

# Deutsche Telekom & DigitalBridge / Brookfield

## Partnering for Value and Growth



Announcement Presentation  
14 July 2022



# Disclaimer

This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels.

If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, Core EBITDA, adjusted EBIT, adjusted net income, free cash flow, free cash flow after leases, gross debt, net debt after leases and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

# Highly attractive transaction for Deutsche Telekom – fulfils all relevant criteria and CMD commitments, and crystallizes value

1

## Highly attractive deal for premium-quality GD Towers portfolio

- Deal encompasses Deutsche Telekom's pioneering and industry-leading TowerCo DFMG + MTI: ~40k sites<sup>1</sup>
- Deutsche Telekom sells a 51% stake to DigitalBridge and Brookfield, deconsolidating GD Towers while retaining 49% stake
- ~€17.5bn EV implies ~27x EV / PF adj. EBITDAaL 2021A multiple, reflecting asset quality and execution track record
- Re-consolidation call provides Deutsche Telekom with optionality in the mid-term

2

## Deutsche Telekom achieves all relevant deal criteria

- Premium valuation: Material premium to current public market valuations, Deutsche Telekom's patience rewarded
- Deleveraging: ~€10.7bn in cash proceeds translates to ~€6.5bn deleveraging according to IFRS16
- Strategic protections: Long-term MLA<sup>2</sup> and governance setup in line with Deutsche Telekom's interests
- Future value creation: Ideal partners to evolve GD Towers' strategy, Deutsche Telekom to participate via 49% stake

3

## Transaction constitutes next successful step of Deutsche Telekom's portfolio strategy

- Deutsche Telekom delivers on CMD 2021 commitment
- ~€17.5bn transaction EV further highlights SOTP valuation disconnect implicit in Deutsche Telekom share price

# Transaction encompasses Deutsche Telekom's pioneering and industry-leading towers portfolio in Germany and Austria

## Deutsche Telekom moved early to create a tower leader

GD Towers carved out already in 2002

Arm's length MLA with TDG put in place in 2016

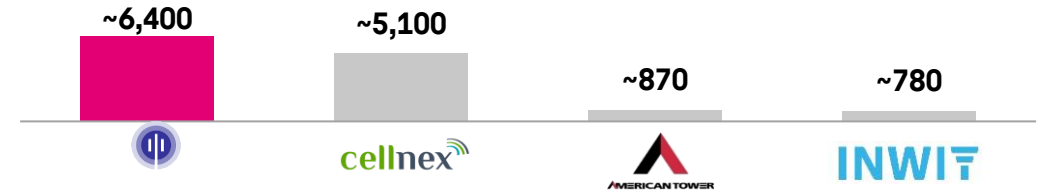
New organizational structure and management team

Operational focus on BTS and 3<sup>rd</sup> party tenants growth

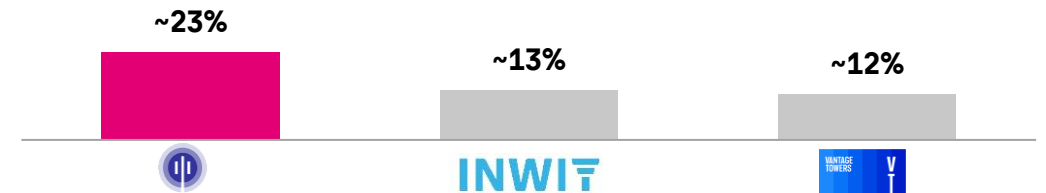
## Industry leading track record of operational delivery

### BTS delivery

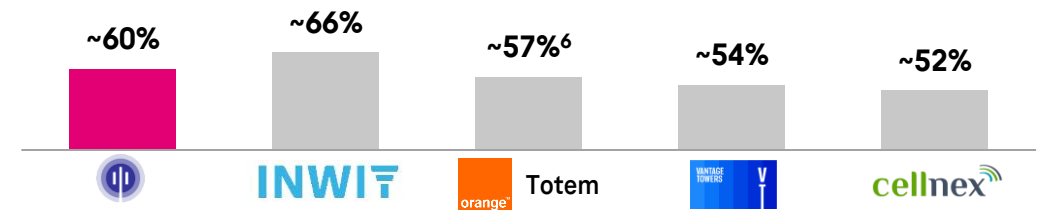
2017-21 organic sites added<sup>1</sup>



### Market-leading 3<sup>rd</sup> party share of revenue<sup>2</sup>



### Strong margin profile<sup>3</sup>



Note: <sup>1</sup> Excl. small cells; AMT Europe incl. distributed antenna systems. <sup>2</sup> Third party revenue share in FY2021; only captive or part-captive TowerCos presented. For Vantage, Germany only shown. Vantage has FYE March, while GD Towers and Inwit have FYE-Dec. <sup>3</sup> EBITDAaL margins in FY2021. For Orange / Totem, 2021 not publicly available. Number shown is as of 2020. Dec-FYE, with Vantage Mar-FYE.

