

# Germany

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CAPITAL  
MARKETS  
DAY 2021

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# Key messages

01

## Undisputed market leader

We have delivered, despite a tough IP migration and Covid-19 headwinds. The tailwinds we have created will contribute significantly to growth going forward

02

## Accelerating infrastructure

By 2024 we will have  $\approx 10$  mn Fiber homes passed and  $\approx 97\%$  5G coverage. We are quite progressed in sourcing external funding to further enhance our build

03

## Accelerating B2C growth

Convergence and monetizing our base will drive consumer loyalty and revenue growth

04

## Accelerating B2B growth

A rapidly digitalizing economy and our unique position in it will drive B2B revenue growth

05

## Accelerating digitalization

Full stack digitalization will drive a step change in Cost efficiency

06

## Accelerating EBITDA & ROCE

We will self-fund our investments through accelerating EBITDA growth to  $+2.5\text{--}3\%$ <sup>1</sup> and Capex efficiency. ROCE will grow to significantly  $> \text{WACC}$

<sup>1</sup> CAGR 2020–2024e

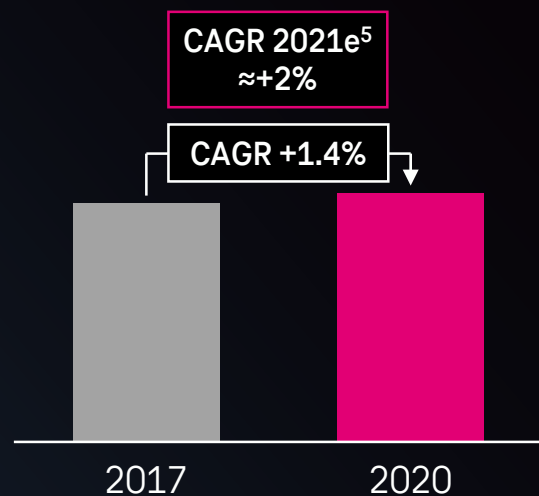
# Review 2017–2021



# We have delivered, despite IP migration and Covid-19 headwinds

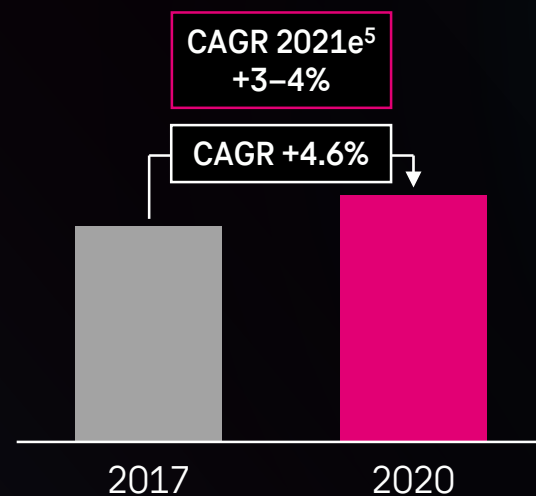
## Mobile service revenue<sup>1</sup>

€ bn



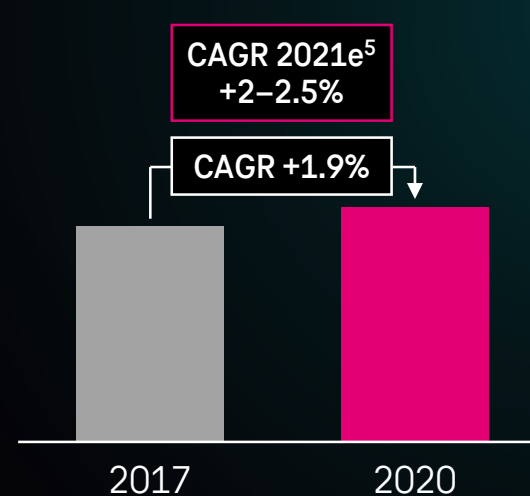
## Broadband revenue<sup>2</sup>

€ bn



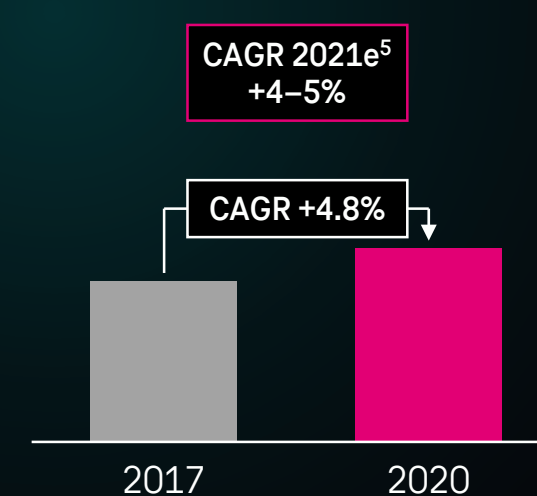
## Adj. EBITDA (AL)<sup>3</sup>

€ bn



## Cash contribution (AL)<sup>4</sup>

€ bn



<sup>1</sup> CAGR adjusted for IFRS 15 impact    <sup>2</sup> Including business IP products (e.g. DLAN, Company Connect); CAGR adjusted for IFRS 15 impact; growth 2017-2021e without definition change approx. 1pp lower  
<sup>3</sup> CAGR not adjusted for IFRS 15 impact    <sup>4</sup> Cash contribution (AL) = Adj. EBITDA (AL) - Cash Capex - Special factors (Cash)    <sup>5</sup> Ambition level 2017-2021e

# IP migration headwinds are becoming tailwinds



2017 • from headwind • 2020 • to tailwind • tomorrow

## PROOF POINTS



> 60%  
Line losses  
reduced



> 30%  
Amount of installations  
decreased



-0.5%  
Revenue drag  
disappears

Note: comparison of yearly average 2017–2019 vs. 2020



GROUP STRATEGY

GERMANY

EUROPE

T-MOBILE US

TECHNOLOGY & INNOVATION

SYSTEMS SOLUTIONS

GROUP DEVELOPMENT

FINANCE



# Our track record on operational execution has been strong

Undisputed  
market leader  
in Germany

# #1



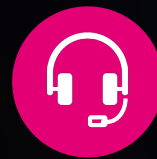
**Record high**  
First contact  
resolution rate  
+22pp



**Accelerated**  
Time2market  
-15 months



**Record high**  
customer  
satisfaction  
+7 pts in TRI\*M



**Significantly reduced**  
Complaints  
-66%



**Increased**  
IT stability  
almost doubled



**Record low**  
Churn  
in fixed and  
mobile

## Winner of all relevant tests in service, network & brand



Note: Number referring to development 2017–2020



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# CMD 2018 commitments: We delivered!

