now connected 6 million students through its education initiative.

Before we get to our '24 guidance on the next chart, let's review how we performed in the markets. You remember that we raised our guidance intra-year. And on this chart, we compare with our last guidance as of Q3. To make it comparable, we adjust our actual '23 results for our guidance parameters, mainly foreign exchange and 1 month of GD Towers. You can see that we delivered what we have promised with a slight like-for-like beat in core adjusted EBITDA and on free cash flow.

With that, let's move to our guidance. As usual, our guidance is based on last year's average exchange rate, which was EUR 1.08 dollar per euro. Again, -- as usual, we are taking the midpoint of T-Mobile's guidance, subtract the GAAP and IFRS bridge and at our expected results for DT ex U.S. As you can see here, ex-U.S., we are guiding EBITDA of EUR 14.4 billion in 2024 and free cash flow of EUR 3.5 billion. So this is the European situation. Of course, as in '23, our '24 ex-U.S. free cash flow contains a regular annual return from our 49% stake in GD Towers.

For the group, we expect EUR 42.9 billion EBITDA, EUR 18.9 billion free cash flow, adjusted EPS of at least EUR 1.75, and this is driven by the expected EBITDA growth, partially offset by higher year-on-year depreciation expenses in the U.S. And in the appendix, we compare our guidance with the consensus that uses a foreign exchange of EUR 1.09. And you can see that our guidance is close, very close to the consensus on a like-for-like basis.

And with this, I hand it over to Christian to give you a deeper dive into the quarter.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

Thanks, Tim, and welcome from my side. And let me start with T-Mobile US. So core EBITDA growth in the fourth quarter was at 9% on the full year. As you can see, it was at 10%. We have put a reconciliation between the core EBITDA to the IFRS adjusted EBITDA bridge into the appendix. And what you see in there is that the drag from the handset leases is clearly coming to an end.

Secondly, you see that the U.S. GAAP IFRS bridge in Q4 was roughly EUR 200 million and totaled at EUR 860 million for the full year of '23. What we've also seen in the U.S. numbers is that the total revenues are impacted by lower handset or equipment revenues. The U.S. GAAP service revenue grew on a year-on-year basis by 3.4%, largely driven by the postpaid service revenue growth, which grew at 6.4%, but we had negative drag from the wireline business as well as from the wholesale business.

Look, our differentiated growth strategy on the 3 vectors continues to work. Let me start with small markets and rural areas. We now reached a market share of 17.5% by the end of the year. And let me remind you, we started roughly at 13% in the year 2020. Same was true for the business segment. Obviously, the fourth quarter showed the highest net adds in 2023, the highest net adds on an annual basis ever.

And the high-speed Internet segment continues to deliver really strong growth with more than 500,000 customers in the previous quarter and net add number of 2.1 million in the year '23 or a total installed base of close to 5 million. So the postpaid phone net adds totaled at 934, which was industry-leading. On an annual basis, it was more than 3 million compared this against AT&T and Verizon. T-Mobile's initial guidance for '24 is when it comes to postpaid net adds, in between 5 million to 5.5 million after we've reached close to 5.7 million in the year 2023.

Moving over to Germany. Our organic growth improved to 3%. There was a sequential acceleration driven by handset revenues in the fourth quarter. The organic EBITDA growth remains steady at 3%. I think this is now the 14th consecutive quarter where we have this 3% number. And for the 2024 segment outlook, we expect EUR 10.5 billion in the German segment compared to the EUR 10.2 billion, which Germany has achieved in the year 2023.

In the fourth quarter, I think I want to highlight some numbers here. Mobile service revenue is really strong at 3.2%, driven by a stunning customer growth, but also through upselling activities. Fixed service revenues slowed down to 1.3% after a very strong Q3. And I think we indicated this also throughout the call in the last quarter.

As you also can see on Page 17, the broadband revenue has slowed down this quarter. This is not directly related through the broadband performance, but it is a positive -- there were positive one-offs in the fourth quarter of 2022, and that basically brought down the growth. One is related to contact one-offs. And the second one, you should bear in mind that the single price increase, which we introduced in October 2022 is now -- has now rolled over in the fourth quarter. Wholesale revenues in total grew this quarter and were stable for the year exactly along the lines as we indicated this beginning of last year.

So next page, on the broadband customer performance, you see a very solid performance. We had a stunning quarter in Q3 with 96. And I think we benefited from an elevated customer -- competitor churn, not customer churn, sorry. But basically, you are on the same level as we have been in the previous quarters. The sequential acceleration of T-Mobile net adds is mainly through the promotional success of the MegaStream bundle offer.

Now coming to fiber. Look, we had almost 1 million customers by the end of the year. We added 300,000 customers to our base and of which roughly 50% are new customers, which is a really, really good sign. Our mobile contract customer intake remains to be strong. You see the 290,000 net adds in the Q4, and it totaled to larger than 1.2 million of net add growth for the year 2023.

Let's get to Europe. And Europe is actually performing really well, and it's performing better than we initially expected it. You see the organic revenue growth is at 5.6%, EBITDA grew at 4.1%. And for 2024, we basically expect an EBITDA after leases of EUR 4.3 billion versus the EUR 4.1 billion in the previous year. The customer growth is truly strong and it's continuing to contribute to the service revenue growth. You saw that the European segment has added more -- almost 750,000 contract customers and more than 300,000 broadband customers in the year 2023.