# Deal outline: sale of 51% stake to DigitalBridge and Brookfield

## Transaction overview

### TRANSACTION HIGHLIGHTS

- Deutsche Telekom sells 51% in GD Towers to DigitalBridge and Brookfield
- Deutsche Telekom financially deconsolidates GD Towers to allow TowerCo to grow independently with backing of strong partners
- Material **de-leveraging** for Deutsche Telekom
- Deutsche Telekom retains **exposure through 49% stake** to attractive asset class
- **Re-consolidation call** provides Deutsche Telekom with optionality

### VALUATION

- Attractive valuation of ~€17.5bn EV
- Implies ~27x EV / PF adj. EBITDAaL 2021A multiple

### GOVERNANCE AND LEADERSHIP

- **Strong minority protection rights** for Deutsche Telekom with 2 / 5 board seats
- Deutsche Telekom to appoint initial Chairman
- Management agreed upfront for 3 years

### REVISED MLA WITH DT

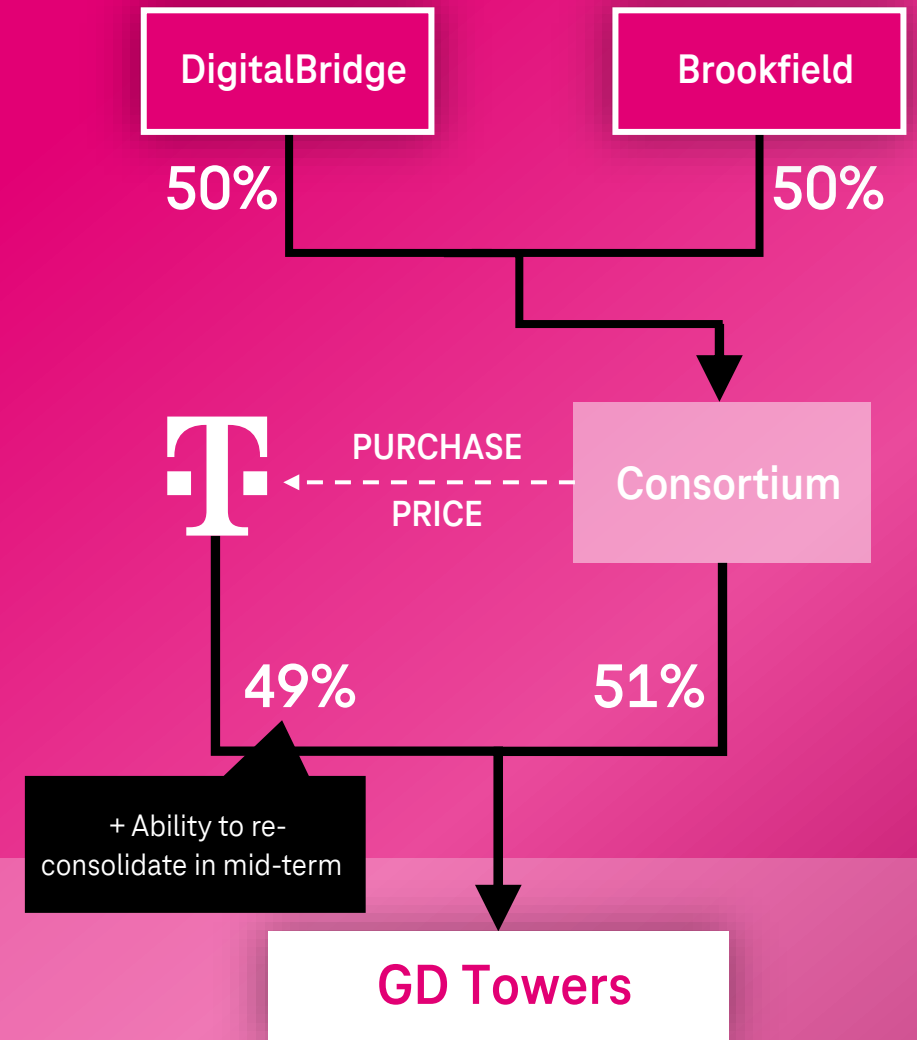
- Long-term partnership
- Inflation protection for TDG (3% cap)
- **Strategic protections:** golden sites which make up ~10% of total sites<sup>1</sup>, ROFO on existing sites, event-driven buyback right

