

# Systems Solutions

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CAPITAL  
MARKETS  
DAY 2021

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# Key messages

01

## T-Systems' transformation is progressing

2018 transformation program has shown progress with EBITDA acceleration in 2019. Clean-up of portfolio resulted in T-Systems as a focused IT services company

02

## Covid-19 with severe impact on business in 2020

Covid-19 crisis impacted T-Systems' core client base, as a result delayed our transformation. Nonetheless, we have managed the crisis above industry average

03

## Strategy: Leading European IT service provider

Going forward we have a clear strategy. We focus on DACH and selected countries, leading with secure cloud and digital solutions and stronger industry orientation

04

## Accelerate profitability and competitiveness

Transformation program re-energized end of 2020, opportunity for value creation is clear going forward

05

## Financial outlook

We are confident growing adj. EBITDA AL by > 5% CAGR 2020–2024e and generate positive Cash contribution in the planning period

# Review 2017–2021



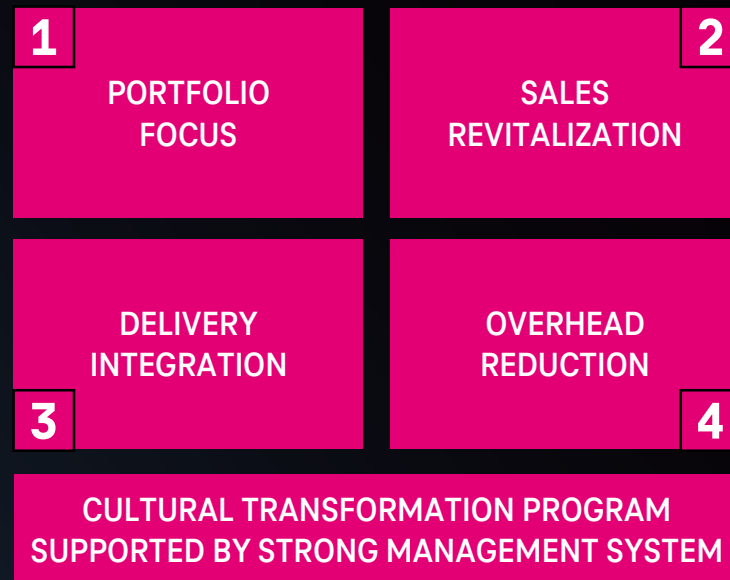
# T-Systems' transformation path



# T-Systems' 2017–2020 transformation recap



## Execution of 4-pillars, addressing fundamental business challenges



- 1**
  - Portfolio-oriented business model (Portfolio P&L steering)
  - Strategic portfolio decisions: Exit of End-User-Services, Malaysia and South Africa. New mainframe structure, transfer of connectivity business to Telekom Deutschland
  - Focused T-Systems' portfolio on cloud and digital services

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- 2**
  - Integrated go-to-market
  - New positioning in the market launched with strong traction
  - Modernized and digitized sales (Salesforce)

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- 3**
  - Clear delivery strategy to scale and drive efficiency (with ServiceNow)
  - 4 strategic delivery centers, build-up of > 2,000 FTE in India
  - On-shore to nearshore/off-shore ratio shift from 20% to 30%

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- 4**
  - Removal of 4 layers of management and 45% executives
  - Overhead (40% finance and 30% HR) reductions
  - ≈1,600 FTE net reduction in Germany (> 10%)
  - Agile organizational structure (1,500 to 500 org units)
  - Overall > €0.3 bn net (10%) indirect cost reductions executed (t/o 60% in Germany)

# Cost transformation



Net indirect costs going down by > €0.3 bn

Net savings 2017–2020, € bn



Thereof cost savings in Germany: 60%

**Integrated sales**

Efficiency gain through new sales collaboration model and modernized tools (10% of total savings)

**Delivery integration**

Efficiency gain through shoring and automation driving standardization and tooling (40% of total savings)

**Overhead reduction**

Efficiency gain through removal of management layers and executives, streamlined x-functions and increased mobile working (50% of total savings)