Next segment, T-Systems. So on T-Systems, pretty good revenue growth organically at 5%. Bear in mind that we moved MMS from T-Systems into the German segment. A weaker order book, and we're working on this one, but you have to bear in mind that half of the decline was due to inorganic changes. And the organic EBITDA growth was really strong in the fourth quarter. The most important message on T-Systems is they had a positive cash contribution, which they also expect to have in this given year here.

So let me get to the financials. Our full reported year financials were impacted by basically 2 main effects. One is obviously foreign exchange, and the second one is the Tower transaction. And the headline revenue was also impacted by lower equipment revenues. As mentioned earlier on by Tim, the organic service revenue grew at 3.6% in the year 2023. Our adjusted net profit amounted almost to EUR 8 billion for the year. And obviously, the GD Towers transaction were the main reason for the big net profit on an unadjusted basis.

And what you saw, that the EUR 18 billion are slightly behind what people expected, this is due to the fact that we have a regular review on impairment tests in the fourth quarter. And we had to basically impair EUR 2.6 billion on the GD Towers business among our stake, but this is completely driven, and it's actually more than 100% driven by the WACC increase, which we basically put into the model according to the interest rate increases.

Let's move over to free cash flow. You see on the bridge, the free cash flow bridge and also the net profit bridge, very strong free cash flow growth year-over-year, 115% in the last quarter, largely or almost completely driven by the reduction of T-Mobile US CapEx. On the adjusted net profit, we see a decline of 8% due to the effect that we have very positive effects in the previous year in 2022, which we call nonrecurring. If you exclude all these nonrecurring effects, our EPS grew by 6% on a year-on-year basis.

So moving to our leverage. I think this is a very positive view. What you see here is this is the ex-leases view, and you see the leverage ratios on the right-hand side, including and excluding leases. We reduced the net debt by EUR 10 billion on an absolute basis, obviously very much supported by the GD Towers transaction. And we also absorbed, let's say, a net debt increase of EUR 16 billion coming from dividends and the share buyback in T-Mobile US. due to a very strong free cash flow performance.

So as it is a good tradition for our full year call, we're also taking a look at our 5-year trends. And let me start with the ex U.S. business. What you see is in the ex U.S. business, we have now roughly a 2% revenue growth over the past 3 years and roughly a 4% EBITDA growth and a continuous EBITDA growth over the past 5 years. And I think what you see is the guidance number below, I think this is broadly in line with the historic performance.

Also on free cash flow, bear in mind that the free cash flow in 2023 was impacted by the deconsolidation of T-Mobile Netherlands. We have a higher operating free cash flow, but we also had to bear higher interest costs and taxes and on the interest cost we talked about in the previous quarter.

On the next chart, you see the total numbers for the group, so including T-Mobile US, our service revenue grew fairly consistent over the last 5 years, so did the EBITDA and so does the guidance going forward. And with our U.S. merger essentially completed, our free cash flow continues to grow at a double-digit rate which is 16% expected for the next year. And you see that this is also contributing quite a bit or this is solely driven basically by the U.S. So this is kind of our midterm perspective also ex post and what we expect for the prognosis or for the outlook for 2024.

And with that, I hand it over to Tim.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

I'm ready guys, let's have the Q&A and go ahead.

QUESTIONS AND ANSWERS

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Okay. Thank you, guys. And with that, we start the Q&A session. I think you have -- you know the instructions. (Operator Instructions)

And I can already see Andrew from Goldman. And can we please have your questions, Andrew?

Andrew J. Lee - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So I just wanted to ask a question around the decent amount of news flow we've had over the last week, not on wage negotiations, but on the consolidation output from the EU. So we had an in-market mobile consolidation decision with remedies in Spain. We also had got EU white paper focusing on consolidation. We really did want to get your response to this. Do you think there is any sign that the EU is showing signs of being more supportive either for cross-border consolidation or for in-market mobile consolidation? And what do you think now are the biggest hurdles to justify cross-border consolidation?

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Okay. Sorry, I was a little bit confused here. So -- sorry. So look, we are not particularly very close to that process here. And you have all seen the remedies. And now we need to see what that means really in practice. And from what we can see is that the European decision seems needlessly heavy-handed given the competitive realities of the Spanish market. It's a highly competitive environment.

We would highly -- would have recommended any kind of merger proof without remedies. You know Madam Vestager, she's a hardliner on this regard, while Breton, at least sometimes has another position on this one. Let's hope that the next commission will take the more kind of enlightened view on such cases in the future. I think it is not really, let's say, a very good signal for the whole market. Nevertheless, maybe I'm too far away from this situation. And therefore, you should ask these people primarily. But anyway, it is not a game changer.

With regard to the white paper, look, we have read it, and there's a lot of good things in this white paper. And I think it is a very good written paper, which is a good foundation, which we can use within -- starting with the new commission. And this white paper touches on a lot of topics like fiber deregulation, big tech fair share implicitly included, cross-border connectivity, this element of spectrum harmonization, which is needed to run [market]. And even the element of including the telco sector into the taxonomy.

I think the European Commission falls a little bit short on addressing the topic of in-market consolidation. But the overall description of the state of the sector by the EU Commission is, I think, spot on. Here is too much fragmentation, too low returns on capital in that market. And I think this message which we are trying to convey for years now has finally landed. So therefore, I really welcome that paper.

To be honest, there will be on the mobile work congress on Monday, for the first time in history, Orange, Telefonica, Vodafone and Deutsche Telekom being on stage and again, describing the situation and what it would take for the for Europe to catch up with the U.S. and with some Asian markets. So we will underscore this element. We will use that. We see that as a kind of tailwind from the commission here that finally, a rethinking has started.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Tim, our next question is from Robert Grindle, Deutsche Bank, please.

