

# Group Development

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CAPITAL  
MARKETS  
DAY 2021

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# Key messages

01

## Superior portfolio

Leading EU Telco plus best US MNO  
boosted by massive synergies

04

## Long-term perspective

US took 10 years, TMNL 5 years, said  
“no” to several tower deals below 20x

02

## Successful portfolio management

Track Record: Strato, Scout, TMUS, TMNL, Towers,  
FMC<sup>1</sup>

05

## Strategic optionality

Strategic review: Towers/TMNL,  
additional tower Carve-outs (CZ/SK)

03

## No dogma

Focus on what drives value: TMUS, divest-to-invest,  
FMC<sup>1</sup> deals

<sup>1</sup> Fixed-Mobile Convergence

# Review 2017–2021



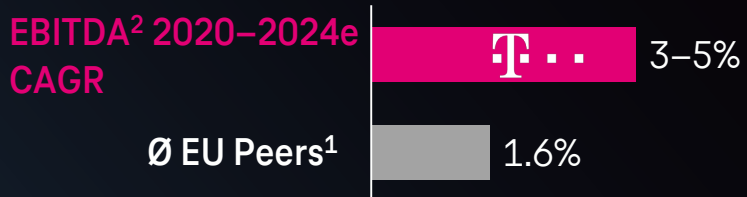
# DT – We are different: We grow, create value and have strategic optionality

## Long-term value creator

DT has outperformed in the past...



...and will continue to outperform in the future



## Our approach



Unique portfolio approach:  
Divest to invest/turnarounds/  
optionality



Keep freedom to act:  
Transact/wait/shift capital  
between assets



Strong principles,  
but no dogma

## What's next?



We are #2, aim at #1...  
DT has lots of options

- Control
- Return of cash



Created one of the best MNOs  
in Europe

- Overachieve synergies
- **Strategic review**



1<sup>st</sup> to carve out towers, but...  
right to wait: Kingmaker asset

- Carve-out of further tower assets
- **Full transaction flexibility**

Source: Broker estimates (Capital IQ), TSR is Total Shareholder Return as of May 14<sup>th</sup>, 2021

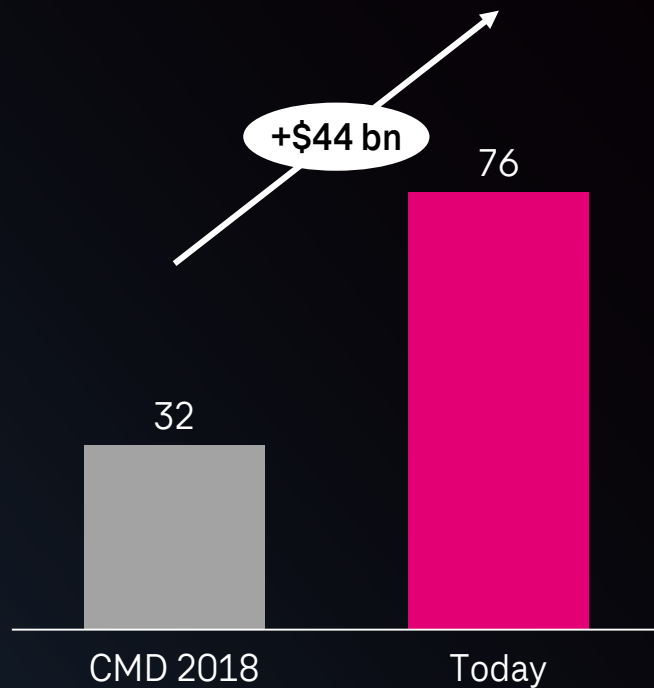
<sup>1</sup> Consensus Capital IQ, May 14<sup>th</sup>, 2021; EU peers include BT, Orange, Telefonica, TIM, KPN, Swisscom, Telia, Telekom Austria <sup>2</sup> Adj. EBITDA AL