### TIMETABLE

- **Expected closing towards end of 2022** subject to regulatory approval

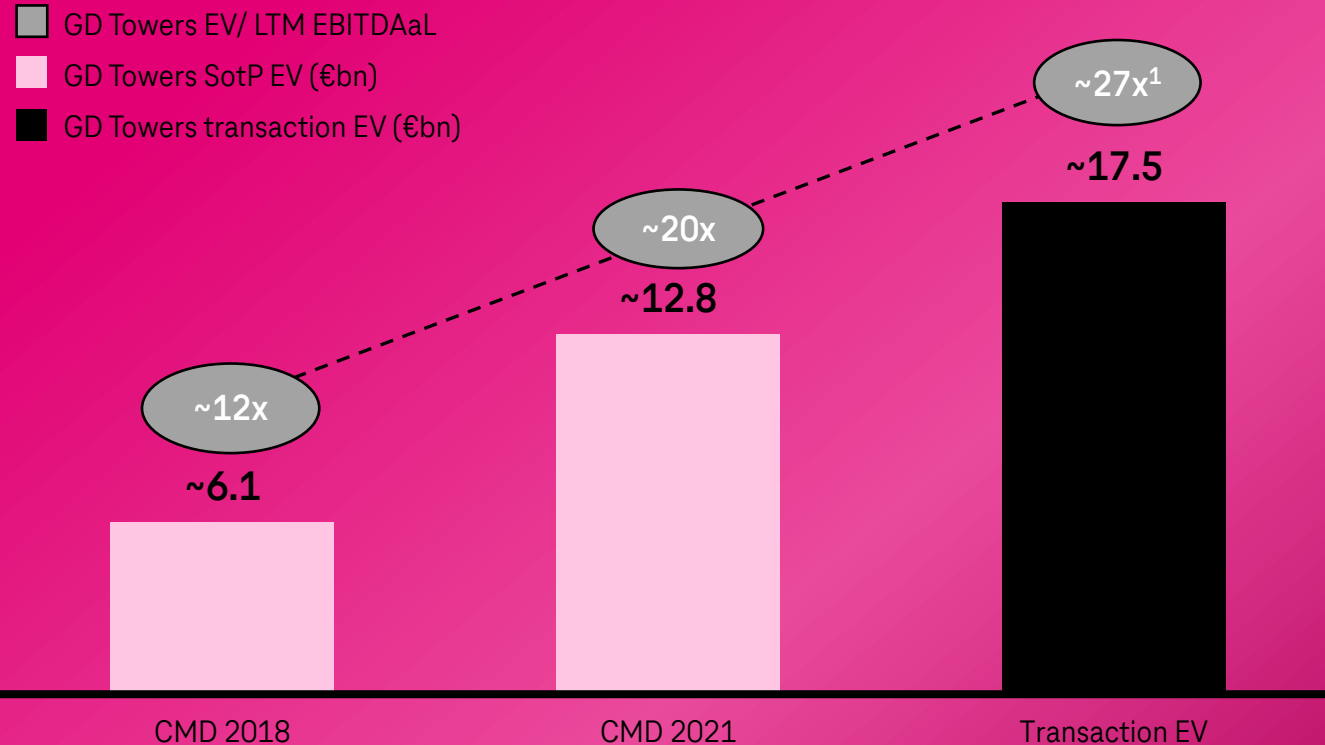
Note: <sup>1</sup> Golden sites from DFMG and MTI.

## New GD Towers ownership structure



# Premium valuation achieved, patience rewarded

**~2.9x increase in value since our CMD 2018**



✓ Patience rewarded: ~2.9x increase in value since CMD 2018

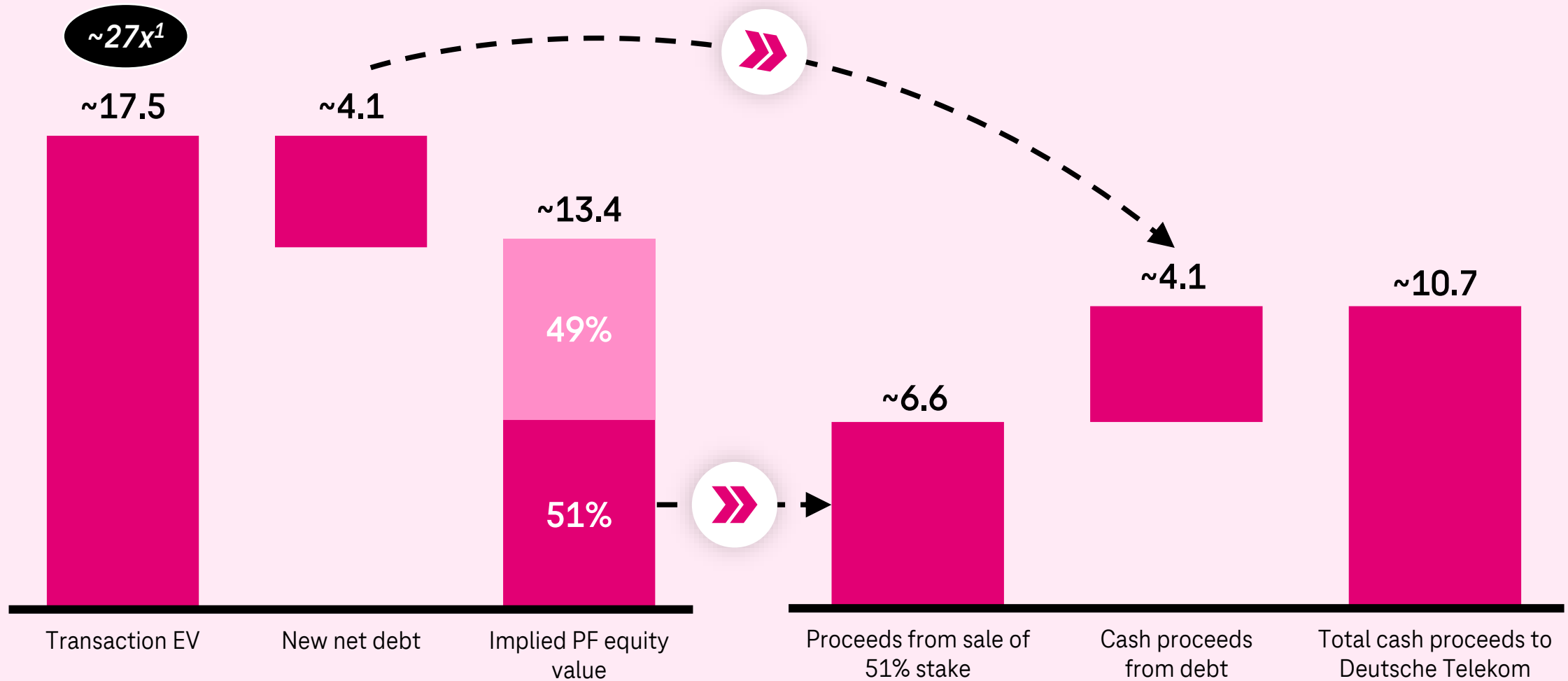
✓ Continued upside exposure with 49% stake retained