Robert James Grindle - *Deutsche Bank AG, Research Division - Research Analyst*

Well done on the year just passed, something exciting in the new year is your participation in the T-Mobile buyback. Can we draw any conclusion from your current pace of selling at around the EUR 2 billion run rate? You said you would only participate, but it looks like pretty full to me. And separately, your shares may be being impacted at the moment by speculation over a German government placing. Have you heard anything? And do you have any thoughts?

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

Robert, Christian here. So the low 50s was the old low 50s is the new low 50s is the current low 50s. So I think this is kind of the indication which we have given, and we're not moving away from this.

On the potential sale from the German government, look, we have no privileged insight in what a big shareholder of ours is planning to do. We know that they have to fund EUR 4 billion to support infrastructure programs at Deutsche Bahn. We have seen the precedent with Deutsche Post, where they basically realized EUR 2.2 billion. And this is what we know.

I think what you should bear in mind, if there are opportunities, we have an ongoing share buyback program here on the DT AG side, where we basically have kind of a pro rata per day participation. If there's an opportunity, obviously, we have a lot of dry power still in that program to react accordingly. But I can't give you any privileged information on their plans because I don't have any.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Yes. And by the low 50s, Christian was, of course, referring to our target stake in T-Mobile. Yes, exactly.

Next is Mathieu at Barclays, please.

Mathieu Robilliard - *Barclays Bank PLC, Research Division - Research Analyst*

The first question was around the spectrum auction. We haven't had an update state from the regulator. But obviously, one of your competitors has a strong view on how the auction or the non-auction should be conducted. So maybe if you could share your view in terms of what you think is sensible and any time line potentially?

And then I had a question about Germany. It is difficult for me to understand exactly what is the pace of rollout from some of the altnets. You posted 7.9 million [zone] passed, I think BREKO talks about quite a higher level already built by the outlets. So I just wanted to know if you could give us a sense as to how much altnet has built and if there's any overbuild? And if I may sweep in, that the guidance you gave for German CapEx, you talked about a slight increase. Could you quantify a bit what is a slight increase?

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Look, spectrum auction. Bundesnetzagentur and Germany recently published a study that assessed our competitors of the German mobile market. A very important study. And it is concluded -- it was concluded that the German mobile market is highly competitive, both on the wholesale side and on the retail side. This means that there is nothing left to prevent the expiring allocation in the frequency bands 800, 1,800 and 2.6 gigahertz from being extended.

We expect that the Federal Network Agency will now quickly consult on the terms and condition of the renewal so that the applications for the extension of the rights of use can be made before this summer, and this would create then the visibility for investments in the remaining white spots and further 5G expansion. So I think it's on a good path now. We are very encouraged by the statements, and I expect that there will be an extension of the use.

With regard to the pace of rollout of altnets. Look, we are seeing that other builders are facing a lot of pressures here from different angles. Look, German bureaucracy is already legendary. Higher financing costs are obvious. The construction costs are going up here in Germany due to inflationary developments.

Also the connecting homes, especially multi-dwelling units in Germany, this is quite a challenge. And finally, they are fighting up against a very good vectoring and super vectoring infrastructure which is different to the European markets you might focus on. Customers are -- more than 90% of households are able to access up to 250 megabit per second.

As a consequence out of that situation, we are seeing that build-out rates are being very slow or slower than planned. For instance, Telefonica's joint venture already originally targeted something around 2 million homes, and they are now targeting only 1 million homes by the year-end '26. So that was their latest statement on the Capital Markets Day of Telefonica.

Now what does that mean for us? The first thing it means, we were -- a lot of the developments, we have foreseen, okay. We had a CapEx overrun last year, but we were able to digest that. We built out 2.6 million households, which is ahead of the commitment we made, a little bit slower than what my personal ambition was. But look, this is the run rate which we now want to sustain for the upcoming years. We know about, let's say, the environment in which we are operating, but we are highly committed to build out our infrastructure.

Second, that we are guilty of -- that the altnets are not able to build out is simply a lie. By the way, if you look to the situations, there were only 11,000 municipalities in Germany for build-out on fiber. And there were 93 complaints. And by the way, most of the complaints are in areas where you have already a cable or a vectoring or a fiber infrastructure. So it's not an overbuilt by 1, it's already overbuilt by multi-operators in this region. And the last one, only, let's say, if I look to overbuilt, including the ones where we get overbuilt, like for instance, here in Bonn, the amount is less than 2%. So therefore, I think it's a cheap excuse of this industry about their own problems. I can tell you one thing, Deutsche Telekom is moving, and we are not stopping. We won't stop on this subject, very much committed, and I'm very excited about running up the learning curve here.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

So when it comes to the last part of the question, the quantification. Look, we're spending roughly EUR 4.6 billion on CapEx in the German segment. So if there's a slight increase, it's very low single digits, which we're expecting. I think we can absorb that given that we're forecasting or guiding a CapEx envelope of EUR 15.9 billion overall.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

And maybe just to add to the answer to question 2. We estimate that based on our assessment of the situation using consistent definitions, that we are building 2/3 of what is currently being built in the German market. And we currently supply about half of the coverage in the German market.

So next question is from David at Bank of America.

David Antony Wright - *BofA Securities, Research Division - Head of Developed EMEA European Telecoms Equity Research and Director*

Okay. I guess for Christian, the EBITDA growth in 2024 that you're forecasting ex U.S. is not finding its way through to free cash flow. And I guess, you have talked about higher cash tax, cash interest. So I just wondered if we could get a little guidance on that, please. And maybe if it is maybe cash tax and all that are unwinding, should we expect that to step up again in 2025? If you're able to give us any insight that would be super useful.