# Group Development – Significant value created since last CMD

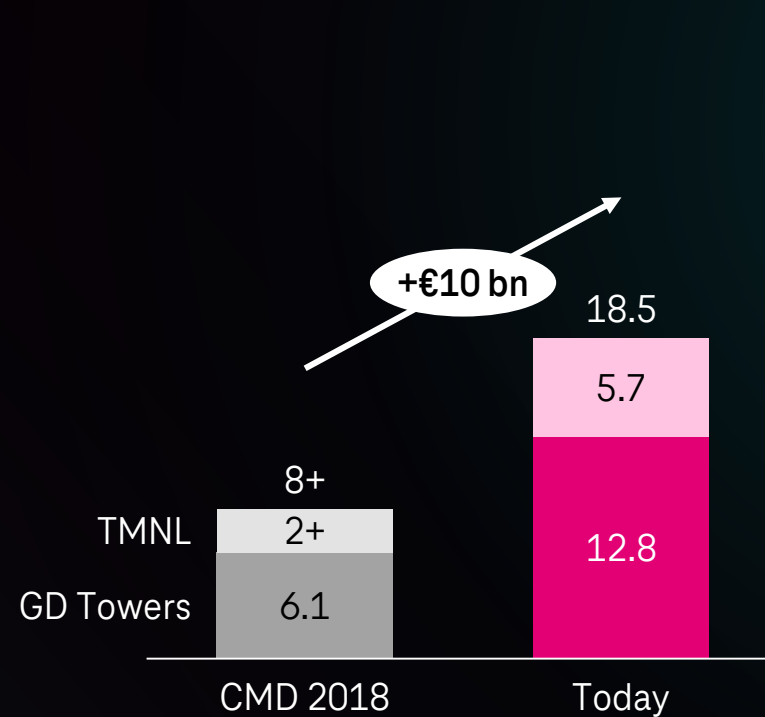
## TMUS: Monumental deal

DT stake in TMUS market cap<sup>1</sup>, \$ bn

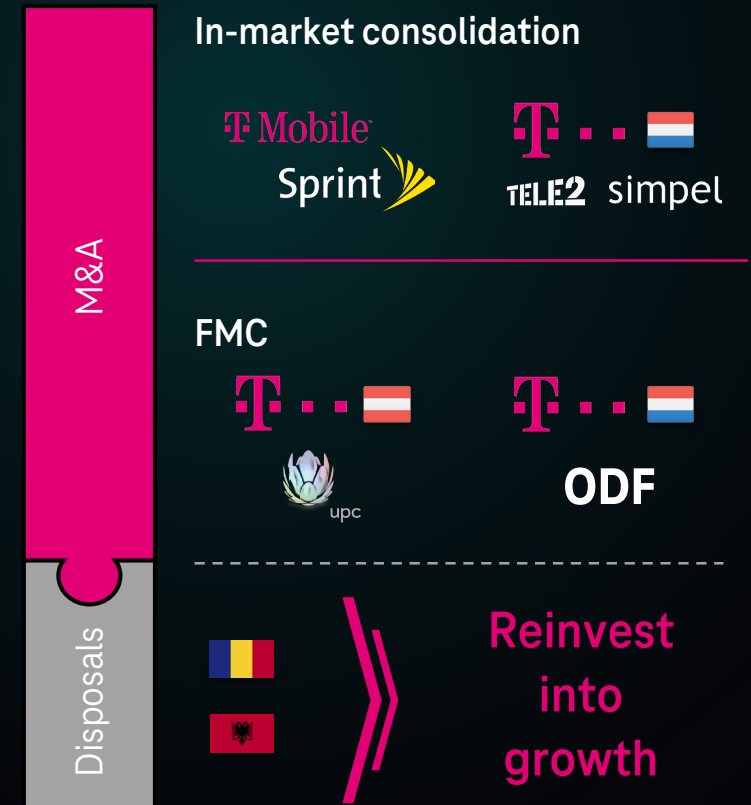


## Active management of dedicated DT assets

SOTP value of GD assets<sup>2</sup>, € bn



## Value accretive portfolio management



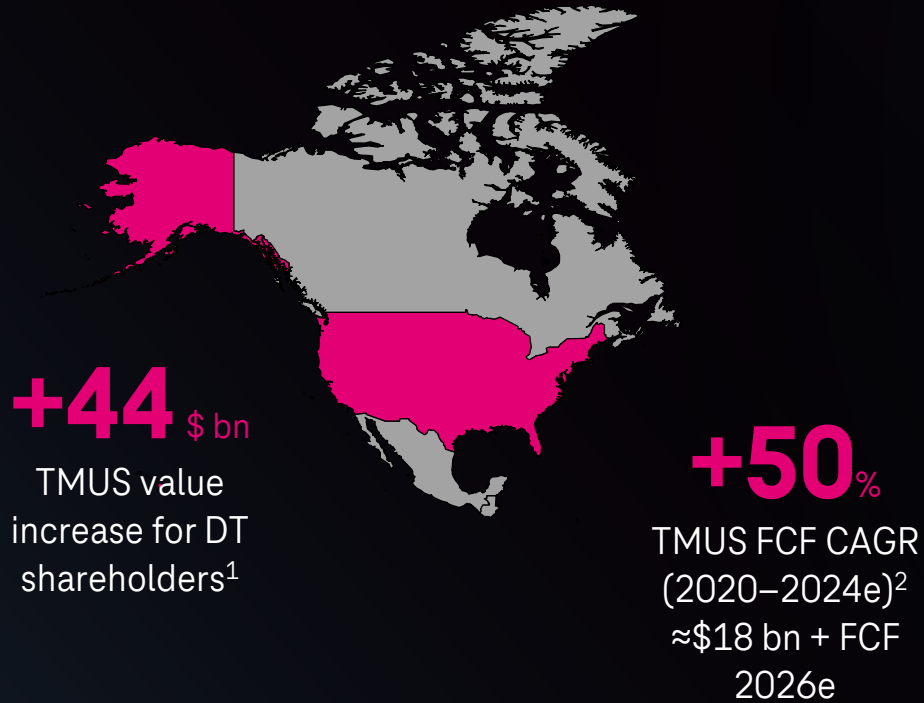
<sup>1</sup> Source: Capital IQ, "Today" = May 14<sup>th</sup>, 2021 <sup>2</sup> SOTP (sum-of-the-parts) based on broker consensus 100% EV adj. for Simpel acquisition price and NL/AT Towers



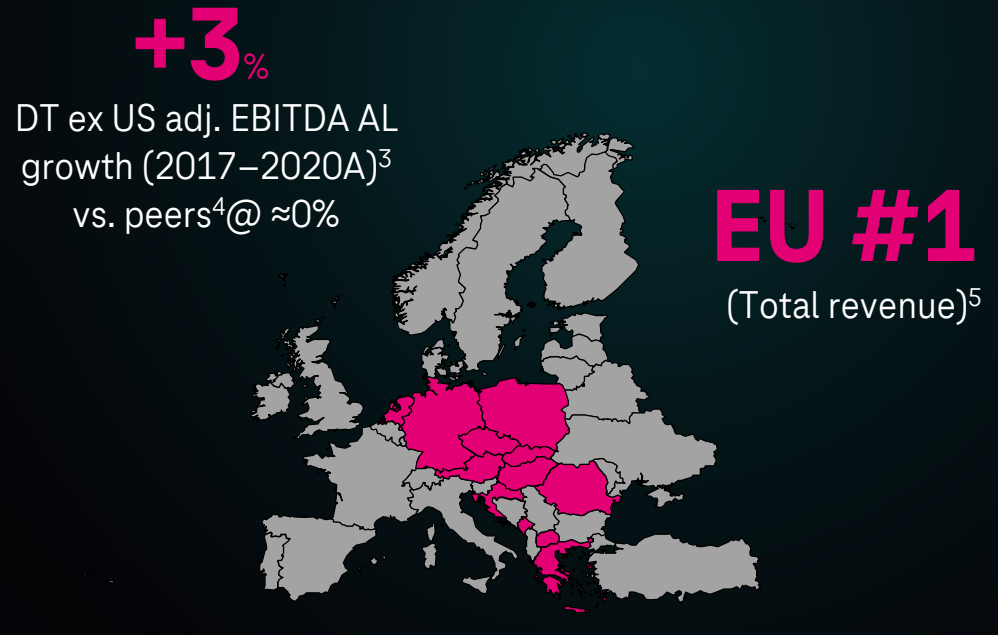
# DT has built one of the best portfolios in the telco industry



## Massive value creation



## Best European telco portfolio








<sup>1</sup> Change in value of DT stake in TMUS' market cap since CMD 2018 <sup>2</sup> TMUS consensus, February 2021; 2026 Guidance per TMUS Analyst Day 2021 <sup>3</sup> Adj. EBITDA AL (CAGR, organic)

<sup>4</sup> European peers include BT, Orange (ex. Africa), Telefonica (ex LatAm), TIM (domestic), KPN, Swisscom, Telia, Telekom Austria; organic growth <sup>5</sup> Revenue leader in 10/12 European markets, based on company reportings



# CMD 2018 commitments: Ambition mostly delivered

	Ambition 2017–2021e	Achievements 2020 <sup>1</sup>	2017–2021e <sup>1</sup>
Revenue <sup>2</sup> CAGR	+3%	+2%	
Adj. EBITDA (AL) CAGR	+3–4%	+6%	
Cash Capex CAGR <sup>3</sup> – moderate growth	+17%	+7%	
Cash contribution (AL) <sup>4</sup> CAGR	-4%	+6%	
Expand portfolio: Macro cells	+9k	+5k	

<sup>1</sup> On a like-for-like basis; Actual results 2017–2020, or respectively actuals 2020 <sup>2</sup> Revenue adjusted for regulation, IFRS 15 and handset subsidy regulation <sup>3</sup> w/o Spectrum

<sup>4</sup> Cash contribution (AL) = Adj. EBITDA (AL) – Cash Capex – Special factors (Cash); incl. TDG rollout