- Valuation highlights **quality of GD Towers' assets and management team**
- **Material valuation premium** to current trading of publicly listed EU TowerCos

# ~€10.7bn expected cash proceeds for Deutsche Telekom

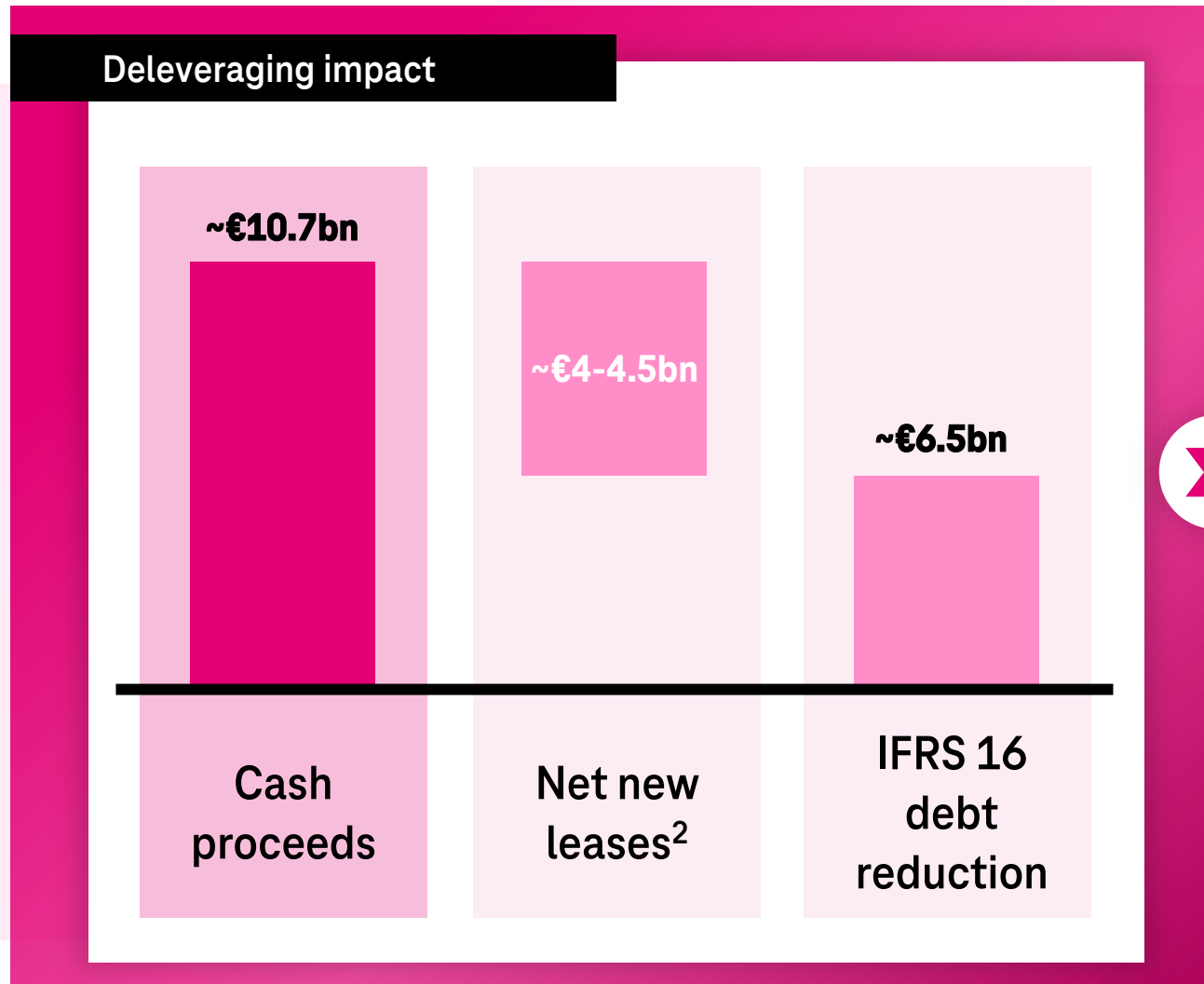
## Transaction valuation (100% view)

In €bn



Note: <sup>1</sup> EV / PF adj. EBITDAaL 2021A multiple; proceeds subject to closing adjustments.