**Headcount reduction**

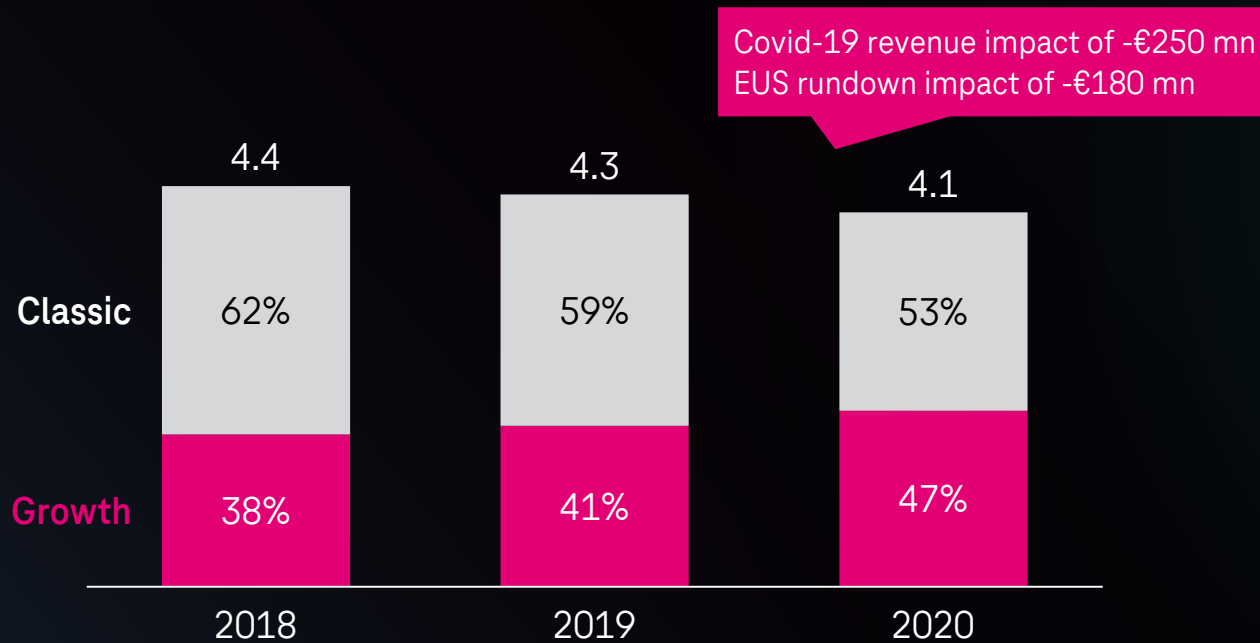
≈1,600 FTE net reduction in Germany (> 10%)  
≈4% headcount reduction globally

<sup>1</sup> 2017–2021

# Revenue performance and shift



Revenue shift 2017–2020 into growth areas visible. However, growth burdened by Covid-19



**Classic**  
**(-9%<sup>2</sup>)**

**Growth**  
**(+4%<sup>2</sup>)**

- Managed infrastructure services & private cloud: -8% (-4% w/o End-user-services (EUS))
- Public cloud: +32%
- Security: +15%
- Digital solutions: -2% (Covid-19)
- SAP: -5% (Covid-19)
- Road charging: -2% (Regulation/Covid-19)



Actual performance -2%<sup>1</sup> (-1% w/o End-user services (EUS)):

<sup>1</sup> CAGR 2017–2020    <sup>2</sup> CAGR 2018–2020





# CMD 2018 commitments: Cost reduction delivered, revenue off track

|   | Ambition 2017-2021e   | Achievements 2020 <sup>5</sup>      | 2017-2021e   |
|---|---|-------------------------------------|--|
| <b>Financial performance indicators</b>   | ▪ Revenue growth <sup>1</sup> ≈1%                           | ▪ -2%                               |               |
|   | ▪ Adj. EBITDA (AL) growth <sup>1</sup> ≈5%                  | ▪ 0%                                |  <sup>6</sup> |
|   | ▪ Capex <sup>2</sup> stable                                 | ▪ Decrease                          |               |
|   | ▪ Special factors <sup>2</sup> stable                       | ▪ Stable                            |               |
|   | ▪ Cash contribution (AL) <sup>3</sup> break even 2020       | ▪ Achieved in 2020 before carve out |               |
|   | ▪ Adj. indirect cost (AL) reduction <sup>2</sup> of €0.1 bn | ▪ €0.3 bn                           |               |
| <b>Further key performance indicators</b> | ▪ Adj. EBITDA (AL) margin <sup>4</sup> 8-10%                | ▪ 6%                                |              |
|   | ▪ TRI*M <sup>4</sup> > 80 pts                               | ▪ 89 pts                            |             |