# Deep Dives



**TMUS**



**TMNL**

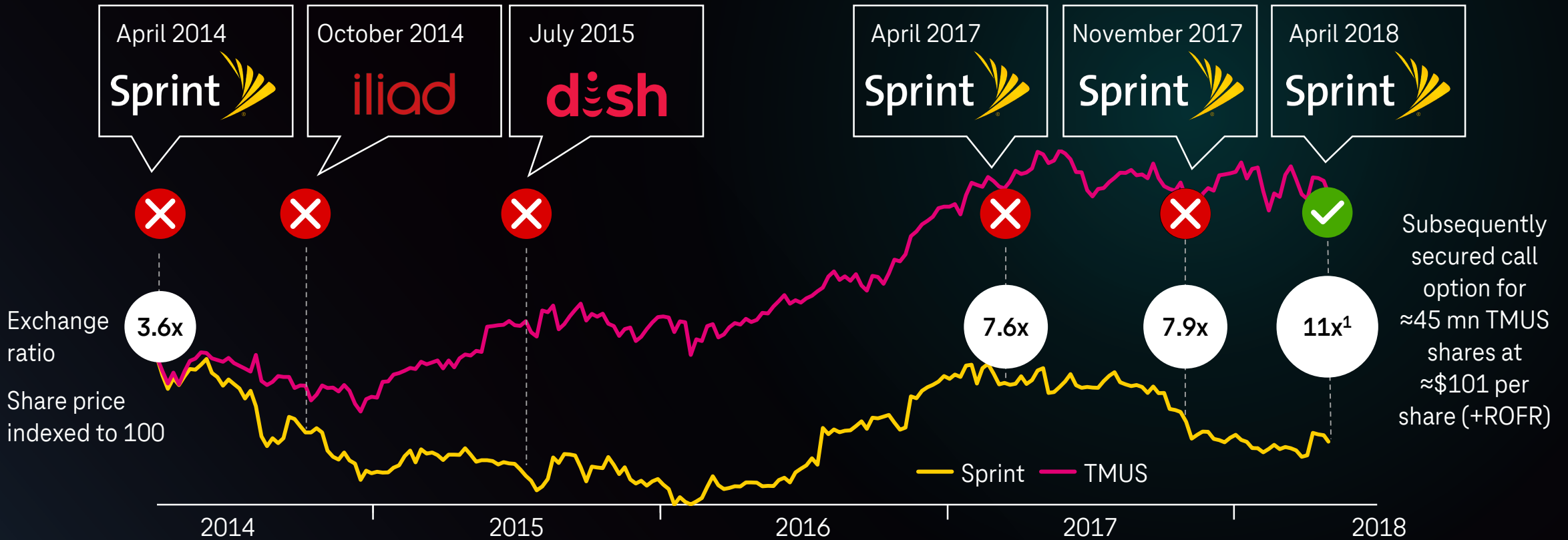


**TOWERS**



**DTCP**

# USA – We were patient and said “no” many times








Source: Capital IQ <sup>1</sup> Subject to true-up



# 12 months on since closing – a great start...

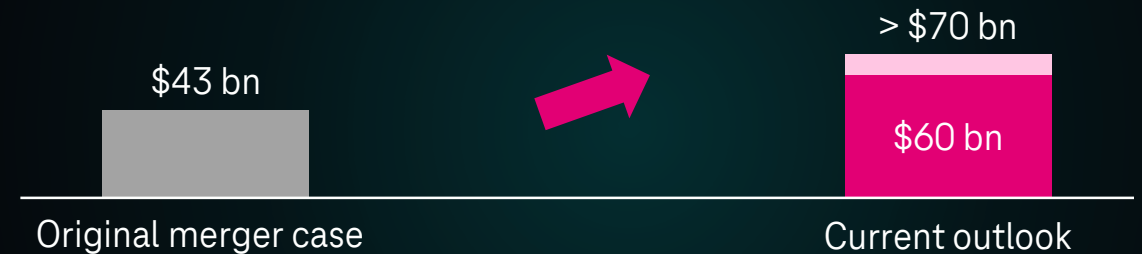


## TMUS/Sprint merger ahead of plan since closing April 2020

-  Conducted successful management succession
-  Renegotiated exchange ratio, plus valuable SB call option<sup>1</sup>
-  Spectrum leader, synergies & FCF upgraded despite COVID-19
-  Up to \$60 bn shareholder returns announced, > 7x DT divi<sup>2</sup>
-  Target price \$162 vs. \$102 (April 2020)<sup>3</sup>

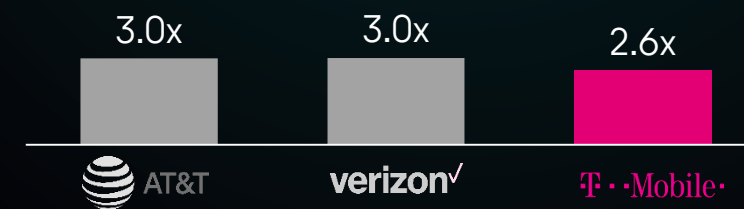
## Upgrade to deal synergies

NPV synergies, \$ bn<sup>4</sup>



## Best US MNO balance sheet

Consensus leverage 2021e<sup>5</sup>



<sup>1</sup> 56.6 mn floating options plus 44.9 mn call options at c.\$101 per share

<sup>2</sup> Calculated as \$60 bn x 43.3% divided by assumed USD fx rate of 1.20 = €22 bn divided by DT annual dividend of €2.8 bn

<sup>3</sup> Source: Capital IQ, May 14<sup>th</sup>, 2021

<sup>4</sup> TMUS Investor Day presentation (March 2021), original merger case Synergy NPV using 8% discount rate, current outlook \$70 bn @7% and \$60 bn @8%

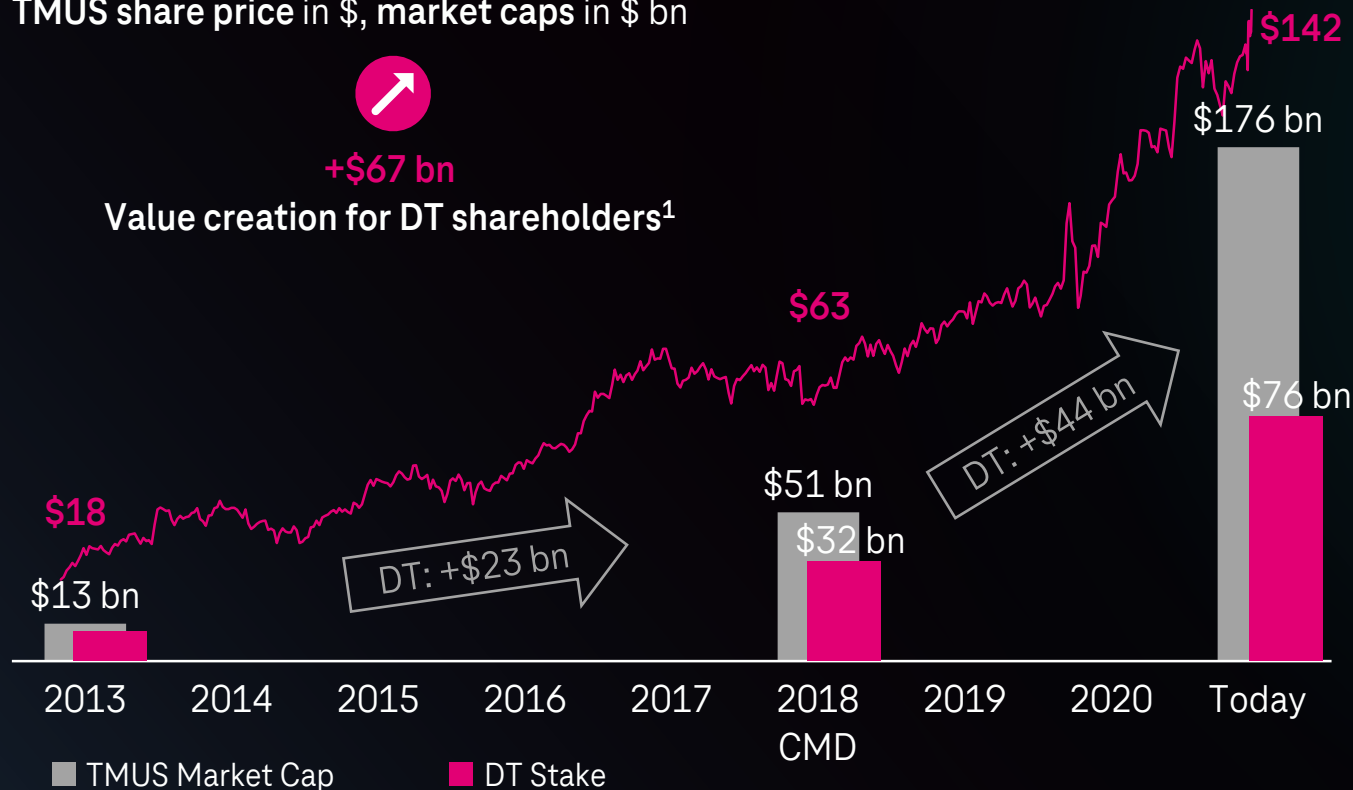
<sup>5</sup> Source: Capital IQ, May 14<sup>th</sup>, 2021

# TMUS unprecedented value creation track record



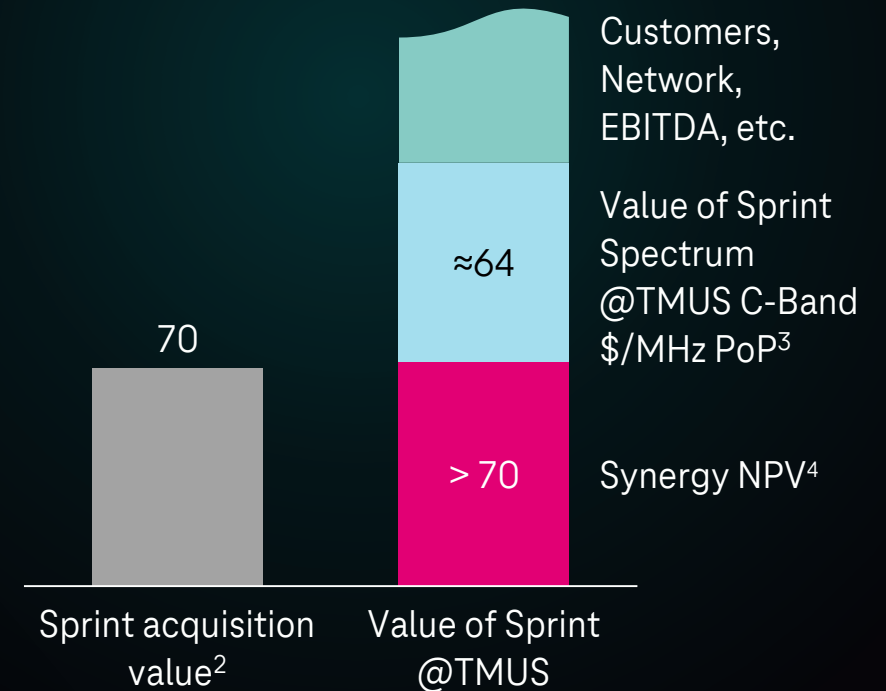
## Unparalleled Value Creation Track Record: +700% since IPO