# Material deleveraging for Deutsche Telekom



## Pro-forma deleveraging<sup>1</sup>

- ~0.2x pre leases (“AL”)
- ~0.1x after leases (IFRS 16)

## Potential uses for proceeds

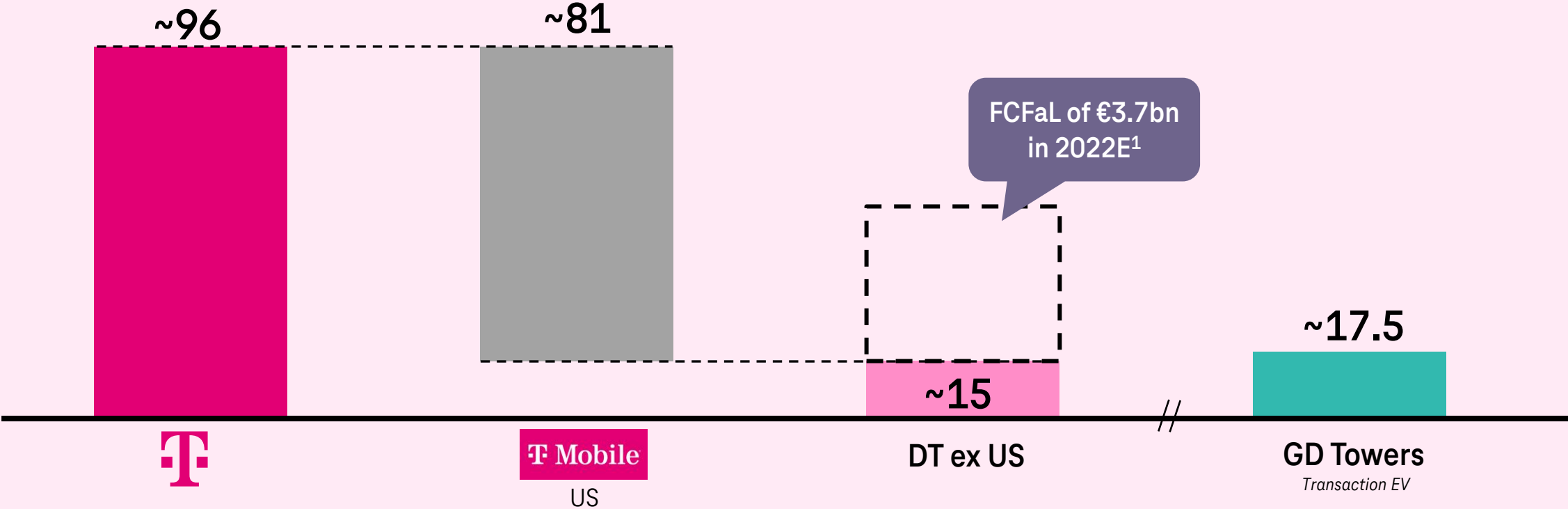
- Debt reduction
- Accelerated TMUS majority (e.g. via Softbank options)



# Transaction highlights value upside of Deutsche Telekom

## Value of Deutsche Telekom portfolio

Market cap in €bn



✓ Implied value ex US currently below realised tower value

✓ Demonstrates **valuation upside** for Deutsche Telekom as a whole

Note: As of 12-Jul-2022. USD / EUR fx rate of 0.9951. <sup>1</sup> As per Deutsche Telekom Q1 2022 results.

# Beneficial new MLA protects Deutsche Telekom's interests

## Visibility

- **Long-term partnership** with balanced contract<sup>1</sup>
- **Inflation protection** with 85% CPI indexation, capped at +/- 3%
- **Commitment** for 5.4k new sites and a comprehensive network modernization program
- **Golden site protections** for ~10% of total sites<sup>2</sup>, restricting colocation at prime locations
- **Industry benchmarked service levels** with most-favoured-nation status for Deutsche Telekom
- **Revised pricing** to the benefit of Deutsche Telekom



## Flexibility

- **Renewal rights solely at Deutsche Telekom discretion** for entire site portfolio
- **Reserved capacity** for network modernization program and upgrades
- **Single-site termination rights** of 0.5% p.a. (capped at 2.5% per term<sup>3</sup>) with MLA discount for non-utilization
- **Buyback rights** to Deutsche Telekom for both convenience and cause (event-driven)



# Governance setup aligned with Deutsche Telekom's interests



## Management team

- Current management team, Bruno Jacobfeuerborn (CEO) and Thomas Ried (CFO), to remain in charge of the TowerCo for at least three years post closing



## Deutsche Telekom rights

- Deutsche Telekom to retain 49% stake and significant minority protection and veto rights
- Re-consolidation call retained by Deutsche Telekom<sup>1</sup>



## Board composition

- Right to appoint 2 out of 5 board seats
- Deutsche Telekom to appoint initial Chairman



## Joint governance

- Joint governance structure ensuring that DT is actively involved in material board decisions



## Leverage and Dividends

- 6.0x opening leverage
- Agreed dividend policy subject to leverage thresholds

Note: <sup>1</sup> Ability to acquire missing shares (max. 5%) to achieve >50.1% and obtain control governance.