	Ambition level 2017–2021e	Achievements 2020 <sup>6</sup>	2017–2021e
<b>Lead in customer experience</b>	<ul style="list-style-type: none"> <li>#1 in Mobile service revenue: CAGR ≈+2%<sup>1</sup></li> <li>#1 Broadband revenue: CAGR +3–4%<sup>2</sup></li> <li>MagentaEINS share of Broadband households: ≈30%</li> </ul>	<ul style="list-style-type: none"> <li>+1.4% (+2.2% excl. Covid-19)</li> <li>+4.6%</li> <li>≈26%</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>
<b>Lead in business productivity</b>	<ul style="list-style-type: none"> <li>B2B revenue growth by +€500 mn</li> </ul>	<ul style="list-style-type: none"> <li>+€110 mn (+€350 mn excl. Covid-19)</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>
<b>Lead in technology</b>	<ul style="list-style-type: none"> <li>Ramping up to 2 mn households p.a.</li> </ul>	<ul style="list-style-type: none"> <li>ca. 1.2 mn households in 2021e</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>
<b>Value transformation</b>	<ul style="list-style-type: none"> <li>Reduction of adj. indirect cost (AL)<sup>3</sup> by €1 bn</li> </ul>	<ul style="list-style-type: none"> <li>€1 bn (2021e)</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>
<b>Financials</b>	<ul style="list-style-type: none"> <li>Revenue growth: CAGR &gt; 1%<sup>4</sup></li> <li>Adj. EBITDA (AL) growth: CAGR +2–2.5%<sup>4</sup></li> <li>Cash contribution (AL)<sup>5</sup> growth: CAGR +4–5%</li> </ul>	<ul style="list-style-type: none"> <li>0.0% (+0.4% excl. Covid-19)</li> <li>+1.9%</li> <li>+4.8%</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>

<sup>1</sup> CAGR adjusted for IFRS 15 impact    <sup>2</sup> Including business IP products (e.g. DLAN, Company Connect); CAGR adjusted for IFRS 15 impact; growth 2017–2021e without definition change approx. 1pp lower

<sup>3</sup> Germany incl. GHS, 2017–2021e    <sup>4</sup> CAGR not adjusted for IFRS 15 impact    <sup>5</sup> Cash contribution (AL) = Adj. EBITDA (AL) – Cash Capex – Special factors (Cash)

<sup>6</sup> Actual results 2017–2020, or respectively actuals 2020



# Strategy 2021–2024



# Our growth levers



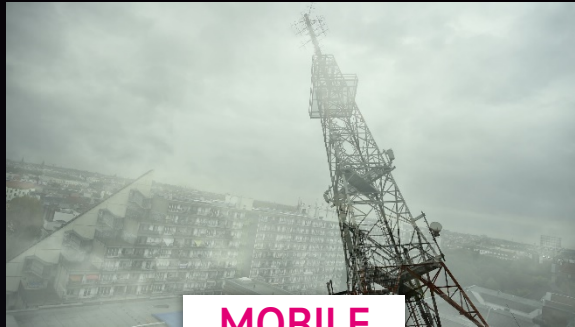
## FROM

<b>01 Networks</b>	Leadership in FTTC and 4G
<b>02 B2C</b>	Product leadership
<b>03 B2B</b>	Market leading one-stop-shop
<b>04 Digitalization</b>	Digital initiatives
<b>05 People, society &amp; environment</b>	Good corporate citizen
<b>06 Outcome</b>	18 quarters of EBITDA growth

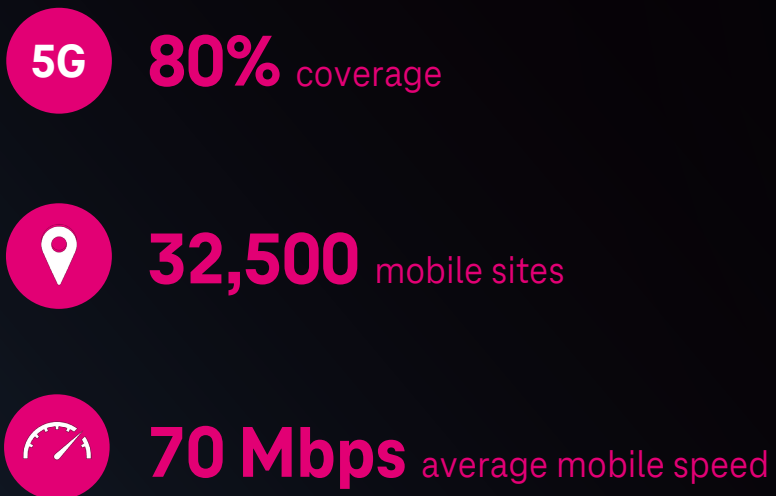
## TO

Leadership in gigabit networks with FTTH and 5G
Loyalty driven growth
Software-driven digitalization
Scale digitalization along the entire value chain
ESG as differentiator
Accelerating EBITDA and ROCE growth