TMUS share price in \$, market caps in \$ bn



## Acquisition of Sprint

\$ bn



Source: Capital IQ, May 14<sup>th</sup>, 2021 <sup>1</sup> Since Metro PCS merger; based on 538.6 mn TMUS shares owned by DT and respective spot fx rates <sup>2</sup> EV based on TMUS Share Price of \$83.9 as of March 31<sup>st</sup>, 2020, Sprint FDSO of 4,173, final exchange ratio of 0.10256 and a total Sprint net debt of \$34.2 bn <sup>3</sup> Based on 171 MHz Sprint spectrum holding @ implied \$/ MHz-PoP of \$1.13 based on TMUS 2021 C-Band auction gross proceeds of \$9.3 bn (excl. relocation costs) <sup>4</sup> TMUS Investor Day presentation (March 2021), original merger case Synergy NPV using 8% discount rate, current outlook \$70 bn @7% and \$60 bn @8%

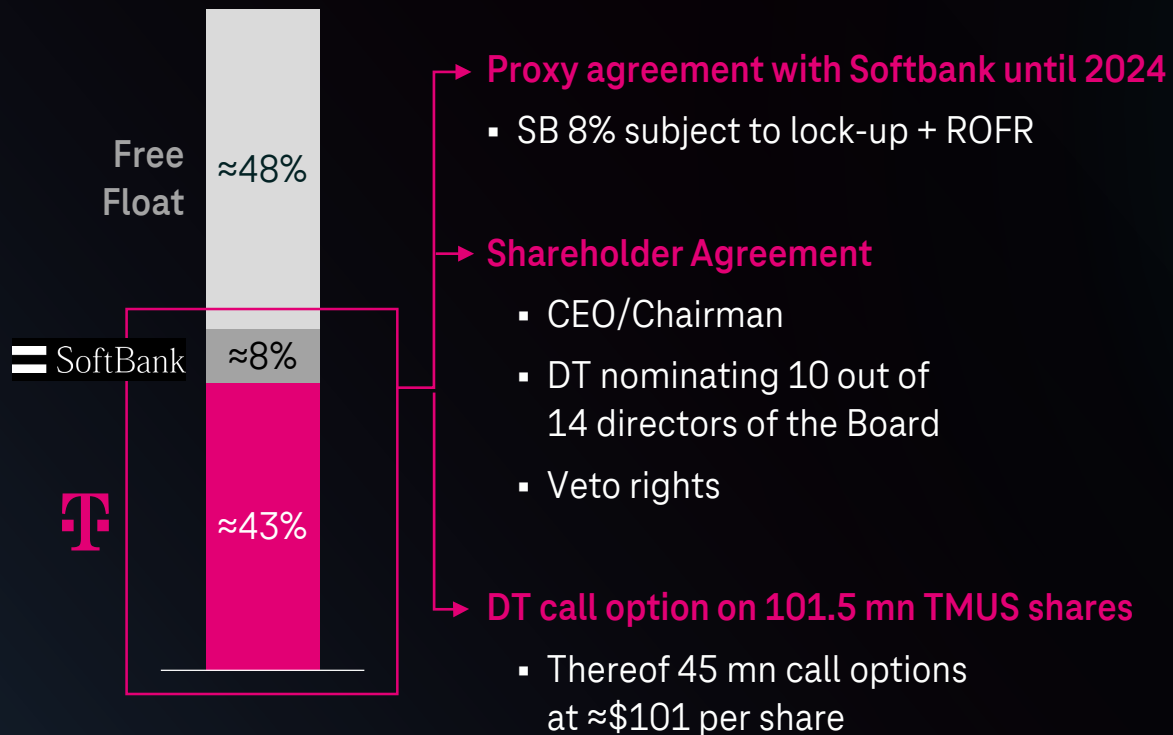


# TMUS – The way forward



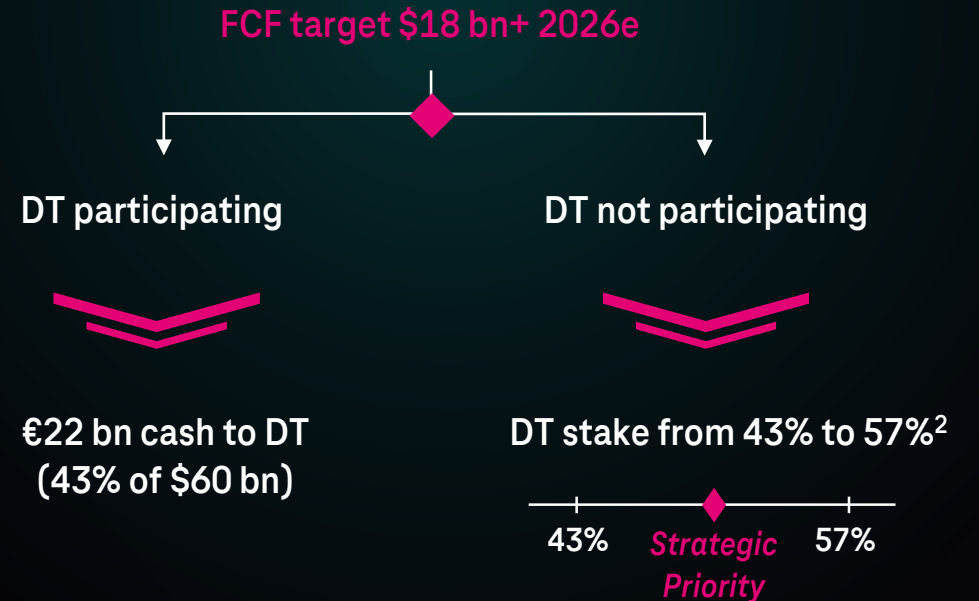
## DT as Controlling Shareholder

### TMUS Shareholder Structure, %



## TMUS plan provides potential for up to \$60 bn of SBB 2023–2025<sup>1</sup>

### Illustrative share buyback volume of \$60 bn 2023–2025



<sup>1</sup> This example is purely illustrative, any share buyback at the discretion of TMUS Board subject to other capital allocation options – no decision has been taken <sup>2</sup> Illustrative calculation assuming average TMUS share price over share buyback program at \$162 (target price per Capital IQ, per May 14th, 2021), repurchase of ≈370 mn shares. TMUS shares outstanding 1,249 mn as per December 2020, estimated at 1,313 mn (incl. true up) as per December 2022. DT stake in TMUS 539 mn shares (excl. proxy agreement), assumed USD fx rate of 1.20



# From falling knife to successful turnaround to one of the best MNOs in Europe



## Value creation

- Superior execution: 15% EBITDA (AL) CAGR 2018–2020<sup>1</sup>
- The #1 mobile Un-carrier in the Netherlands