# What DigitalBridge and Brookfield bring to the table

## DIGITALBRIDGE

- One of the **leading global digital infrastructure investors with unrivaled TowerCo expertise**
- Owns, operates, and invests across the full spectrum of digital infrastructure and real estate
- **>350k tower sites managed globally** across 10 platforms with proven track-record of delivering BTS, upgrade and small cell programs

\$47bn

AuM

25

Portfolio companies

25+

Years of experience

- Relevant precedent investments:



## Brookfield

- **Leading global alternative asset manager with focus on real estate, infrastructure, renewable power, private equity and credit**
- Invests where it can bring its **competitive advantages** to bear, leveraging its **global reach, access to large-scale, flexible capital and operational expertise**
- **>\$150bn of infra assets and >\$25bn of digital infra assets**
- **>190k towers part of the portfolio** with track-record of rolling out BTS and attracting new customers in their tower platforms

\$140bn

AuM

2,000+

Investments globally

100+

Years of experience

- Relevant precedent investments:



Leading global infra investors with significant experience in the tower sector

# Partnership to further evolve GD Towers' strategy



## Growth with anchor tenant

- Support Deutsche Telekom's network leadership position in Germany and Austria
- Continue to deliver on ambitious BTS rollout plan with ~5.4k sites committed (of which ~5.2k in Germany)
- Deliver network upgrade plan with ~57k modernizations (of which ~54k in Germany)



## Growth with third parties

- Increase colocation rate both with existing and new tenants
- Utilise balance sheet flexibility to address uncontracted BTS demand in Germany and Austria



## Growth from adjacencies

- Additional value creation from adjacencies, such as small cells, DAS and edge data centers



## Inorganic growth

- Leverage strong platform for inorganic growth enabled by ample headroom with 6.0x opening leverage
- Ambition to consolidate European tower landscape

# Attractive growth prospects – reflects new MLA

## Key financials

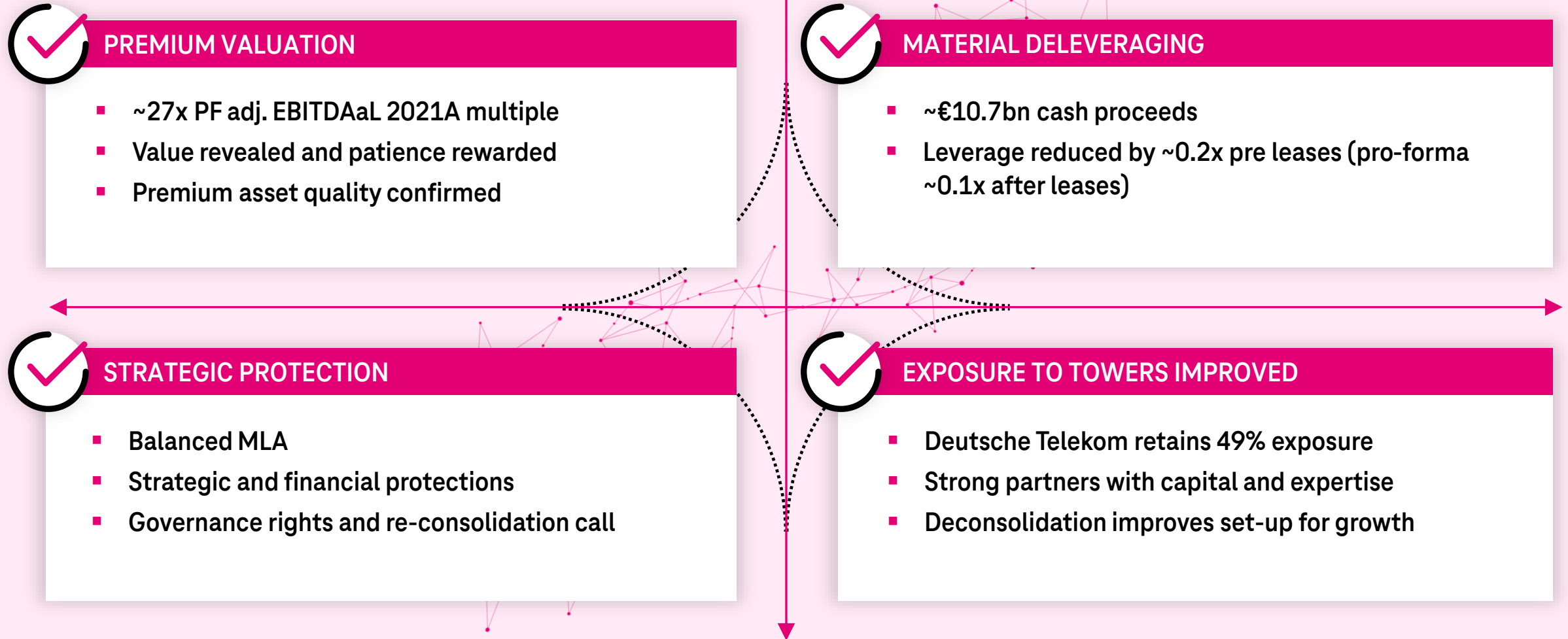
	FY21	FY22 outlook
Tenancy ratio	~1.4x	Stable
PF adj. Revenue	~€1,070m	~€1,100m
PF adj. EBITDAaL margin	~€640m <sup>1</sup> ~60%	~€650-670m <sup>1</sup> ~60%
Total capex	~€290m	~€360-390m