<sup>1</sup> CAGR 2017-2021   <sup>2</sup> 2017-2021   <sup>3</sup> Cash contribution (AL) = Adj. EBITDA (AL) – Cash Capex – Special factors (Cash)   <sup>4</sup> In 2021   <sup>5</sup> Actual results 2017-2020, or respectively actuals 2020

<sup>6</sup> Normalized for COVID-19 and portfolio adjustments

# Strategy 2021–2024



# T-Systems is a focused IT services player with global delivery capabilities



- ADVISORY
- CLOUD & INFRASTRUCTURE
- DIGITAL SERVICES
- SECURITY

**#1**  
IT Service provider in Germany

**#2**  
IT Service provider in DACH

**DAX30**  
Provider

**8**  
Security operation centers (SOCs) globally

**~581**  
**Petabytes**  
Storage

**16**  
Data centers

**~90,000**  
Servers

**20**  
Countries

**28,098**  
Employees (FTE)



# T-Systems is at the center of market IT growth opportunities



|   |   |  |
|---|---|--|
| Market observations  | Geopolitical dynamics  | T-Systems' right to play  |
|---|---|--|

Technology relevance in business is clear and increasing

Flexible, adaptable and scalable technology driving cloud growth

Covid-19 crisis accelerating digitalization

Security, data privacy are critical foundations


European IT services to grow at 4–5%


10% of digitalization potential captured so far in Germany


European, sovereign sentiment is growing as an alternative to hyperscalers


Data protectionism driving new regulations

Economic stimulus packages accelerate Covid-19 recovery

 **#1 German IT player with strong European footprint (#2 in DACH)**

 **Proven market leader in cloud & infrastructure, SAP, digital and security**

 **Industry expertise and leadership, esp. in automotive, public sector and health**

 **Long standing, trusted client relationships – with TRI\*M of 89 in 2020 and brand personality rating of 79**

Sources: BofA February 2021, Global CIO Survey // PAC Mkt Rankings 2020, GBM-MCM – Marketing Communications Strategy & Media | IBT | December 2020: (#1 in DACH for automotive and public sector, become a top-3 player in Europe for public transport – #2 for public transport and #3 in selected German healthcare payors and EU sovereign health cloud)



# Video



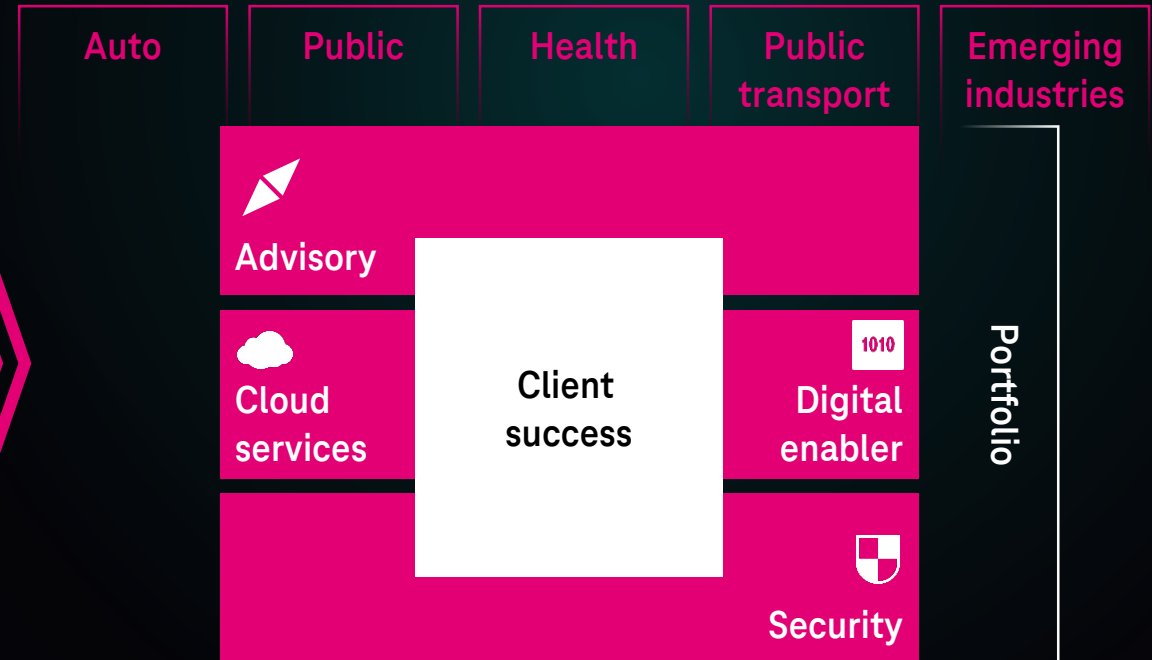
**#peoplemakeithappen**  
Voices of our customers