And then maybe just a second question, and it does follow up on the fiber build-out. Obviously, further build-out supports copper switch-off. And one of your peers in Europe, Telefonica is probably the most advanced I believe, with a full copper switch-off this year, which, of course, confers OpEx and CapEx benefits. I just wondered if we could get any indication of how you guys are thinking about copper switch-off, any targets, et cetera. That would be great.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

So on the EBITDA versus free cash flow ex U.S., David, I think it's due to several effects. We talked about a slightly higher cash CapEx, but we also talked about higher cash taxes, which we expect year '24. It's unclear right now because we have quite a bit of discussions, especially in Germany on accelerated depreciation and so forth, whether this holds true also for '25. So I don't have visibility into this.

And the third one is also interest renewals. We had the privilege to actually have some of the refinancing coming in with negative interest rates, they're rolling over this year. So these are the 3 elements why basically the EBITDA doesn't flow through the free cash flow.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

And don't forget, before you start, the ex-U.S. free cash flow is, of course, and the interest are also impacted by how much T-Mobile stock we buy and of course, our share buyback as well and keep that in mind when you calculate the -- or consider the interest expenses in the ex-U.S. free cash flow.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

And also bear in mind, and I think we consciously took that decision, we do not account for any kind of dividend which is coming our way in this given year. And that's USD 1.5 billion, so -- which would also basically qualify for our free cash flow ex U.S., but we didn't build it in so far or not planning to build in, sorry.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Look, with regard to the copper switch-off, I'm a big fan of it, if you ask what I'm thinking about it. And the faster the better, because from a sustainability perspective makes total sense. And running to infrastructure, I think it's obvious that this cannot be the most effective way of operating.

Nevertheless, compared to other countries, copper switch off here in Germany is clearly something more of a longer-term perspective. A copper switch off is only possible in areas where FTTH is fully available. So you have to deploy 100% of the households around the switching house or at least the street cabinet and you have to completely cover all these areas. So in some areas, it makes sense. In some areas, it's too expensive.

Now we have to learn how that is working because you have to move as well all the wholesale customers on our network into the full-fiber deployment. So as a first step here, we are working on 2 pilots in Germany. And this is taking place in coordination with the gigabit forum institutional here and the Bundesnetzagentur affecting around 700 households. We will give you an update about the learnings soon.

On energy savings, that's a big thing. And therefore, I think from a taxonomy and from a green deal perspective, totally makes sense. We have to accelerate that. Our partners have to understand it. So we have a lot of activities going on to convince our partners, but as well the Bundesnetzagentur to define the rules of this switching with us ASAP.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Great. And with that, we move on to Polo at UBS, please.

Polo Tang - *UBS Investment Bank, Research Division - MD & Head of Telecom Research*

So I have 2 on Germany. So the first one is, what gives you the confidence that you can continue to deliver a steady 3% per annum EBITDA growth? And how should you think -- or rather how should we think about the risks and opportunities? So can you comment on whether you see any risks from increasing competition in the German market? And separately, given that you're likely to see higher wage inflation for mid-2024 onwards, are there any levers that you have to offset this?

Second question is just on German TV, because your TV net adds were strong in Q4. But how should we think about the momentum in this part of the business for this year coming? So specifically, are you seeing any boost from changes to basic cable TV regulation?

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

By the way, Polo, first thing is what gives us confidence. The confidence is that 10 years of sustainable investment to the infrastructure. EUR 170 billion, big portion into Germany here into superior infrastructure. The confidence which I get from that angle is that, we are gaining market share in mobile, we're gaining market share on broadband.

On top of that, we have the new fiber infrastructure, despite the fact that the utilization is still in the low 10-ish numbers here, this is an opportunity for us to grow in this high speed, high data throughput pipes here. On top of that, we have a big program running on B2B. We have entirely restructured new management team to give new impulses into this business.

We know that we are already in benchmark better than all the other telcos when it comes to SDX and communication services. We have never had these big declines like other telcos. We were always able to compensate that with IT service in other areas. And we have high ambitions here as well. So they will help us to support that.

And then we have areas where we are not happy, where we are now fighting back, which is in the -- in some broadband elements of large oil corporates where we see even a hunting potential for us. So really gaining market share in the B2B space, large enterprises, where we haven't been so competitive in the past.

So that is what gives me confidence that you can deliver on the growth. And the most confidence always seeing -- believing what you see. And look to the last years, we have constantly improved our service revenues in Germany. And I see that not only in 1 business, I see that across all the businesses which we're having, including TV.

Yes, we had strong net adds. A new platform launched, more simplicity, new bundles included. We have more aggregation businesses there, advantages with bringing together the big streaming platforms here together, the so-called MegaStream offer, which is an interesting promotion to attract new customers, new features on the new [MagentaTV] platform. And what makes me confident is exclusive rights, which we have for the European Championship in 2024.

So we have partners. I think it's a great deal working with -- or the public TV services here and with RTL, but are all games on UHD quality on our network, and we will get some and gain some new customers on this one as well. So therefore, we are quite confident about the development of service revenues, gaining shares in the market plus an increase in our profitability in the German environment.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

And Polo, bear in mind, we're delivering 3% or better since 14 quarters. There's also kind of a trajectory that we're continuously delivering in that vicinity.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

And our guidance says this will continue in 2024. So of course, our guidance is positive, and it bakes in all the assumptions that we have made regarding all the factors that will impact our results this year and then also next year.