34% → 39%

Organic mobile market share increase since CMD 2018<sup>2</sup>



World's best mobile network<sup>3</sup>

- Track record of value accretive M&A

**TELE2**

Merger

**simpel**

Acquisition

**thuis**

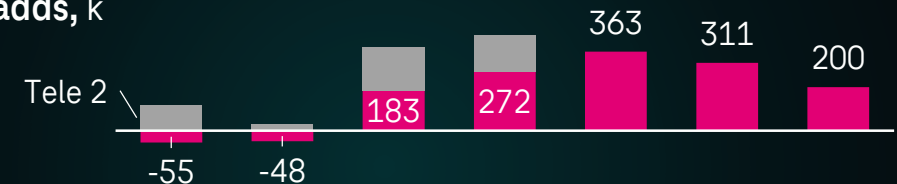
Acquisition

**TOWER**

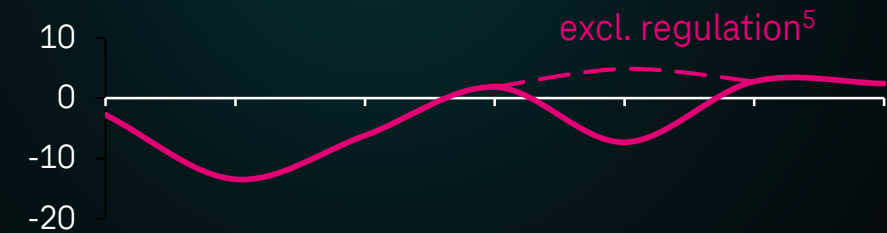
Carve-out & sale

## TMNL back to sustainable growth trajectory

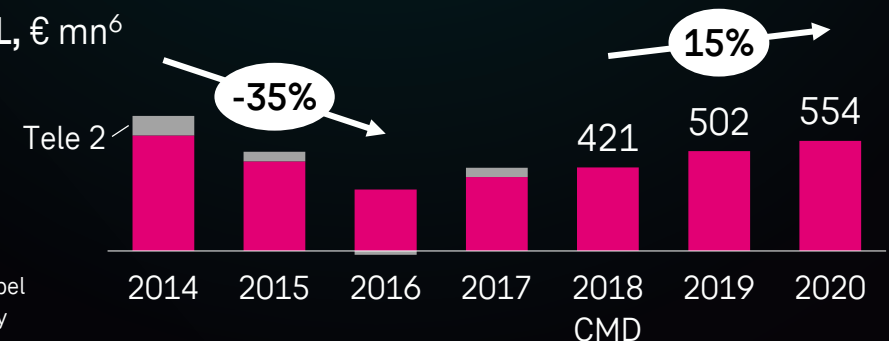
### Contract net adds, k



### MSR, % yoy<sup>4</sup>



### Adj. EBITDA AL, € mn<sup>6</sup>



Source: Company Reports <sup>1</sup>Organic <sup>2</sup>Mobile contract subscriber market share December 2017 vs. December 2020, PF for Tele2 and Simpel  
<sup>3</sup>Based on P3 score <sup>4</sup>2014–2017 simple sum of TMNL and Tele 2, not pro-forma <sup>5</sup>Regulation: Roam like Home, IFRS 15 & handset subsidy regulation, MTR regulation <sup>6</sup>2014–2017 approximated for TMNL + Tele 2

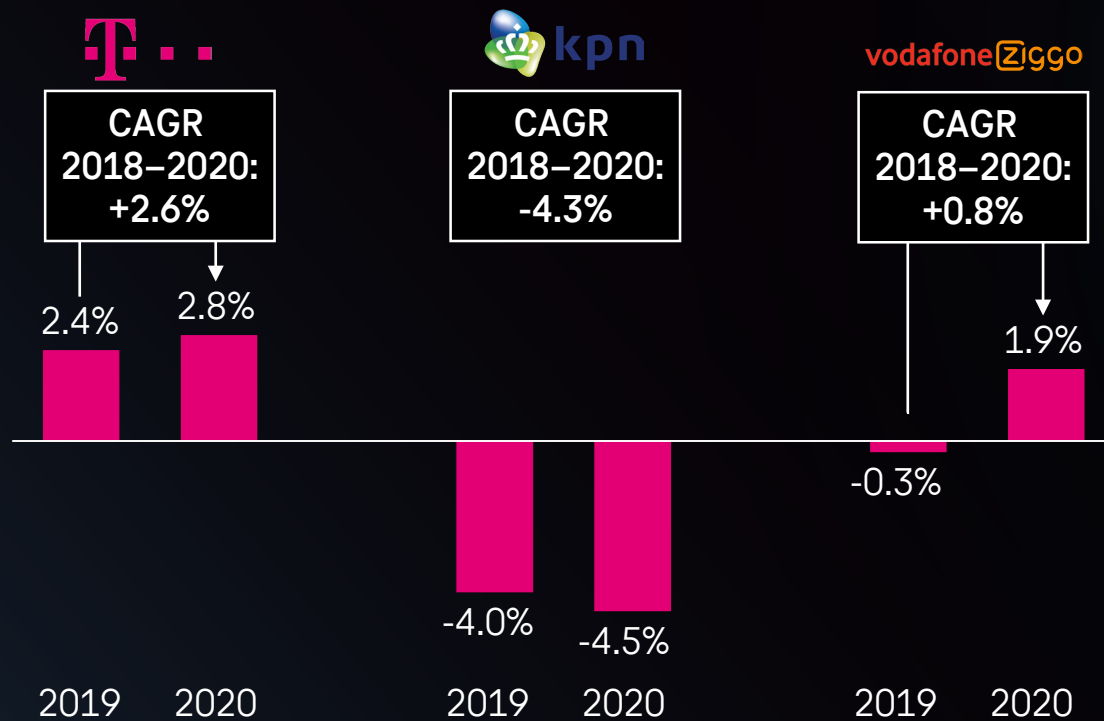


# One of the best EU telco operators – our “crown jewel”



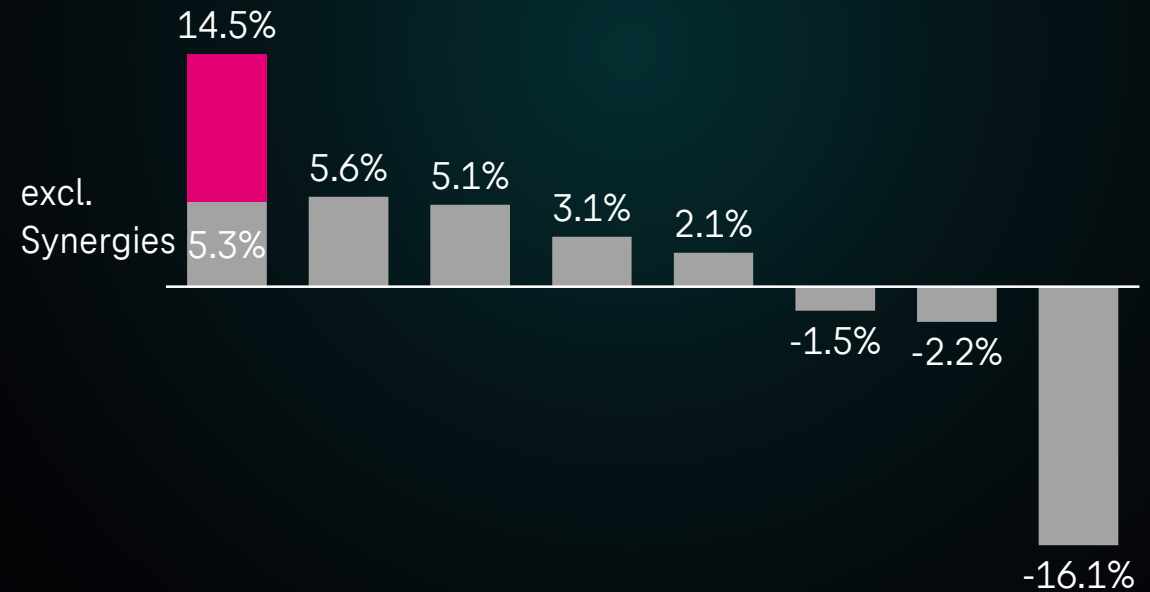
## Stronger top line growth than local competition...