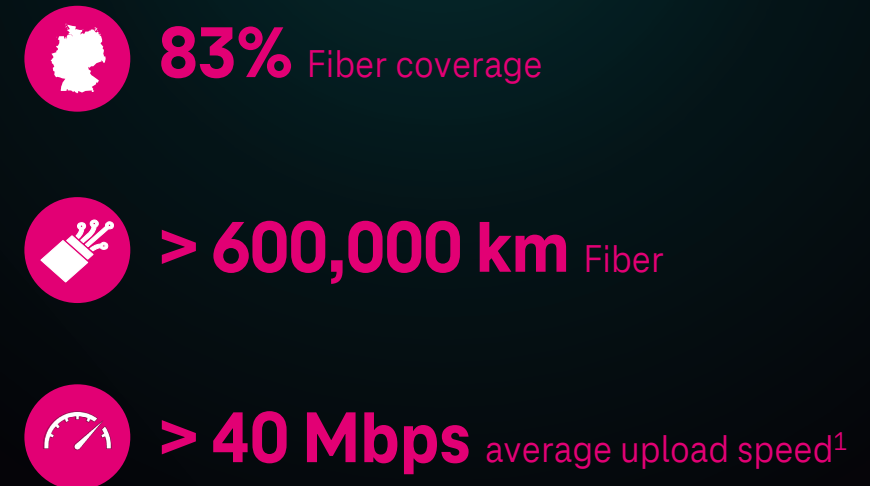
# We are undisputed network leaders



MOBILE



FIXED

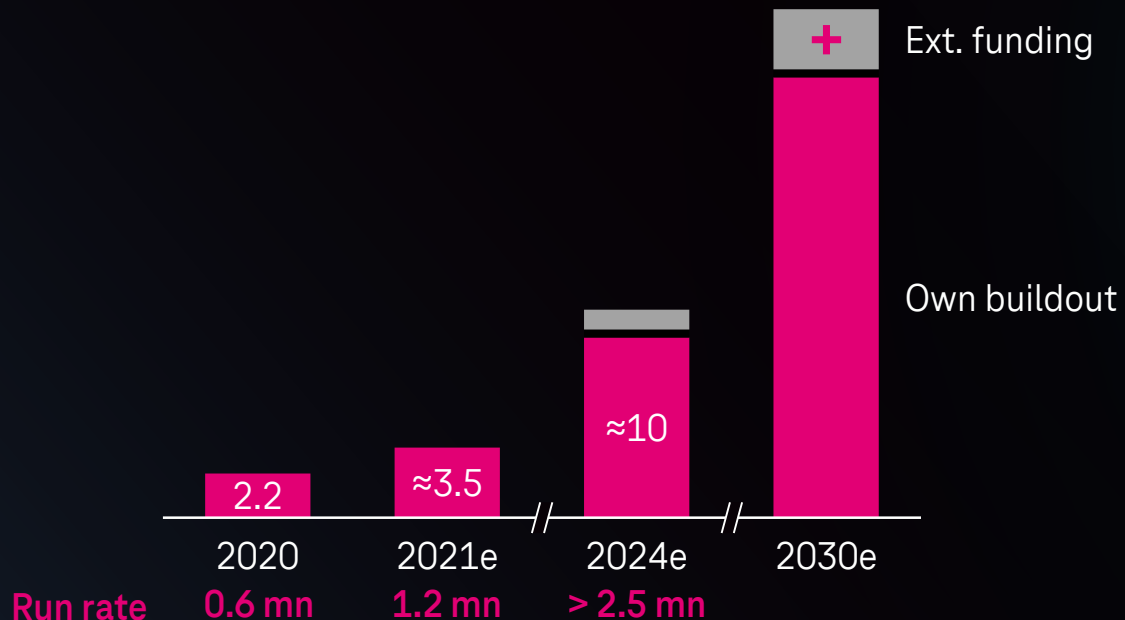


Note: Figures per Q1/2021 <sup>1</sup> With Supervectoring

# We will build a future-proof Fiber network for Germany

## Our FTTH rollout in Germany

Homes passed, mn



**Germany covered with FTTH by 2030**

## OUR STRATEGY

### Build speed consistent with pace of demand growth

- Vectoring outperforming competition
- Focus on areas of greatest bandwidth needs
- Clear DT leadership in “terminal” year

### Execution leadership

- Regional structure with 13,000 employees
- Building at a pace of > 2.5 mn households p.a.

### Flexibility and agility

- Self-funded rollout
- External funding in addition
- Restrict “cherrypicking”



# We are de-averaging our build to keep pace with demand

## Focus on attractive municipalities

- Public support, market share, build costs
- Target housing associations
- Benefit from abolishment of rental cost privilege

≈55%<sup>1</sup>

e.g. Berlin, Düsseldorf, Hamburg

## Choose best approach

- Collaborations with local partners
- Wholebuy
- Overbuild

≈15%<sup>1</sup>

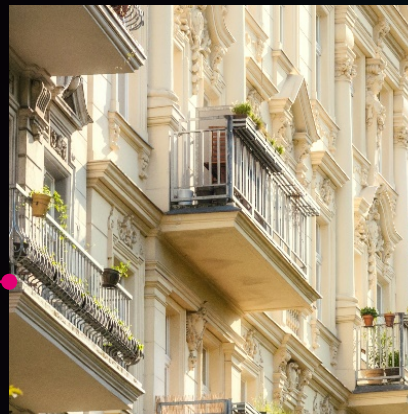
e.g. collaboration Glasfaser Nordwest

DT Fiber footprint

Yes



No



Yes

No

## Progressively build out

- Counteract cherry-picking
- Leverage subsidies (from 2023ff)

≈20%<sup>1</sup>

e.g. Bad Salzungen, Freiberg, Ilmenau

## Participate in subsidized deployments

- Participation in 80% of subsidy tenders

≈10%<sup>1</sup>

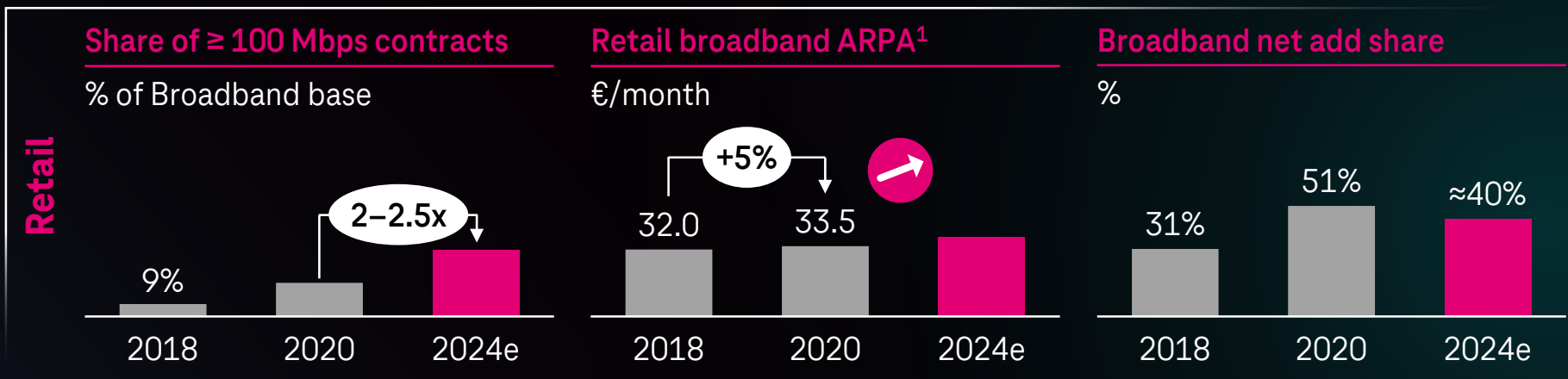
e.g. Oschatz, Grimmen, Wolfschlugen

Third party infrastructure (Coax, FTTH, FTTC)