So the next question, we move on to Usman at Berenberg, please.

Usman Ghazi - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

I've got kind of 1.5 questions, please, if you can entertain me. Just on the EBITDA growth for the ex U.S. business, I mean, it's great. But I mean, if I look at the percentage increase, it's 2%, you've been doing kind of 3%, the top line trends have been strengthening. Energy in theory, should be less of a headwind this year.

You're taking -- I believe that the higher restructuring charge and the cash flow, '24 versus '23 relates to some higher headcount reductions in Germany and GHS this year. Just -- I mean why can't the 2% be closer to last year, 3% on the EBITDA growth? I mean is this conservative, assuming, is there something else going on?

And then just related to cash flow in the ex-U.S. business, going back to the last CMD, there was a chart showing that you expected these cash payouts for special items to go from this EUR 800 million to EUR 1 billion down to EUR 500 million by '25. I know consensus doesn't have any of that upside in the numbers yet, but I just wanted to understand if anything has changed significantly since the 2021 CMD to -- that means that the EUR 500 million could be closer to EUR 1 billion, let's say, again in '25?

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

So let me come back to the EBITDA growth. Look, you mentioned all kind of the tailwinds. And I agree with you, energy shouldn't be less of a headwind. We expect energy costs to be fairly stable. But I think what we also have to expect, that whatever kind of tariff negotiation result we're going to achieve, it's not going to be a replication of what we have achieved 2 years ago. So it's going to be -- it's not comparable by those means.

And the second one is also on the non-personnel cost, we're still fighting a lot with inflationary trends in many of the cost categories. And therefore, I think this is why we came up with that guidance of 2%.But again, in the last quarter, we delivered 3%. So the ambition is always to deliver higher, but the guidance is what it is and what we said. And -- sorry, Hannes?

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

If we talk about the ex U.S. guidance, we need to make -- to consider the pro forma adjustment, and the pro forma adjustment means we start the guidance basis is EUR 14.0 billion and we're going to EUR 14.4 billion. And on my math, that's 3%. So it's 3%, so it's actually an acceleration.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

On the restructuring, especially on the personnel restructuring, I think we will give you an update on the next Capital Markets Day, but I wouldn't expect a EUR 500 million soon, to be very clear.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

And with that, we move on to Ottavio at SocGen.

Ottavio Adorisio - *Societe Generale Cross Asset Research - Equity Analyst*

A couple of questions on my side. The first is on GD Towers and the second is on T-Mobile. The one on GD Towers, it's -- you mentioned about the impairment, mostly all driven by the WACC. Now also you carry significant capitalization leases in your books where you discount. So the decision made on the WACC for the impairment, we have also been bearing on the discount rate you use for the capitalization of the leases and any read across for the U.S., because also you get significant capitalization at least capitalized over there.

And on GD Towers also, you mentioned that was also disclosed in the release that these returns you made on free cash flow is -- was EUR 100 million last year, EUR 200 million this year, I believe, because last year was netted against taxes. But if you can basically give some color what these returns are just dividends and any sort of how the progress going forward.

The second one on T-Mobile US. It's effectively on a deadline that is really coming is the $3.6 billion spectrum sales to DISH. It's fair to say that DISH is having some problem at the moment to refinance their own debt. So I'm not sure it's got $3.6 billion in the bank to settle. So it's very likely they're not going to exercise a particular option to buy the spectrum.

If that will be the case, in the past, you said that you have 2 options, either to retain the spectrum or to sell to a different party. We're just a month away. So we're just wondering if you are -- the decision will be from T-Mobile Board, that's for sure. But from Deutsche Telekom side, you will favor a sale of that spectrum or you believe that given the growth trajectory of T-Mobile US, you probably need to use that spectrum?

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

Let me start with the second part of your question on the 800 megahertz. So I think DISH still has time until the first of April to basically exercise the option. I think we then have time until -- if I'm not mistaken, October, to conduct an auction.

So we're seeing early indication that there is, I would say, demand for this. Whether we're going to use the spectrum, yes or no, hasn't been decided because we are not in the position to take that decision right now, because we have to basically conduct 2 further steps. One is whether DISH wants to have the spectrum or whether somebody is actually willing to spend more than USD 3.6 billion for that spectrum, then we have to exercise that sale.

The second one is the capitalization of leases in the GD Towers business is set on 8 years. It's renewing. So we had an opportunity to agree that with the auditors. And there is no read across to the U.S. against that capitalization logic.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

And then we move on to James at New Street, please.

James Edmund Ratzer - *New Street Research LLP - Europe Team Head of Communications Services & Analyst*

So two questions please, on Germany. So the first one is just on your growth outlook at the top line in Germany where -- I mean, it's fair to say over the last 3 to 4 years, quite a lot of your growth has been driven by volume growth rather than pricing growth. As you suggested there in your comments, you are seeing maybe slightly less competitive churn at the moment, volume growth might be harder to come by. So to what extent pricing start to become a lever you can pull to drive growth in Germany?

And then the second question is just a bit more insight into your fiber build, please. So I think you're at 7.9 million homes passed at the moment. Can you give us a split of that between the MDUs and the SDUs? And how many of the MDUs that you've passed are actually kind of ready for service to take the product if they want to call the call centers to order it today? And to expand coverage further, do you have any plans to do any more JVs? Because it's now, I think, over 2 years since you did the deal with IFM. So I was wondering if you're interested in any more structures like that.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Yes. Thank you, James. Look, on the outlook for the top line, the first thing is we are carrying out a premium in that market. So therefore, it is not that easy for us to just increase prices in an environment where you have quite some competition like you have seen that in the mobile space here these days. Our strategy is more for more. Our strategy is always getting out of this rat race of pricing, which is taking place in nondifferentiated brands. And that is what is working pretty well.