Cumulative growth capex 2022-2027 of **>€2bn**

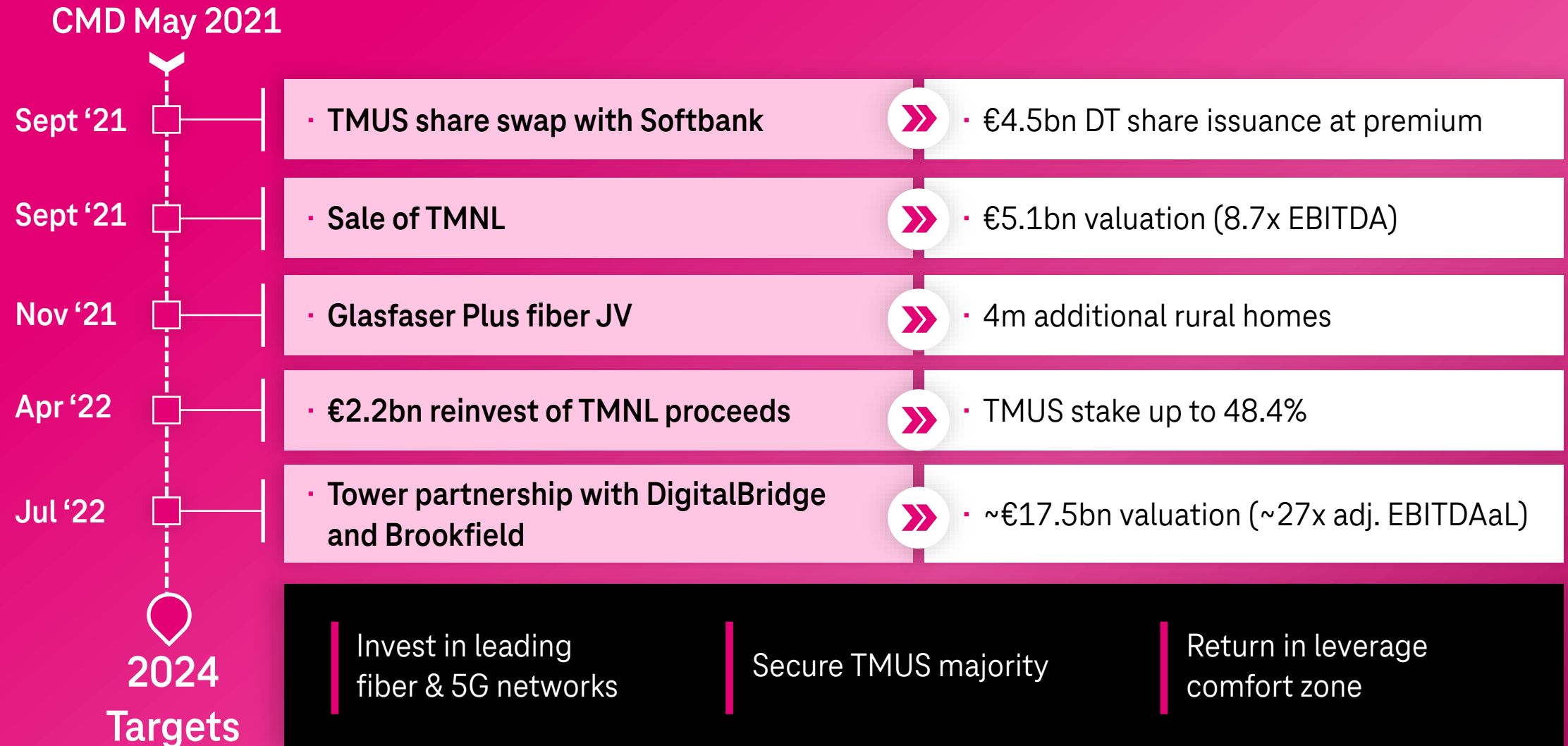
BTS programme with TDG for **>6.5k new macro sites until 2026**, with ~5.2k (~80%) committed in Germany as well as ~0.2k committed BTS sites in Austria

**Further modernization** of existing sites, with ~57k upgrades and extensions until 2029 in Germany and Austria

# Transaction fulfils our stated objectives for a towers deal



# Rapidly delivering on our CMD agenda





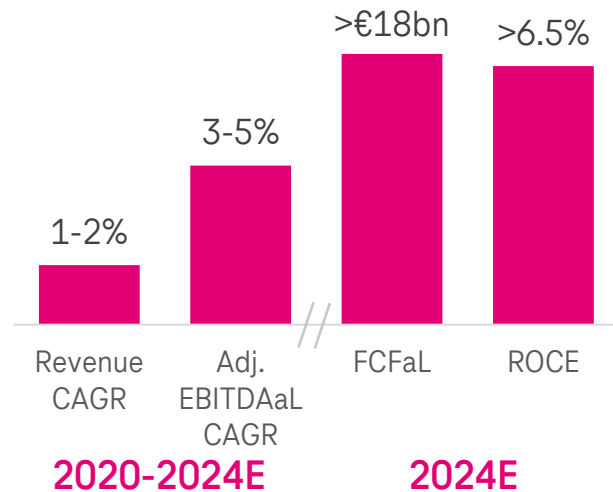
# Deutsche Telekom continues to execute on its strategic agenda

## ORGANIC GROWTH

- Our **flywheel** works
- Proven **execution**



### Deutsche Telekom Group ambitions



## CAPITAL ALLOCATION / PORTFOLIO



Strategic review of GD Towers – completed



On track



Invest in “leading” fiber & 5G networks...and **monetize**

On track



Secure **US majority** (>50%)