<sup>1</sup> Share of households in Germany

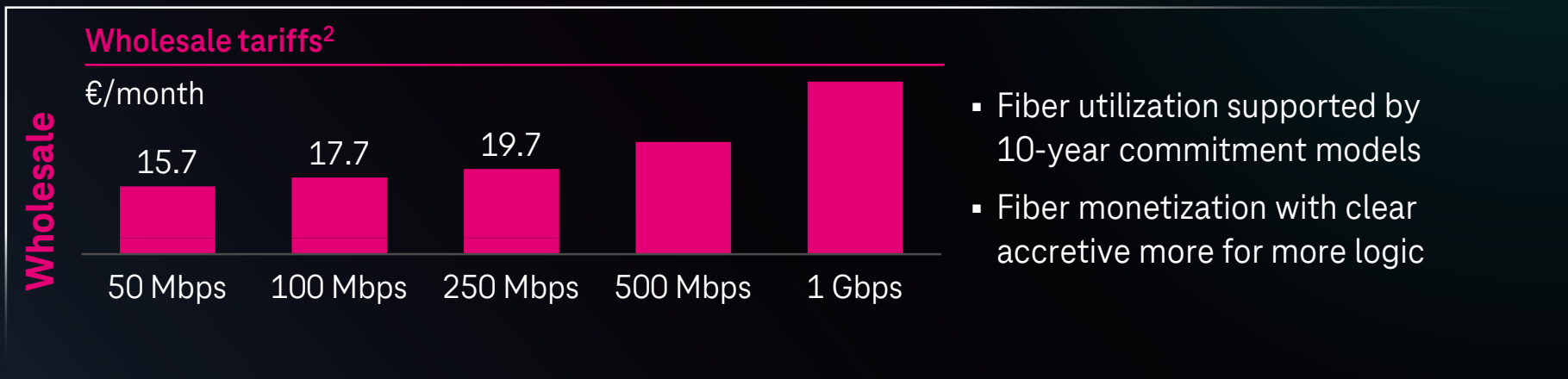


# Leveraging our retail and wholesale customer base will drive ARPA and Fiber utilization



## AMBITION 2024e

Broadband revenue: CAGR > 4%



Wholesale access revenue: stable

<sup>1</sup> B2C only, 2018 and 2020 Q4 figures    <sup>2</sup> Calculatory fees for Layer2 bitstream access incl. upfront investment (as calculated by the BNetzA)

# We are systematically driving Capex efficiency

## Improving our rollout efficiency



### Scale advantage

- “Fiber Factory” with 13,000 employees for large-scale rollout
- Faster rollout with standardized processes



### Digitalization of planning process

- Digital planning tools
- Leverage of VR technology (e.g. “T-Cars”)



### Long term vendor relationships

- Long-term relationships with large vendors
- Turnkey models to leverage external partners



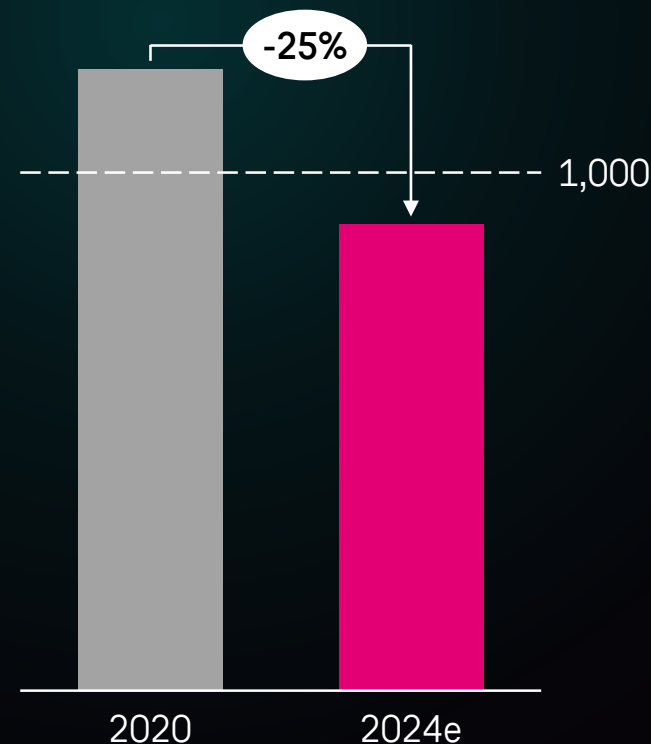
### Improved local rollout conditions

- New rollout techniques (e.g. micro-trenching, digital approval processes) and approaches (e.g. poles, reduced depth)
- Highest buildout costs in Europe due to building restrictions

## AMBITION 2024e

### FTTH unit cost

€/home passed



# We will accelerate our 5G leadership



## Best coverage & speed

- Most spectrum deployed & most dense mobile network
- Lead in 3.6 GHz buildout
- > 75% Fiber backhaul & superior active equipment



## Efficient deployment

- Shut down 3G & prepare frequencies for 5G refarming
- Leverage big data and geo-spatial analytics for optimized network densification
- Add small cells into deployment mix



## Monetize infrastructure

- Defend fair market share
- Upselling base to 5G/Magenta brand & remain committed to more-for-more
- Grow in IoT/Campus networks: potential of low triple digit millions by 2024e