It's well about convergence and about upselling in the base, which is working nicely. It is this idea of the families and taking, let's say, second brands into our prime brand with second and third card offerings. And this is, let's say, the way of upselling. And that's the way of ARPU.

Simple price increases, yes, we do that in some areas like in new broadband lines and the like. But the majority of the business coming from this proposition, you get a premium brand. You have better services and you get more in this service. This is, let's say, the way how we are stabilizing ARPU prospectively.

With regard to the split between MDUs and SDUs and to expand the coverage. Look, to be honest, I don't see us experimenting with more JVs at that point in time. JVs, they have all the issues with the refinancing costs and the PEs and even the big pension funds. So that is a little bit depending on their capabilities to build new partnerships here. Look, if there would be some, we would be always open to expand our coverage.

The second thing is we have an issue about capacity. We have to manage, let's say, the construction capacity in that market. It's not easy expandable. So therefore, I think we are running full stream. Even last year, we had high ambitions than what we were able to realize internal targets here.

And now the question, how much are ready for service? Look, on the last mile, most of the things are homes passed. So to be honest, I do not know exactly the split MDUs, SDUs here. Maybe give us a chance that we give you a precise number in our -- after work here.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Yes. I mean I think there is a certain level of granularity we provide and a certain level we don't provide. But we, of course, provide a lot of information already. But the main answer to you is this is a broad-based build-out. We build in the rural areas, we build in the cities. So our fiber build out is very representative. MDU share in Germany, I think, from memory is about 60% or 70%, I will need to look it up, so it would be fairly representative to this.

In any case, we have agreed 4.3 million homes or units last year with housing associations where we will provide the in-house wiring. So we are on these -- we are on these connections and it's, of course, not done overnight.

So with that, maybe we move on to Josh Mills at Exane, please.

Joshua Andrew Mills - *BNP Paribas Exane, Research Division - Research Analyst*

I had a couple of questions. The first one is on pricing, but related more to the European segment and the German segment. So when we look at the results and you mentioned earlier, Europe has performed better than expected. It looks like at least part of that is coming through from pricing rather than volume, which also is good, but probably not driving the 5% service revenue growth.

So my question on this one is, can you give us a bit more color about how your action price rises in the markets across Europe, how you go and manage that against customer churn and whether there's any interesting learnings that you can take from that and apply it to the domestic market as well?

And then the second question is going back a bit to the EBITDA growth outlook and the performance this year. So obviously, the 3% EBITDA growth in Germany has been very consistent. It does look like the central cost in GHS up a bit in Q4. So my question is, how should we think about the run rate of EBITDA headwind for GHS as we head into 2024? Is it more like [EUR 600 million], which you ended this year with? And if so, were there any additional costs, which were shifted from say, Germany or Europe into GHS over the course of the year?

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

Okay. Let me start with the first question, Josh. And the answer is country-by-country is a different answer. So for example, in Austria, you have CPI-linked pricing. So where you see that everyone is moving up, it's kind of an automatism. We have actually taken some price reductions in the Greek market, given the new competition. We have lifted our price in Hungary quite a bit to fight inflation.

So what Dominique is doing is she's basically always take on the local environment and take a -- an adequate approach on a given country. What we have seen in the European segment is that we have consistent behavior of competitors also. So if one was raising the prices, most others were raising their prices as well, which helped actually to maintain the fair share. And if you compare the net adds of the European segment versus the previous year, totally, there's not a big of a slowdown and that basically underpins that argument.

For Germany, I think one thing which we should bear in mind is we have taken a front book price increase in the German market. And we're trading currently net add share versus price increase, but that front book price increase will effectively hit the installed base as well. So there will be automatic price increases coming in the installed base, in the back book, driven by the front book, but it's coming in later rather than what other competitors after.

And on GHS. Look, on GHS, the result was actually impacted. We were more optimistic on selling real estate in the last year. But given the commercial market of real estate, I think we have received offers which are not adequate to a fair value and that obviously had an impact on the real estate generation or sales generation in the GHS segment.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Yes. Yes. So -- and Josh, you've also seen our guidance for 2024 for ex U.S. and for Germany. The idea that we are shifting costs from Germany and Europe to GHS to make them look better also, I don't think it's appropriate. And Christian has explained why GHS results were a bit worse this year.

With that, we move on to Emmet at Morgan Stanley, please -- sorry, George at Citi, sorry. Emmet, you're next after that.

Georgios Ierodiaconou - *Citigroup Inc., Research Division - Director*

The first one is on fiber and maybe in 2 parts. Firstly, we've seen in the U.K., one of the incumbents in a way, preparing to consolidate the alternate space. I'm curious with the previous discussion, you had, team, around altnets having issues in some cases with penetration with our financial plans, whether it's something you believe is possible in Germany from a regulatory perspective, something you would pursue if it became available.

And then I just wanted a clarification on Hannes' point around the rollout in the MDUs. Obviously, we've seen limited connectivity of fiber customers so far. Is the MDU market different? Is it easier to connect, cheaper to connect to mass migration of customers which you may not be able to do in other parts of Germany? Just curious if we may see a different trajectory of the homes connected versus past.

And then just one clarification on the free cash flow outlook beyond this year, just this cash returns from the Towers, whether it should continue at this EUR 0.2 billion level in the coming years or if there's going to be a change in that.