Total service revenue development, % yoy org



## ...and fastest growing EBITDA AL in Europe...

Adj. EBITDA AL CAGR 2018-2020, %



Source: Company Reports Note TMNL: Adjusted for the acquisition of Simpel in December 2020

Note DNA: In 2020, IFRS 16 impacts kept on the same level as 2019

Note Sunrise: Q4 2020 figures estimated. In 2020 IFRS 16 impacts kept on the same level as 2019

Note Telefonica: In 2020 IFRS 16 impacts are estimated

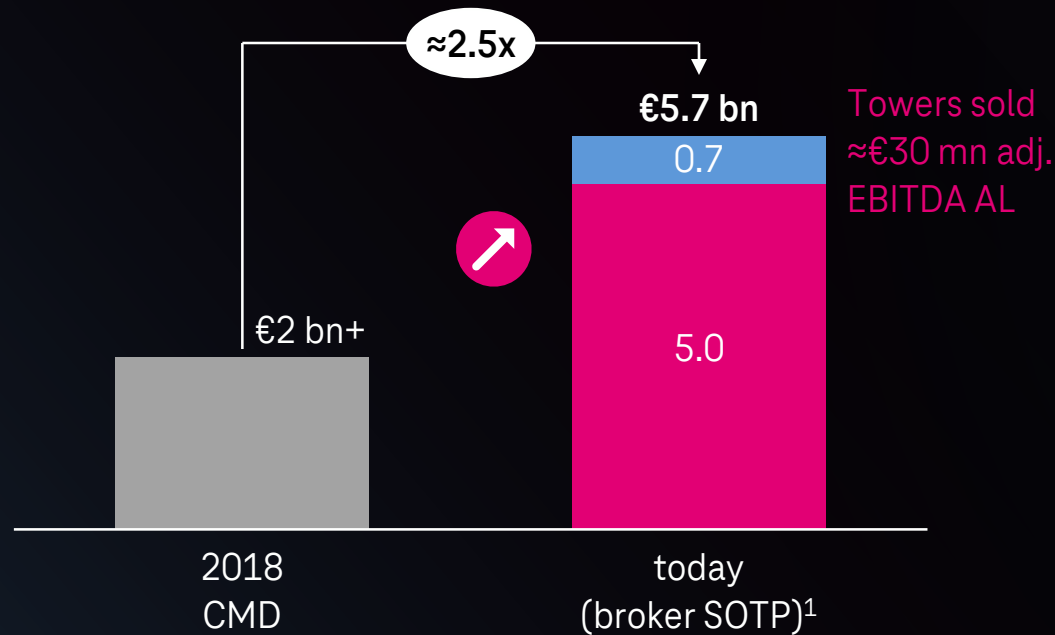


# TMNL Value Creation



## SOTP Value

EV, € bn



## Future strategic initiatives

- Accelerate monetization of world-leading mobile network and nationwide 5G
- Accelerate pivot to FMC to boost growth outlook
- Overdeliver on Tele2 and Simpel integration synergies
- Materially improve fixed access economics

Strategic review of TMNL initiated

Source: Brokers <sup>1</sup> SOTP based on broker consensus 100% EV adj. for Simpel acquisition price and NL/AT Towers

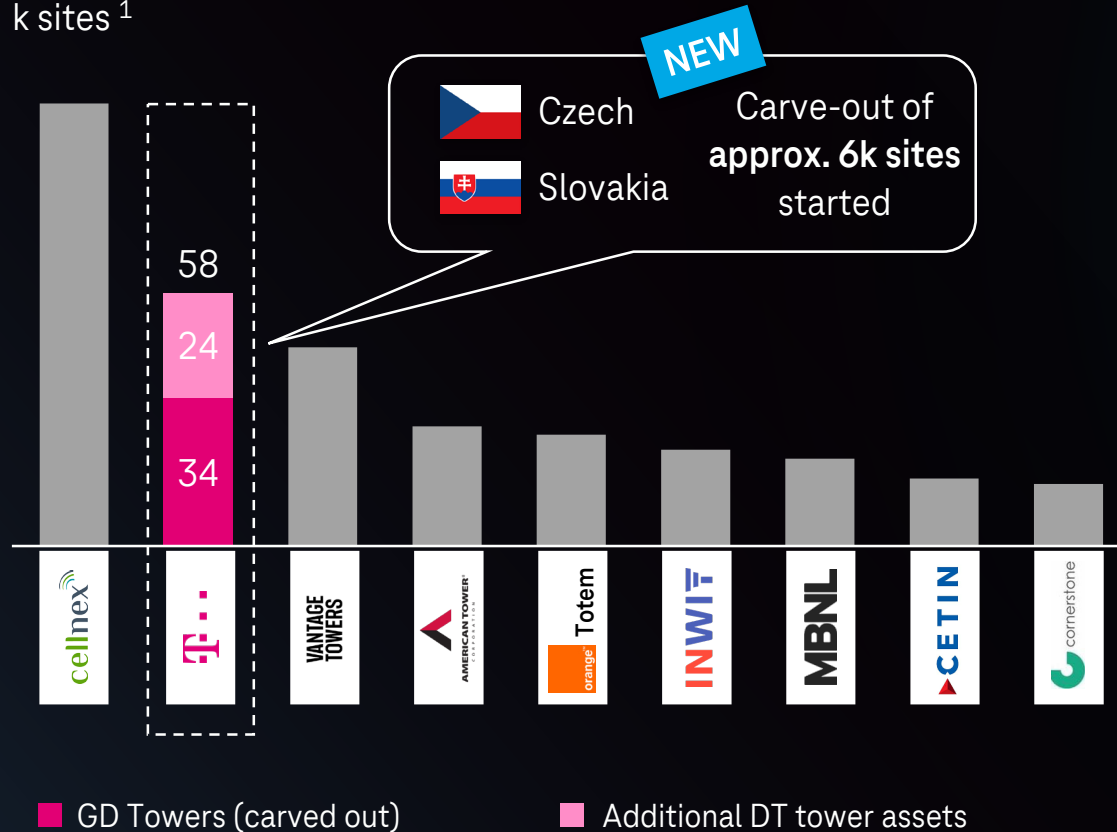


# GD Towers: Kingmaker asset in the European infra market



## DT tower portfolio – GD Towers anchored around Germany

k sites <sup>1</sup>



## Unique premium-quality assets

- #1 in Germany – scale and asset quality
- Tier #1 mobile operators as anchor tenants
- Fully independent since 2017, transaction readiness
- Strong value creation
- Kingmaker asset – strategic optionality for European infrastructure market consolidation

Source: TowerXchange, Companies Investor Relations; Broker Research; Vantage figures excl. INWIT and Cornerstone <sup>1</sup> Based on the number of owned sites



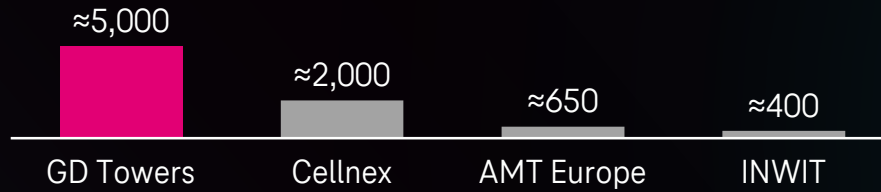


# Industry-leading tower operations with promising growth outlook

## GD Towers: Strong operational track record

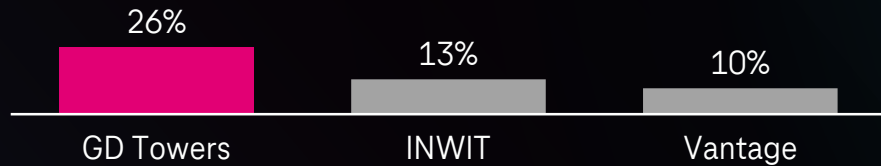
2017–2020 organic sites add<sup>1</sup>

Largest build-to-suit program delivered



3<sup>rd</sup> party revenue share in FY 2020<sup>2</sup>

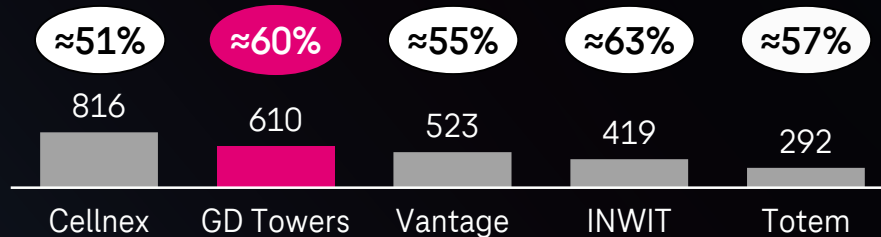
Market-leading 3<sup>rd</sup> party share of revenues



Adj. EBITDA AL in FY 2020, € mn

% Adj. EBITDA AL margin

Industry-leading margins



## Large-scale commitments cement future financial prospects

≈4k new sites

to be commercially built until 2024

≈2k new white spot sites

In Germany and Austria to fulfil license obligations

> 15k site upgrades

Source: Company Investor Relations; All figures presented are pro forma <sup>1</sup> Excl. small cells; AMT Europe incl. distributed antenna systems <sup>2</sup> Only captive or part-captive TowerCos presented