## AMBITION 2024e

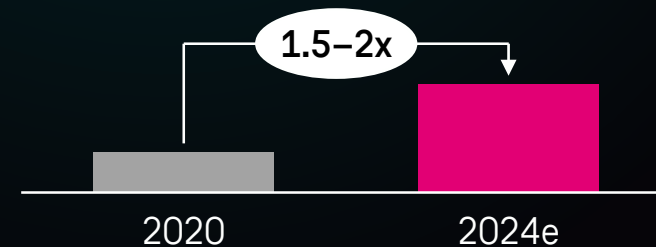
### Average mobile speed

Mbps



### B2C share of L/XL customers

%





# We have been leading in product, brand and service experience



## OUR PROOF POINTS

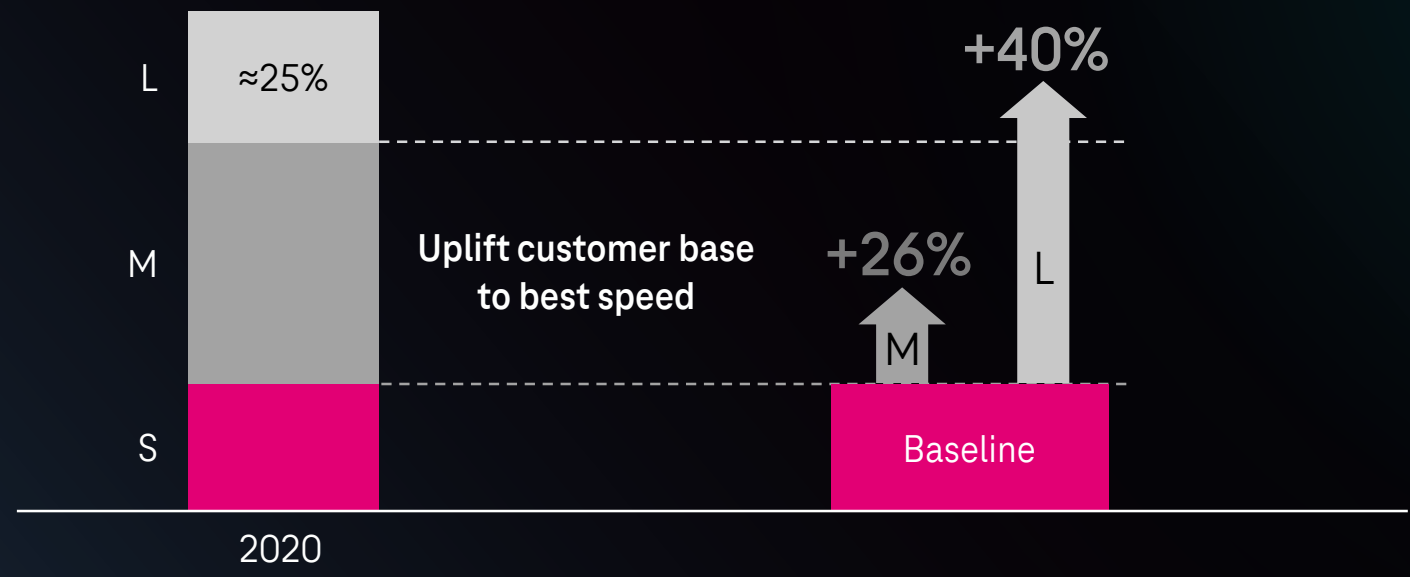
- ✓ **Undisputed market leadership**  
Multibrand-strategy > 26 mn Mobile customers;  
> 11.6 mn Broadband customers; > 3.7 mn TV customers
- ✓ **FMC leadership**  
Integrated customers > 5 mn MagentaEINS
- ✓ **Best customer experience**  
All time high in TRI\*M and increased on-time delivery by 4pp  
(2017–2020)
- ✓ **Accelerated self-service and automation**  
30% shifted calls to digital, app usage of 56%
- ✓ **Brand achievement**  
89% of our customers acknowledge the high quality of our services