And also if you could comment a bit for me to understand around the tax situation. If you have already assumed no tax deductibility for '24 and that could be better or if -- or could get worse beyond 2024 with even fewer tax being deductible?

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Look, I think, George, to your first question, not an easy task for Deutsche Telekom because we have still a good position on both on the copper world and in the fiber world. And the bonus net, again, too, are things that we are still market dominant. That is why we are fully regulated in this setup here.

So now implicity that says, any kind of consolidation would, let's say, trigger the R&D trust offices cartel offices to block these kind of activities. Nevertheless, before somebody is going bankrupt of these guys or if somebody is getting into trouble, it might be good that somebody is operating the infrastructure. So therefore, that we are using the passive infrastructure and market that over our infrastructure. So this is clearly, yes, for everybody who is interested that we are utilizing the infrastructure in these areas. And this will help us to reduce the CapEx in these areas as well.

And the second alternative is definitely that we are trying to approach the authorities if there is a case where somebody wants to divest its infrastructure. And I would always try it because, look, I'm not penalizing anybody with this. It's always good for the citizens here in Germany. And everybody wants to use this infrastructure, has the open access to our infrastructure. So therefore, he's not losing something and it's in the interest of the citizens. But nevertheless, from an antitrust perspective, it looks difficult.

With regard to rollout in MDUs, limited connectivity of fiber customers. So far, yes, you're right. This is a little bit, let's say, the German specifics that our vectoring, super vectoring network is quite strong. Customers, we have to show them the use cases. They have to understand that this is creating value for their real estate. We have to show the need of new services coming soon on gaming, on computer collaboration tools and as well on HD or UHD TV services. So there will be, at one point in time, super high data demand coming. So therefore, they should be prepared for that.

I think our narrative should be to convince customers that they have to upgrade their services here. The interesting one, is it easier to connect in some areas? Yes, if you have an inferior data throughput in areas. And at, I would say, an inflection point, we looked academically into this one, of 7x higher speed, which is available compared to a speed of 16 megabit or around 30, then that moment, it is very easy for customers to switch over.

So therefore, I'll say it in different words, when you find inferior infrastructure and you can offer up to 7x higher speed, customers are switching immediately. So therefore, you see the elasticity of the service. And that is why we are focusing on areas where -- in the rural areas, especially where the data throughput is quite poor to convince more customers to use the new infrastructure.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

So let me start with the tax question. And what we're currently discussing in Germany is what they call the so-called (inaudible). In that (inaudible), they foresee a degressive depreciation opportunity especially for our infrastructure. And that degressive depreciation opportunity, if it gets to a close, it's currently up in the air, the discussion, we'll have roughly EUR 50 million to EUR 100 million positive impact in '25 and '26, but not in '24.

Hannes, you want to answer the Tower question?

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Yes. I mean generally, keep in mind, and this was also a question I had online. We expect growing cash tax payments in our ex U.S. business. It was EUR 1.2 billion cash taxes in 2023. And going forward, we expect this to continue growing. And we have talked to you about this already. But do not underestimate that we are not expecting much tax relief beyond what Christian has described, which is a possibility, not a fact at this point to give us providers any shield.

In terms of the Towers, if I understand the question correctly, we of course, we clarified that we expect about EUR 0.2 billion of returns from the Tower subsidiary this year, or the associate holding that we have. We own, of course, half Tower company, we always expected a shareholder return from the Tower company. This is what we told you in -- when we announced the Tower deal in July 2022, it was.

We also gave a webinar at the beginning of January last year -- end of January last year, where we explained how the Tower returns would work. We had a Tower cash return last year. We treat it as part of the free cash flow ex U.S. like we treat the BT dividend, for instance, or other dividends from subsidiaries with one exception. We have not included the dividend we get from T-Mobile.

Strictly speaking, we should, because this $1.5 billion we expect this year is actually a repayment for the investments that we have made in T-Mobile that are burdening our interest cost. So keep that in mind when you understand -- when you analyze our trajectory in our ex U.S. free cash flow because it will reflect the extent to which we own T-Mobile.

And -- but for the Towers, there's absolutely nothing surprising here. We always said we will get some returns upstream from this business. This is what's happening. There's no recap just to be clear, right? Maybe this is the confusion today. There's no recap that our company has not levered up and given us extra money. This is the regular annual return we were always going to expect and see from the Tower company, okay? I hope that clarifies it.

And with that, now we can go to Emmet, who is sharing his impressive collection of impressionist paintings with us. Thanks for that.

Emmet Bryan Kelly - *Morgan Stanley, Research Division - Head of European Telecoms Research*

Yes. I guess like Usman, I've got 1.5 questions or (inaudible), I think as you say in German. A couple of quarters ago, I asked about data centers and your exposure there. I've kind of got a follow-on the subjects, but maybe a little bit more on the cloud side. And we're clearly seeing a pretty big change in the geopolitical situation around the world.

I know that German B2B and B2C customers, they really value data security, data privacy. And with this in mind, I'm just wondering, are you beginning to see any kind of increase in demand from German corporates free of pure sovereign German cloud solution? So a product that's provided by a kind of a European company that comes rubber stamped with data security guarantees.

And as a follow-on, the half question is related to AI. Obviously, a very big day for NVIDIA yesterday. It's kind of like a follow-through from AI into cloud and into data centers as well. Are you beginning to see any kind of demand coming through from German corporates for AI services? Does some of this feed through to T-Systems? Or should we expect most of the benefits to go to hyperscalers?