# Leading European vertical full-service player

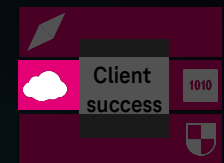


We will focus on select industries with vertical solution while providing compelling portfolio relevant to many industries

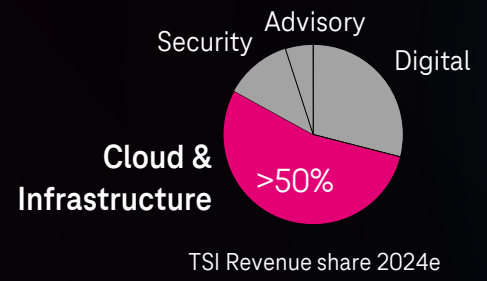
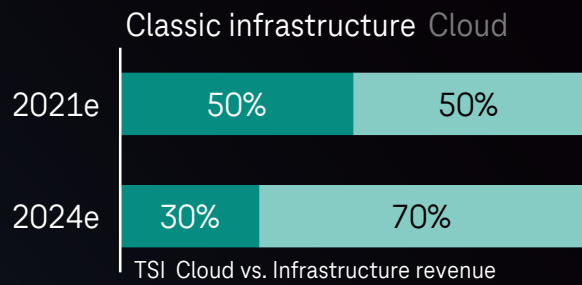
- #1 IT Service provider in DACH, plus selected countries as core markets with ability to deliver globally
- Lead in 3–5 industries with focused vertical offerings – along with compelling horizontal portfolio for all industries
- Expand into €1 bn–€5 bn revenue customer segment while growing existing client base
- Strong “local” partner on eye-level for our clients on their digital transformation journey
- Sovereignty and security at the core of our proposition



# 1. Integrated cloud services



## Dynamics How we execute



### Cloud Application Services

- Enterprise application services
- Developer services
- PaaS services
- Collaboration solutions

### Cloud Migration Services

### Cloud Platform Services

|                   |     |               |     |            |                         |            |   |        |
|-------------------|-----|---------------|-----|------------|-------------------------|------------|---|--------|
| AWS   Azure   GCP | OTC | Sov. Cloud    | FCI | Main-frame | FCI on-prem             | OTC hybrid | AWS Outpost, Azure Stack, Google Anthos | EdgAir |
|                   |     |               |     |            |                         |            |   |        |
| Public cloud      |     | Private cloud |     |            | On premise/ Edge/campus |            |   |        |

Public cloud is the focus of our clients and a fast-growing market

Hybrid multi-cloud is and will be dominant, with sovereignty being a major trend

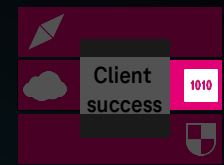
TSI leading in industry specific cloud solutions (Automotive-Cloud, Health-Cloud, sovereign cloud)

Proven public cloud transformation with clients like Deutsche Telekom, Heineken, DPDHL, Shell, SBB

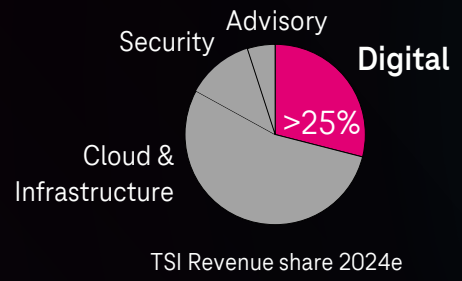
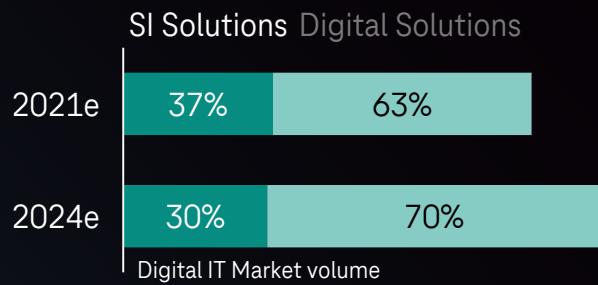
**Growth projection public cloud > 10% CAGR until 2024e**  
**Growth projection classic infrastructure services > -5%**