On track



Deleverage & return to **corridor** in 2024



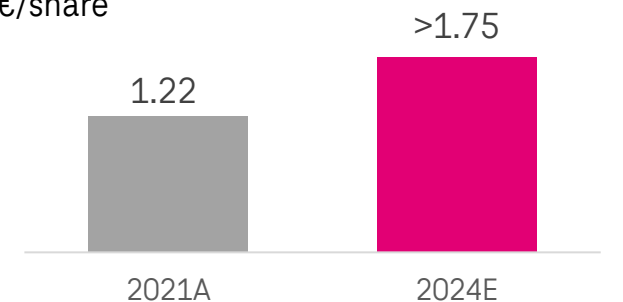
Completed sale of TMNL



## SHAREHOLDER VALUE

### Adj. EPS

€/share



DIVIDENDS

**40-60%**

of adj. EPS, with **minimum of €60 c**

# Further questions

please contact the IR department

## Investor Relations Contact details



Phone **+49 228 181 – 8 88 80**



E-mail **[investor.relations@telekom.de](mailto:investor.relations@telekom.de)**

Contact details for all IR representatives:



**[www.telekom.com/ircontacts](http://www.telekom.com/ircontacts)**



IR Webpage

**[www.telekom.com/investors](http://www.telekom.com/investors)**



@DT\_IR

IR Twitter Account

**[www.twitter.com/DT\\_IR](http://www.twitter.com/DT_IR)**



IR YouTube Channel

**[http://www.telekom.com/youtube\\_ir](http://www.telekom.com/youtube_ir)**

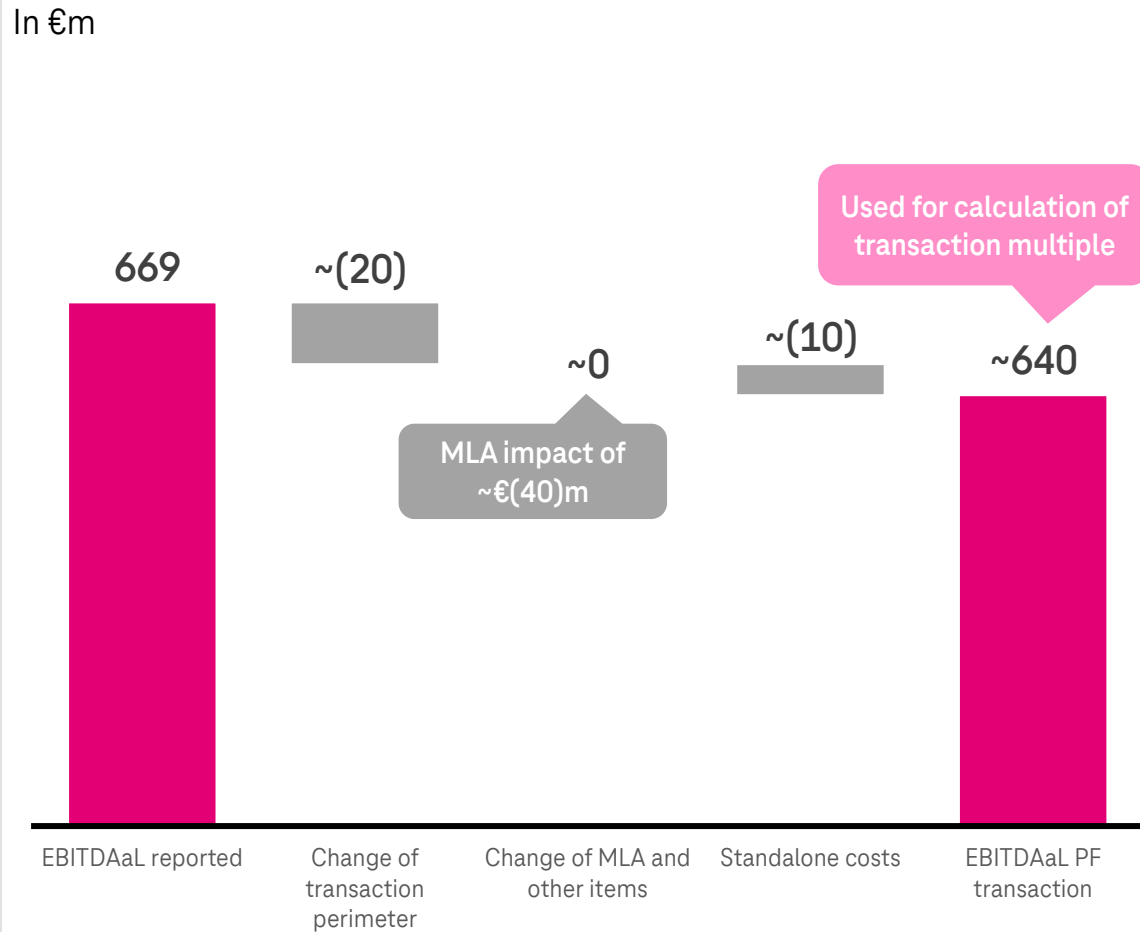




# Appendix

# Bridge to 2021A and 2022E PF adj. EBITDAaL

## FY2021 to transaction PF adj. EBITDAaL bridge



## FY2022 to transaction PF adj. EBITDAaL bridge