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Okay. Starting with the AI question first here. The -- by the way, I will have a keynote speech on AI at the Mobile World Congress on Monday. And I will not use it for bashing the regulator, I will do that jointly with Orange, Telefonica and Vodafone on a panel. I will talk about AI and a guide for telcos to use AI.

I would say, we have today 200 cases with an AI within the company and outside the company, and we have different kind of ways of using it from taking GenAI and other services to shaping AI by prompting or even working with other telcos on own LLM services to train the LLM with our own telco-specific data so that it becomes a telco learning system. And we are as well productizing AI for our customers.

Now so there are a lot of initiatives which we have within the company. And we see both efficiency gains. We see security elements like anomaly detection areas, we see areas where we've been productized. Now I expect as well the revenues on the B2B side on this one. And both that we can resell some of AI service with us like CoPilot and others, which we anyhow do with Microsoft, but as well that we are developing our own services here.

So yes, there is an element now -- if this is moving the [EUR 115 billion] of revenues immediately, Emmet, we have to be realistic, but it helps that our B2B area stays on a growth track. And you know that we have some aspirations in this area here. So -- and I can tell you, we have entirely embraced this AI opportunity here within the company. Follow my presentation.

Data center exposures, I told you that we're investing into data centers, our own with DT Capital Partners. It is -- as well that you're right in the geopolitical situation, the demand from especially privileged services like banking services, financial services and the public, the governmental services here is high on our offers. So that is the area of B2B with -- in the cloud area of T-Systems and where we are focusing on.

Look, the issue is we are working here with Google on a partnership in Germany. There are some functionalities where we are still working on coming to the market in the first quarter. So I can go in deeper to this one. But I think maybe we show a detailed view on this one, but this is coming. But I see the demand. Now whether we are really beating the big hyperscalers, I doubt that because they're scale is much bigger. But nevertheless, we expect a significant growth, which you can then see in the T-Systems numbers already saw this year in this environment.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Excellent. And I've had 2 further e-mails from Stéphane at ODDO and from Adam at HSBC, who have had problems connecting. So on -- maybe just quickly read them out and give the answer. So first, Stéphane at ODDO, he is asking if we should expect German earnings trends -- Germany earnings trends to be stronger in the second half than in the first half -- sorry, the first half than in the second half, I got that wrong, due to various factors, including potentially salary increases, et cetera. So answer would be, we like consistency in our German EBITDA trajectory. So if we can achieve it, and we are confident, we will, then we have a steady earnings development during the year.

Secondly, can you get us on cash taxes for '24 and beyond? When will you pay more tax in the U.S.? I think we have talked about the ex U.S. tax situation already as far as the T-Mobile is concerned. They would not expect to be a significant taxpayer before 2025. And of course, we also have discussions about extending bonus depreciation in the U.S., but those have been concluded.

As for Adam, he has asked -- at HSBC, he asked whether the buy and joint venture could be extended and -- to other partners? And indeed, we have other partners or the joint venture has other partners, including Proximus, Bell Canada, Odido and [North]. He asked whether T-Mobile can be included in this partnership. And I think that's something that is being explored.

So with that, we come to the end of today's Q&A and I hand back to Tim for any closing remarks.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Look, investors here, look, I like very much the trajectory where we are. I like very much the 4% and 7%. The growth on service revenues and the EBITDA line and as well in line with, let's say, the last years and in line with what we expect for the future. I like very much that we are very well financed now with a 10% decrease on our debt side. I like very much that we were able to increase the dividend and the share buyback program within the company.

And on top of that, what I like most is the customer growth because the customer growth is the guarantee for profitability next year, is being it, let's say, 5.6 million customers in the U.S., 2 million more on the mobile side in Europe, which is very, very strong compared to our competitors. And I think I'd like to flag that.

The free cash flow, a 41% increase, another strong number this year and another growth coming with 16% free cash flow next year or this year '24, I think that's happening. So now, what are we doing here? What is the most important things until the Capital Markets Day, which is a big event? And by the way, we are already preparing that today.

First, keeping the commercial performance, in all the markets where we're operating. So this is, let's say -- and by the way, focusing very much as well on the base. So high Net Promoter Score, high TRIM, high customer satisfaction, low churns, the value sits in our 300 million customer base, and that's an area where we are focusing on.

We are very much focusing on new customers in the areas where we have built 5G and fiber. So the utilization of the infrastructure is on our highest priority this year. And the allocation of CapEx is something which is very important for us as well this year, because a lot of money is -- we can allocate and we have to do it in the right way that we are monetizing that. And the higher the utilization of fiber is, the more money we can refund then in other areas.

Customer growth is as well coming from B2B. So the B2B transformation is on high pace going on. And I would maybe consider either on the Capital Markets Day or before, maybe making a bigger deep dive on the B2B. And what we're aiming for from a product side here, Emmet mentioned cloud and he mentioned the data center business, but they are much more on SASE, on security services and other areas where I see the growth potential already coming in.

And as well the tools within the company. So the cost optimization, the AI optionalities, which we have in this company, this is something we are intensively working on. We will have, let's say, tariff negotiations with the German workforce coming in the second quarter. So a very important point to find a decent agreement with these partners, another milestone for us to deliver earnings. But you find us quite optimistic to deliver on all the capital markets targets which we have laid out on the last time. We will do everything to deliver on that one. And we are quite optimistic with regard to the outlook for '24.

Thank you very much, and see you soon.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Excellent. So with that, we come to the end of today's conference call. We'd like to thank all those who have participated in this call. And should you have further questions, you -- we kindly ask you to contact our Investor Relations department, and look forward to talking to you again soon. Thank you very much, and goodbye.