# Upgrading our existing customers to the best product is at the heart of loyalty driven growth

## Our strategy

Broadband customer share

Customer satisfaction  
Average increase in TRI\*M

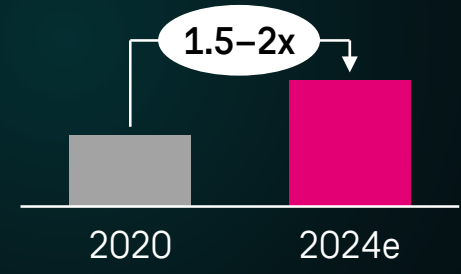


## AMBITION 2024e

### Upsell Mobile customers



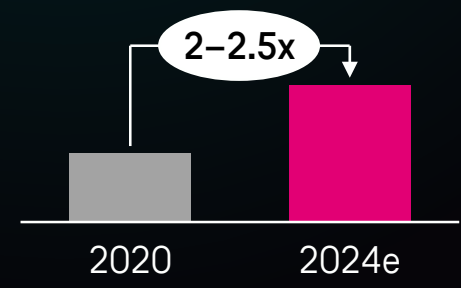
Share of customers in L/XL tariffs



### Upsell Broadband customers



Share of customers with ≥ 100 Mbps

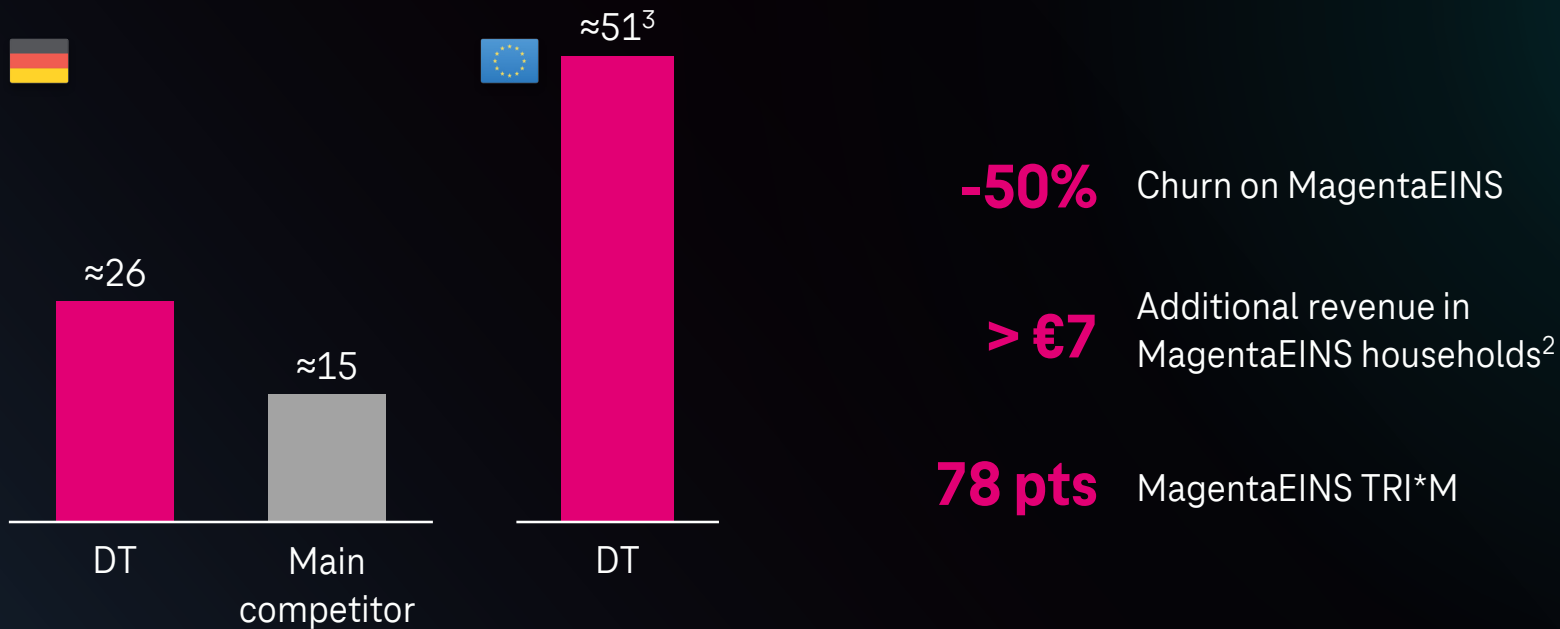




# Accelerating MagentaEINS will scale loyalty driven growth and improve market structure

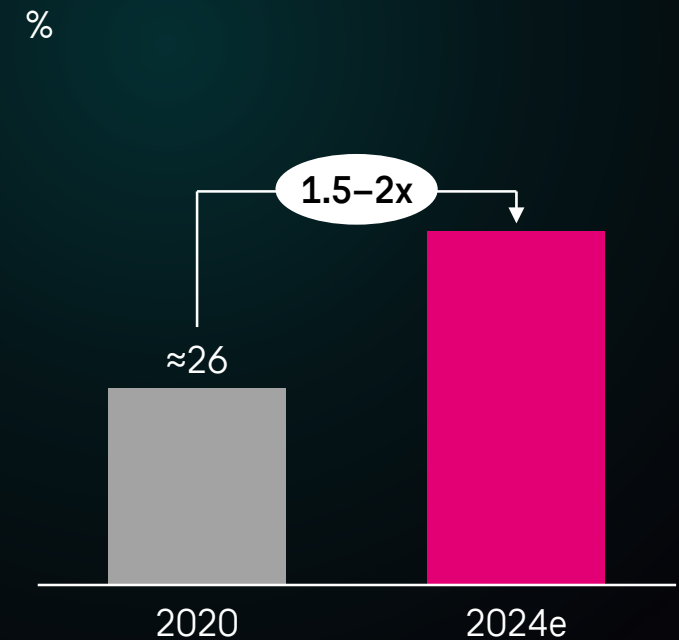
## Our strategy

Percentage of Broadband households with FMC bundles, %<sup>1</sup>



## AMBITION 2024e

Percentage of Broadband households with FMC bundles



<sup>1</sup> Status 2020    <sup>2</sup> Compared to non-convergent households    <sup>3</sup> End of 2020 in AT, CZ, GR, HR, HU, ME, MK, PL, SK

# Our converged household experience will be hard to replicate



Seamlessly connected and easily managed products

## Integrated experience



The best TV experience and content in one place

## Best TV product



Best-in-class network and the fastest WIFI in all corners

## Best network



# Our market leadership in business is based on strong pillars

Trusted partner for connectivity and digitalization

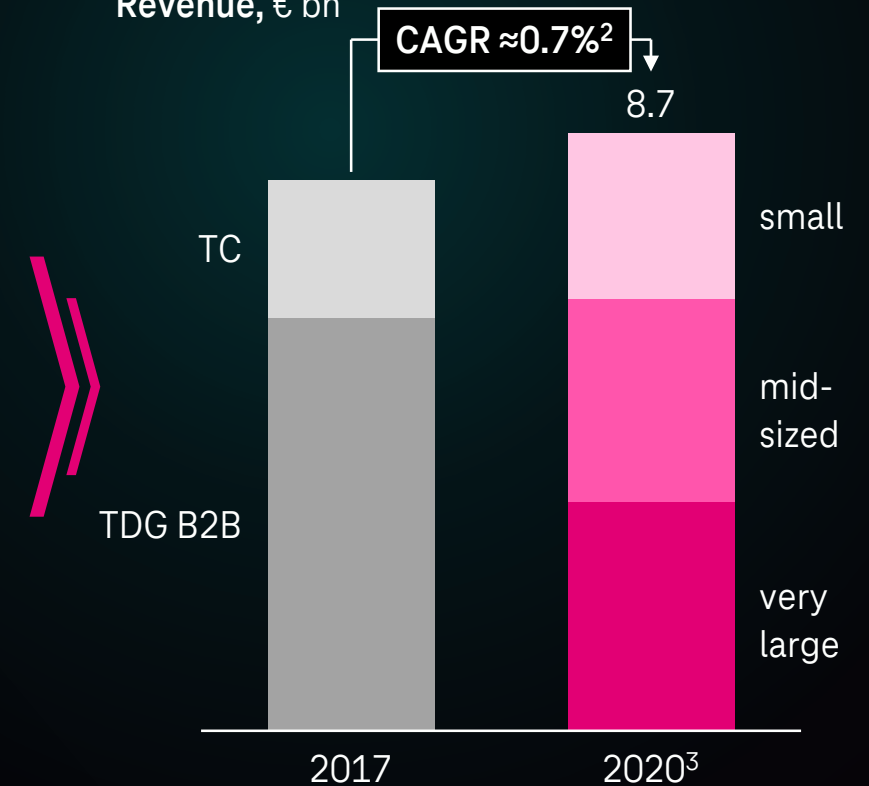
## Strong track record

<b>Market leadership</b> 	<b>Best services</b> 	<b>Strong partners</b> 	<b>Customer satisfaction (TRI*M) B2B</b> <b>77 pts<sup>1</sup></b>
<b>IT/cloud growth</b> 	<b>Mobile M4M</b> 	<b>Hosted PBx</b> 	<b>IT revenue growth</b> <b>+13%</b> 2017–2020

## Strong headwinds

<b>Managing TC integration</b>	<b>Leveraging IP migration</b>	<b>Covid-19 impact in roaming</b>	<b>Revenue impact due to Covid-19</b> <b>€240 mn</b>
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Revenue, € bn



<sup>1</sup> Incl. TC integration    <sup>2</sup> Ex 2020 Covid-19 impact of approx. €0.2 bn would have been CAGR ≈ 1.6%    <sup>3</sup> As reported; before IoT GmbH integration

# Customer example for ecosystem



# We are very well positioned to benefit from the digitalization of the economy and our customers

## GROWTH DRIVERS

Acceleration of digitalization in SME/public & adoption of digital products  
e.g. IoT, Campus networks and SDx