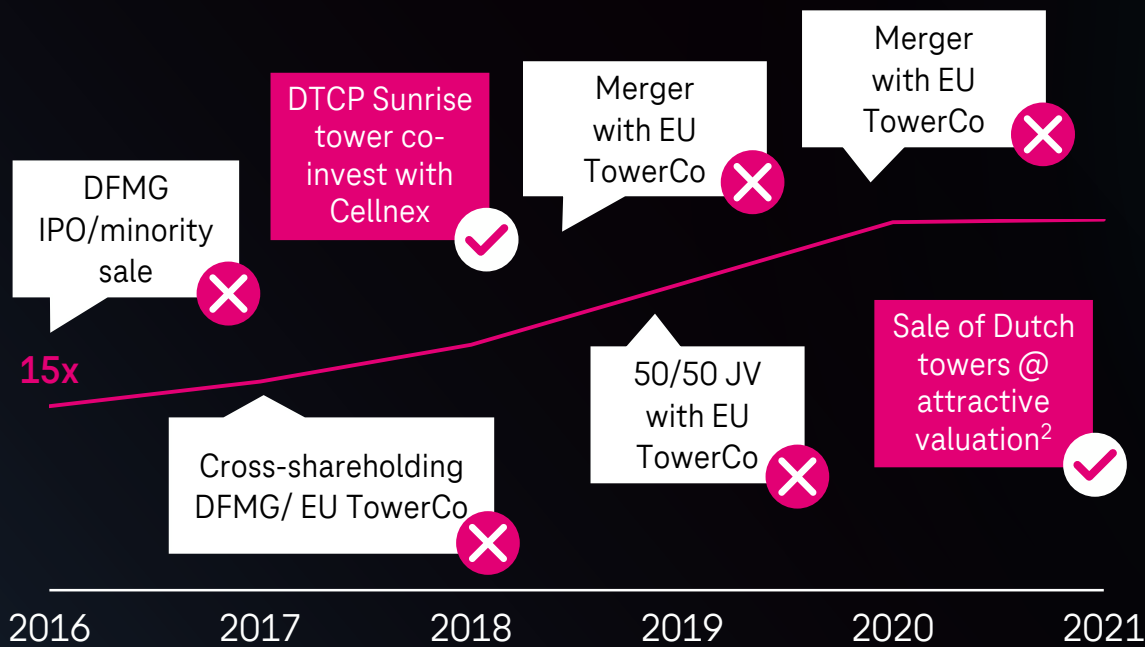


# Patience rewarded – 2x increase in value with further upside

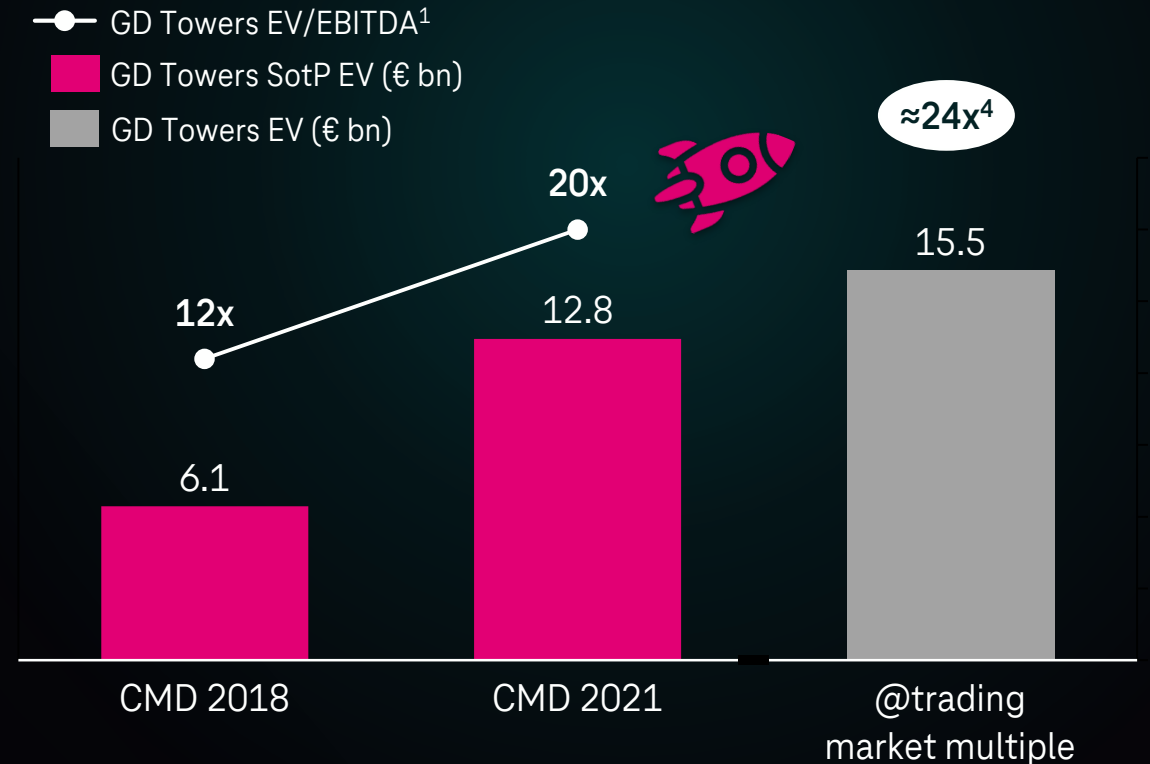


## Several tower transaction opportunities assessed since 2016

EV/EBITDA<sup>1</sup> transaction multiples



## Two-fold increase in GD Towers value – further upside potential<sup>3</sup>

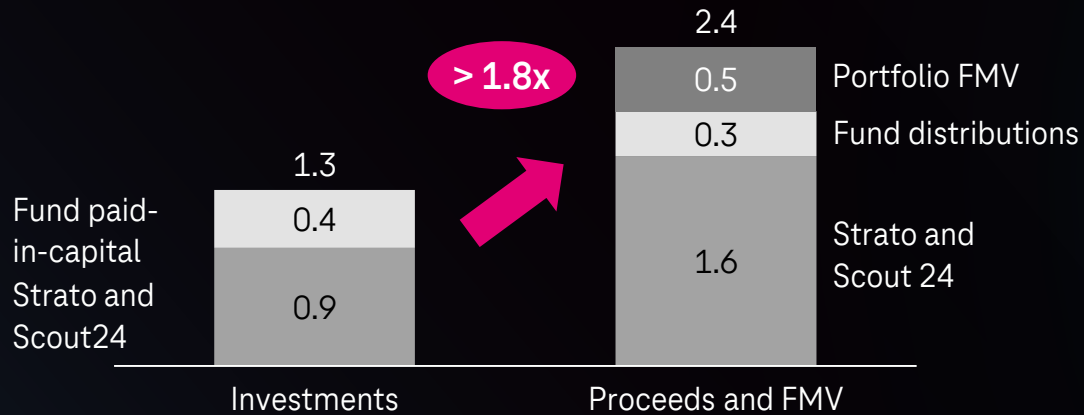


Source: Capital-IQ, Equity Research <sup>1</sup> LTM Adj EBITDA AL <sup>2</sup> EV/EBITDA multiple undisclosed; premium valuation in comparison to Vantage IPO EV/EBITDA <sup>3</sup> SOTP valuation figures only available as of 2018; 2021 adjusted for NL/AT <sup>4</sup> Based on weighted average of Vantage, INWIT and Cellnex EV/EBITDA

# DTCP: Leading European investment platform




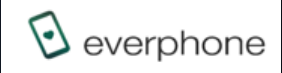

## Significant financial returns since 2015<sup>1</sup>



## Proven and successful strategy with high profile exits

Fund	Fund size <sup>2</sup>	MOIC <sup>3</sup>	IRR <sup>4</sup>
Growth Fund I	\$140 mn	2.5x	38%
Growth Fund II	\$350 mn	2.7x	45%
Infra Fund I	€200 mn	2.2x	22%



## Dedicated Portfolio Development Team driving value for DT

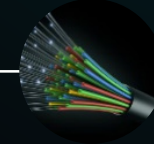

 10+ new logo wins with TSI with TCV of > €20 mn  
 Signed first joint customer Aldi Nord with 10k devices  
 Achieved deployment as part of the Access 4.0 initiative