# 2. Digital enabler



## Dynamics How we execute



Digitalization will continue to be a top priority across all industries. Fragmented and attractive market

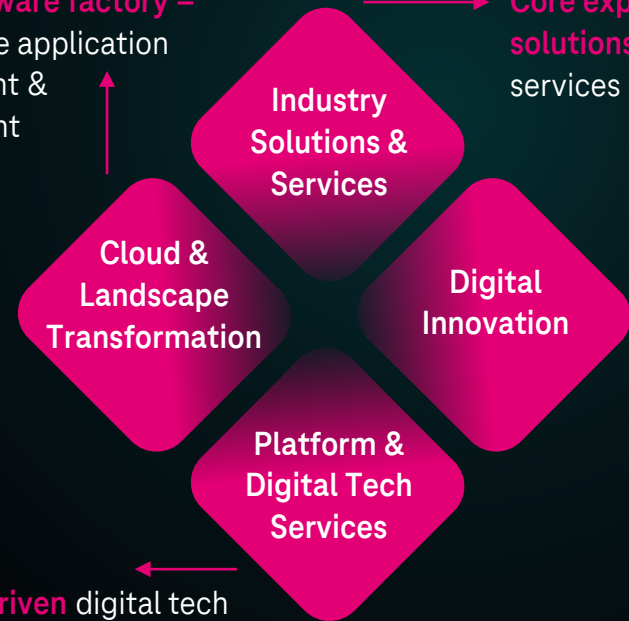
**T-Systems' 7,000+ experts in key technologies and digitalization skills**

**Proven client digitalization projects:**

- Corona-Warn-App
- Data analytics for European Central Bank
- Vaccination digitalization across EU
- Global Connected-Car-Platform

**Global software factory –**  
Cloud native application development & management

**Core expertise in industry solutions,** processes & services in our verticals



**Global strength in digital innovation** with expertise and assets in AI, Data, IoT, Blockchain, Digital Twin, XR and others

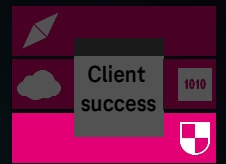
**Standard-driven** digital tech services on leading cloud platforms, e.g., Data Intelligence Hub, sovereign/federated cloud strategy & 5G campus edge

**Growth projection digital 2% CAGR until 2024e**

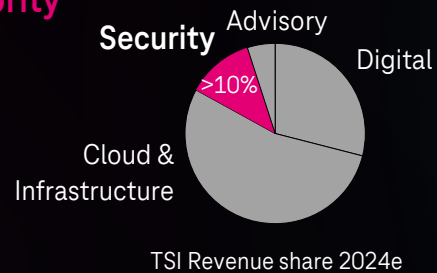
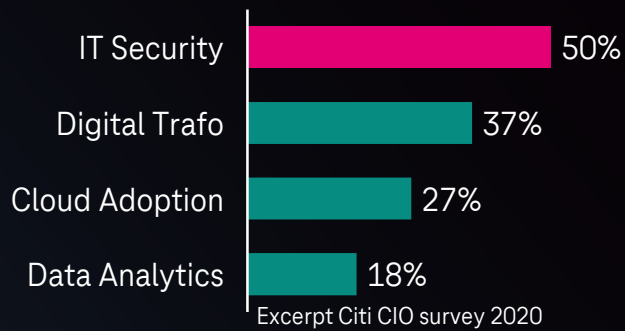