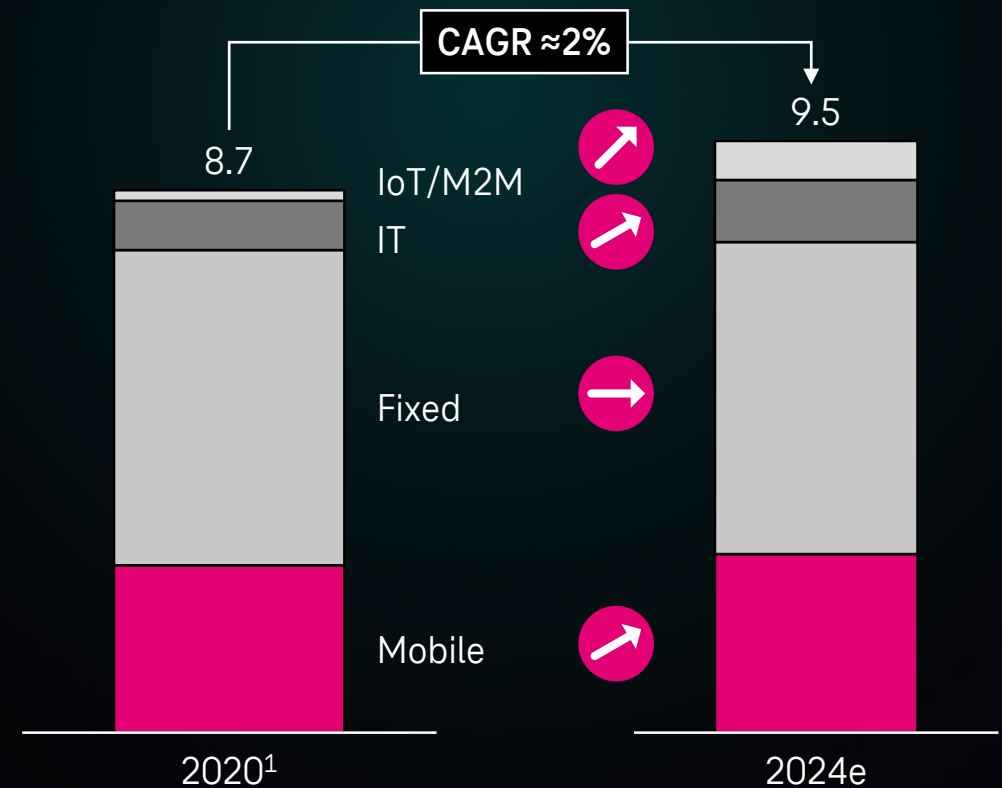
Headwinds of IP migration become tailwinds; roaming recovery

Go to market benefits of TC integration



TDG B2B revenue

€ bn



<sup>1</sup> Organic; after IoT GmbH integration



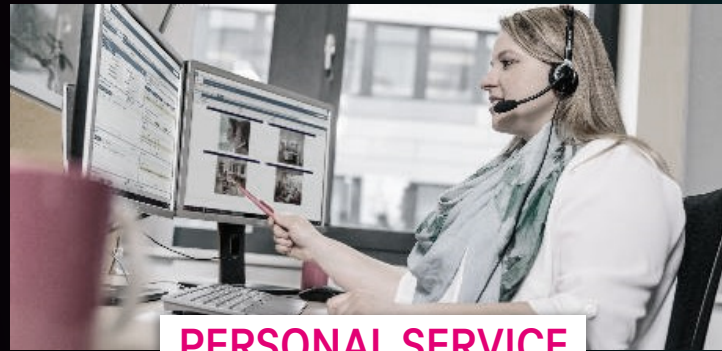
# We will combine the best of digitalization and human expertise

## AMBITION 2024e



**DIGITAL SERVICE**

Boost digitalization for all frontline agents with **MagentaView** by 2022



**PERSONAL SERVICE**

Push **omni-channel** & up-skill all **frontline people for sales and service** by 2022

**60%**

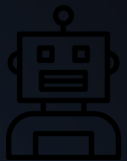
First contact resolution (+8pp vs. 2020)

**> €200 mn**

Savings through automated transactions

**69 pts**

Customer satisfaction (TRI\*M) TDG



Leading bot farm in the European telco industry

**> 3,000 Bots**



Integrated sales & service to serve our customers out of one hand

# We are digitalizing the full stack

## AMBITION 2024e

Digital-first customer experience & service ops

B2C, B2B & B2B2C customer journeys

### Remote provisioning

Remote check and support in the deployment of complex solutions by our experts



**+17pp**

Share of chat interactions

Telco as a platform: scalable software integration layer

Product & service orchestration

Network orchestration

Security

Unified data & analytics engine

### Predictive maintenance

360-degree view of the entire home network, devices and setup, as well as predictive optimizations and customer support



**≥ 55%**

First time right/fault repair

Assets and capabilities via microservices

### Cloud-based workloads

Fully automated network services in cloudified production (TV, Voice, Data)



**67%**

Cloudified workload

Network production: disaggregation & automation

Fixed access

Mobile access

### Value based network rollout

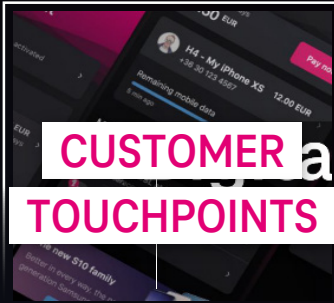
Data-based and automatized rollout decisions enable efficiency



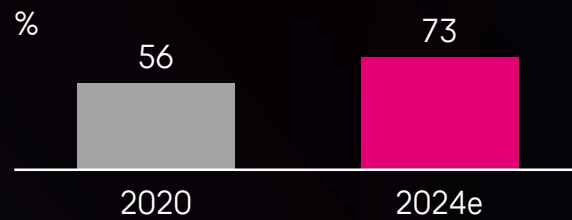
**-75%**

Faster structural planning/hours

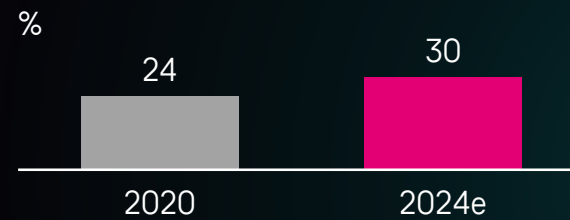
# Full stack digitalization leads to significant benefits