**38**  
partner-  
ships


Total revenue by DT through joint go-to-market<sup>5</sup>  
  
**> €570 mn**

## Digital Infrastructure: Investing for a connected society

  
**Towers**  
  
 SWISS TOWERS AG

  
**Fiber**  
  
 OPEN DUTCH FIBER

  
**Data centers**

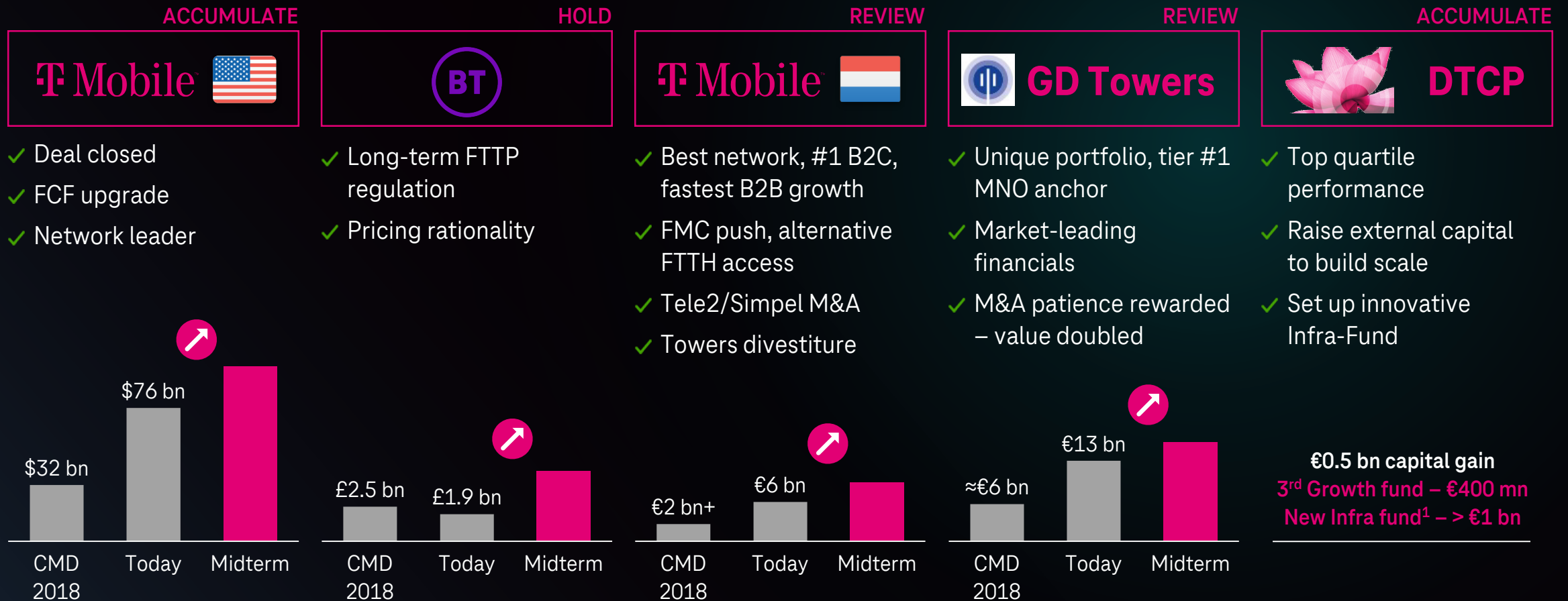
  
**DIV**  
 Evolution to independent digital infrastructure strategy

<sup>1</sup> Includes proceeds from Lauderdale fund secondary sale, excludes strategic investment funds (TIP, DTVF) <sup>2</sup> Committed capital; for GF II: includes third-party capital  
<sup>3</sup> MOIC on realized exits <sup>4</sup> Gross IRR as of Q1 2021 <sup>5</sup> Cumulative contract values since 2017, US\$/€ at 0.84

# Midterm ambition level



# We drive and strive to improve asset values



Source Capital IQ, May 14<sup>th</sup>, 2021 <sup>1</sup> Managed by Digital Transformation Capital Partners



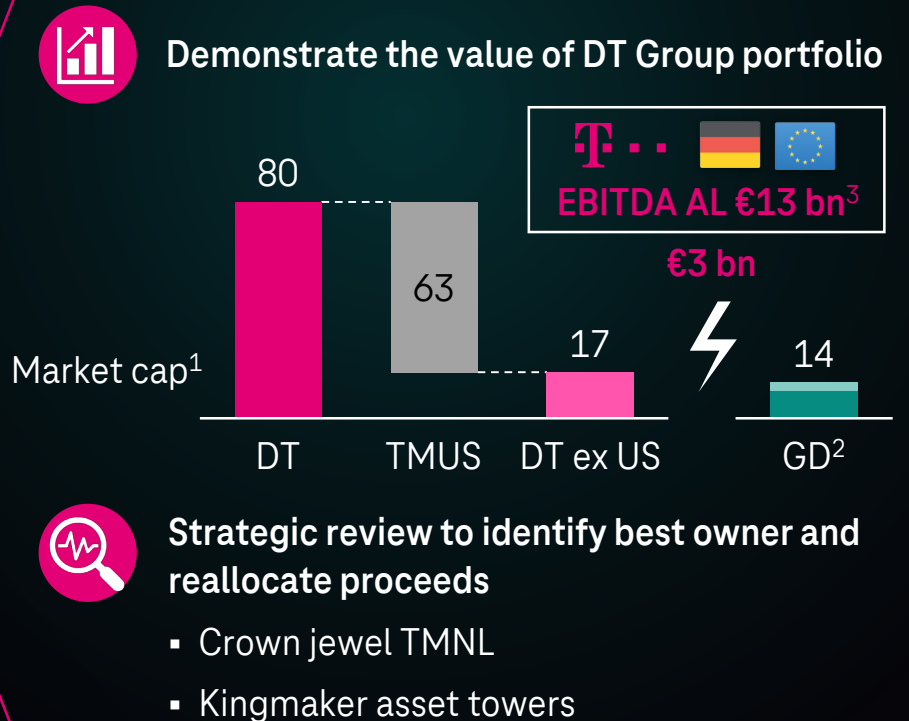
# Delivering shareholder value

## Capital allocation priorities

- 1 TMUS ownership > 50%
- 2 Network leader on both sides of the Atlantic
- 3 De-lever  $\leq 2.75x$
- 4 Attractive & affordable dividend
- 5 Maximize value of portfolio assets  
Next: Strategic review of TMNL and Towers

MAXIMISE  
SHAREHOLDER  
VALUE

## What comes next



<sup>1</sup> Source: Capital IQ, May 14<sup>th</sup>, 2021; EUR/USD fx rate of 1.21; <sup>2</sup> Calculated by deducting assumed fair share of Group Net Debt (2.78x multiplied by 2020 EBITDA adj.) from Consensus SoP for TMNL & GD Towers; TMNL market cap incl. DT-owned share of 75% plus shareholder loan of €1.2 bn; <sup>3</sup> Incl. Adj. EBITDA AL per 2020 for segments Germany, Europe, T-Systems and GHS

# Midterm ambition level

	Midterm ambition level	Year
TMNL	▪ # Consumer fixed households: ≈0.9 mn	▪ 2024e
	▪ FMC penetration of branded T-Mobile customer base: > 40%	▪ 2024e
	▪ Digital channel share of customer transactions: > 50%	▪ 2024e
GD Towers	▪ # New sites: number of new builds: ≈6k	▪ Cum 2021–2024e
	▪ # Extensions: amount of site extensions: > 15k	▪ Cum 2021–2024e
	▪ Growth in rec. 3 <sup>rd</sup> party business – DT external revenue: CAGR > 3%	▪ 2020–2024e
	▪ Site based Opex AL/site efficiency: Decrease vs. 2020	▪ 2024e
Financials	▪ Revenue: CAGR > 2% <sup>1</sup>	▪ 2020–2024e
	▪ Adj. EBITDA AL: CAGR > 4%	▪ 2020–2024e
	▪ Cash contribution AL <sup>2</sup> : CAGR > 6%	▪ 2020–2024e

<sup>1</sup> Revenue w/o regulatory impacts <sup>2</sup> Cash contribution AL = Adj. EBITDA AL – Cash Capex – Special factors (Cash)