# 3. Embedded security



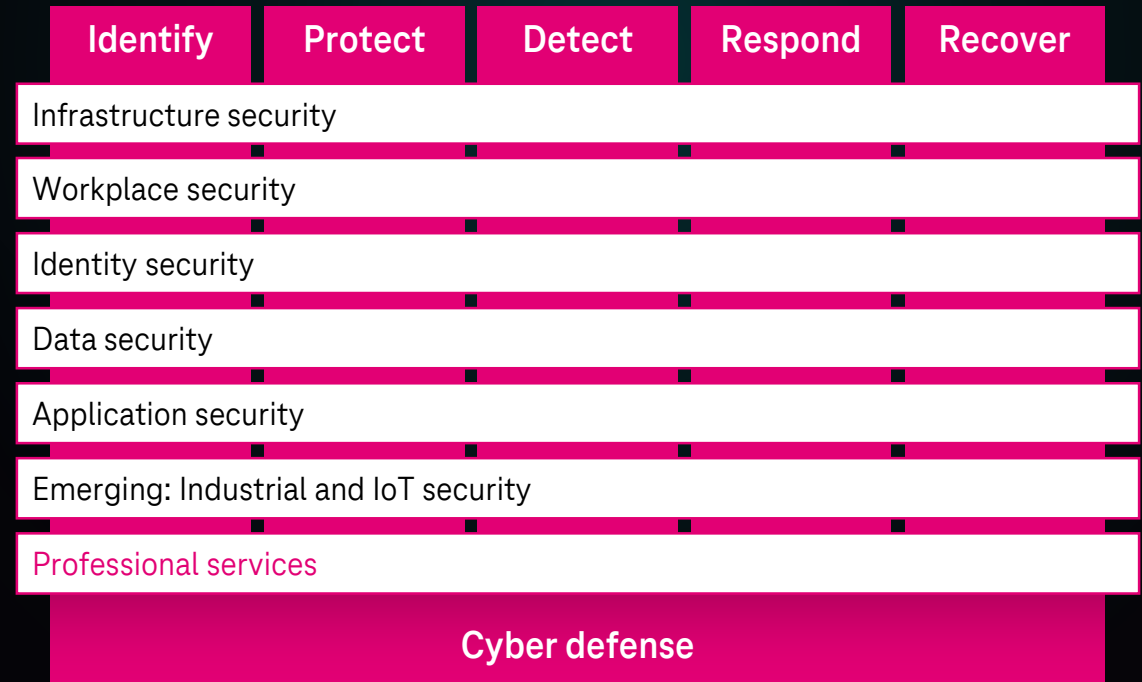
## Security remains top CIO investment priority



Security is the backbone for digitalization with unique approach embedding security into offerings

New security solutions for AI-based technologies, machine learning, automation

T-Systems with 8 strategically located Security Operating Centers with over 2000 experts

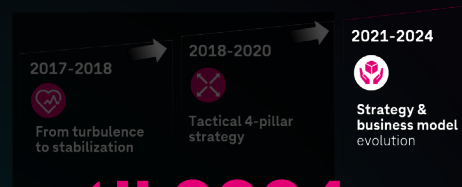


**Growth projection security > 6% CAGR until 2024e**



# Accelerating our transformation into profitability.

## 5 levers to realize next step in gross savings potentials until 2024e



### 01 Delivery model



- Shoring quota from 30% to 35%
- Automation degree +16pp, operational excellence

### 02 Business process standardization



- Portfolio, delivery & IT standardization
- Rundown of 15/46 tools by end of 2024e

### 03 Lean overhead/sales costs



- Reduce Sellex
- Further reduce G&A costs and executives

### 04 We.work.new



- Leverage new ways of working:  
Reduce real estate in Germany by 50%

### 05 PU-specific topics



- Specific cost measures, e.g., platform & data center consolidation


**€0.2 bn**  
net savings<sup>1</sup>


<sup>1</sup> 2020–2024e


# Our Strategy

## Our Vision

Most reliable IT service provider with best technology and industry expertise


 Data sovereignty


 Innovation with an open partner ecosystem


 Secure operational excellence

## Our Mission

We enable organizations to reach full potential through digitalization

Learning & relentless improvements 

#peoplemakeithappen  
Agility and T-Mindset 

Sustainability & diversity 



Leading in DACH

Differentiated industry solutions

Compelling horizontal solutions for all industries

# Midterm ambition level



# Midterm ambition level

|                                   | Midterm ambition level | Year         |
|-----------------------------------|------------------------|--------------|
| Revenue CAGR                      | ▪ slight growth        | ▪ 2020–2024e |
| Adj. EBITDA AL CAGR               | ▪ > 5%                 | ▪ 2020–2024e |
| Adj. EBITDA AL margin             | ▪ 9%                   | ▪ 2024e      |
| Adj. indirect cost AL reduction   | ▪ €0.2 bn              | ▪ 2020–2024e |
| Cash Capex                        | ▪ stable               | ▪ 2020–2024e |
| Cash contribution AL <sup>1</sup> | ▪ Break-even           | ▪ 2023e      |

<sup>1</sup> Cash contribution AL = Adj. EBITDA AL – Cash Capex – Special factors (Cash)