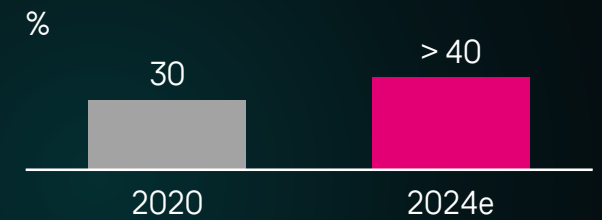
## App penetration



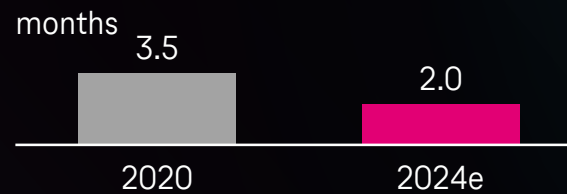
## E-sales share



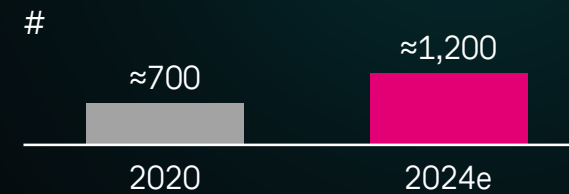
## Share of calls shifted to digital



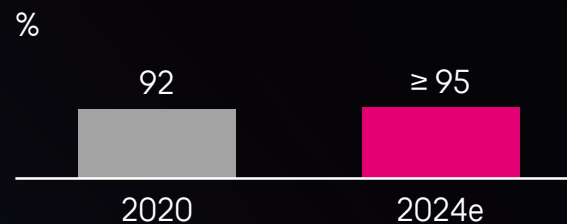
## IT time-to-market



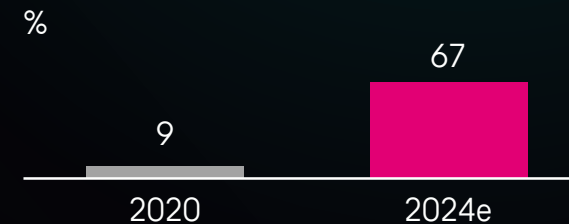
## Releases/month



## First-time right in provisioning



## Cloudified workloads



# Digitalization is at the heart of driving significant cost reductions

Substantially cost reduction by digitalization and restructuring

## AMBITION 2024e

**€0.7 bn** Indirect cost savings<sup>1</sup>



**FULL STACK  
DIGITALIZATION**

New Age-IT, standardized  
and de-coupled  
IT-architecture



**NEW WAYS OF  
WORKING**

Agile delivery and  
reskilling leading to  
leaner organization



**FUTURE OF  
REAL ESTATE**

Optimization of real  
estate



Take out redundancies  
in overhead functions

**50%**

Reduction of office spaces  
by 300k square meters

<sup>1</sup> Germany incl. GHS, 2020–2024e



# We are proud of being a responsible employer and part of society



## OUR PROOF POINTS

- ✓ **We build networks that are inclusive**  
We have connected > 36 mn households with Fiber and kept field service connected to our customers (“keep Germany connected”)
- ✓ **We stand up and offer specials during Covid-19**  
Workplace solutions for SME, content offers for families
- ✓ **We help society when there is need**  
Provided devices for schools, hospitals and nursing homes
- ✓ **We care for our employees**  
We enabled new and flexible working conditions



# We will raise the bar on ESG

Our strategic levers address all aspects of people's lives



DIGITAL

@SCHOOL

Boost digitalization for **schools** with Fiber connectivity, home schooling offers & young data tariffs



REGIONAL

APPROACH

**Network build** focused on maximum participation & inclusion



ENVIRONMENT

100% use of **renewable electricity** since 2020 and sustainable devices and IoT offer

## AMBITION 2024e

≈7,000 Connected schools with FTTH & digital education



Increase in energy efficiency



Continue to drive employee satisfaction

# We have a clear path to accelerate EBITDA growth

**2017–2020**

**CAGR +1.9%**

- **Mobile and fixed growth** by product and network leadership
  - Strong market position drives B2B
  - Discipline in management of indirect costs
- 
- Drag from **IP migration**: cost & revenue impact on consumer and business
  - **Line losses in single play**

**2020–2024e**

**CAGR +2.5–3%**

- **B2C growth** driven by focusing on an increasingly converged and loyal base
- **B2B growth** driven by a digitalizing economy
- **Indirect cost reduction** driven by digitalization
- Tailwind from **completed IP migration**

Note: EBITDA = Adj. EBITDA AL

# EBITDA growth and disciplined asset management will ensure ROCE growth > WACC

## Sustainable NOPAT growth

### Revenue Growth $\geq 1\%$ <sup>1</sup>

- Growing demand for broadband
- Digitalization of businesses
- Tailwinds from IP migration

### IDC savings $\approx \text{€}0.7 \text{ bn}^2$

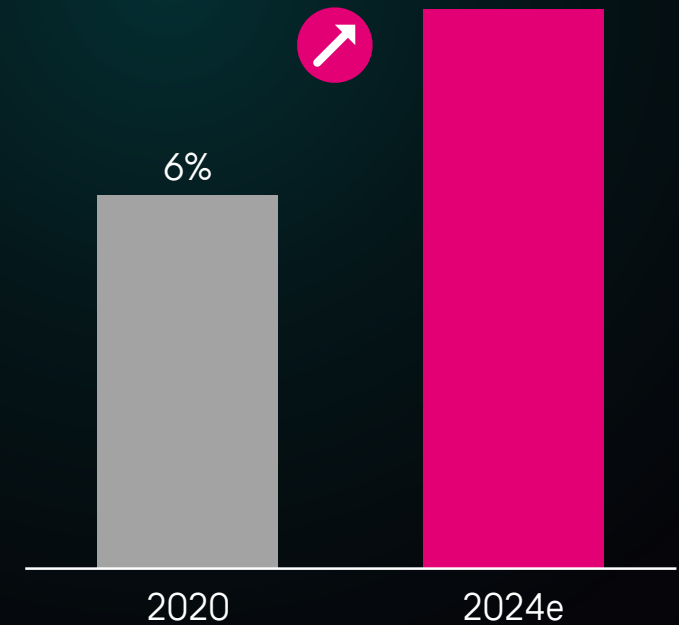
- Efficiencies driven by digitalization
- Changing the way we work
- Overhead reduction

## Disciplined asset management

- Retirement of legacy systems
- Mobile network sharing
- 3G retirement
- Capex efficiencies
- Fiber joint ventures

## AMBITION 2024e

### ROCE<sup>2</sup>



Note: EBITDA = Adj. EBITDA AL <sup>1</sup> CAGR 2020–2024e <sup>2</sup> Germany incl. GHS, 2020–2024e

# Midterm ambition level





# Midterm ambition level

	Midterm ambition level	Year
<b>Service revenue</b>	<ul style="list-style-type: none"> <li>▪ Mobile service revenue: CAGR +1–2%<sup>1</sup></li> <li>▪ Broadband revenue: CAGR &gt; 4%</li> <li>▪ Wholesale access revenue: stable</li> <li>▪ Total service revenue: CAGR ≥ 1%</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2020–2024e</li> <li>▪ 2020–2024e</li> <li>▪ 2020–2024e</li> <li>▪ 2020–2024e</li> </ul>
<b>Drivers</b>	<ul style="list-style-type: none"> <li>▪ FTTH homes passed: ≈10 mn</li> <li>▪ 5G coverage: ≈97%</li> <li>▪ Adj. indirect costs AL<sup>2</sup>: Reduction by €0.7 bn</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2024e</li> <li>▪ 2024e</li> <li>▪ 2020–2024e</li> </ul>
<b>Financials</b>	<ul style="list-style-type: none"> <li>▪ Revenue: CAGR ≥ 1%</li> <li>▪ Adj. EBITDA AL: CAGR +2.5–3%</li> <li>▪ Cash Capex: ≈€0.5 bn higher</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2020–2024e</li> <li>▪ 2020–2024e</li> <li>▪ 2020–2024e</li> </ul>

<sup>1</sup> Incl. MTR regulatory effects    <sup>2</sup> Germany incl. GHS

# How we turn customers into fans

