S&P Global Ratings

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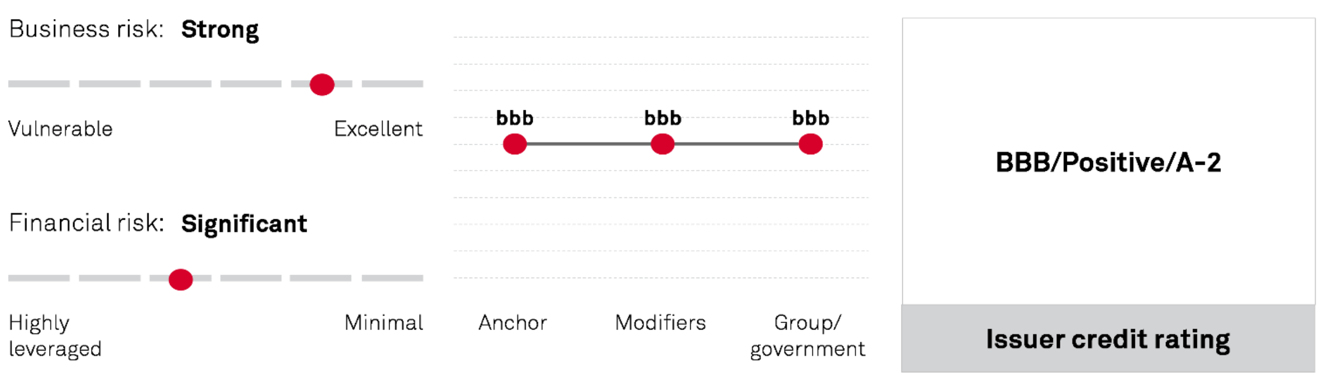
# Deutsche Telekom AG

July 4, 2022

## Ratings Score Snapshot

**PRIMARY CONTACT**

**Xavier Buffon**
Paris
33-14-420-6675
xavier.buffon
@spglobal.com




## Credit Highlights

### Overview

| Key strengths | Key risks |
|---|---|
| Leading incumbent position in fixed and mobile in the German telecom market, and a controlling stake in the No.2 U.S. mobile operator T-Mobile U.S. (TMUS) with strong spectrum holdings. | Deutsche Telekom (DT) likely to exceed the upper limit of its 2.25x-2.75x net debt to EBITDA comfort zone through 2023, although S&P Global Ratings-adjusted leverage should drop to less than 3.5x already in by year-end 2023, and further improve thereafter. |
| Rational competition in the mobile domestic market, with three established and an emerging fourth mobile network operator, and rational pricing and predictable conditions in fixed broadband. | Capital expenditure (capex) likely to remain high at about 16% of sales, excluding spectrum on average over 2022-2024, and at about 18% in Germany alone reflecting hefty spending on the FTTH roll-out. |

High-quality mobile network in Germany and a widespread super-vectoring fixed-line broadband network gradually complemented with the fiber-to-the-home (FTTH) roll-out.

Diversification and growth opportunities further underpinned by leading positions in several European fixed and mobile markets.

**The business environment in DT's largest markets is supportive.** DT has a strong, well-established incumbent position within Germany, which contributes around a quarter of the group's reported EBITDA. In the fixed-line broadband market, DT has been successful in driving up revenue per consumer, because it offered faster broadband speeds, thanks in particular to its super-vectoring technology, while the lack of a broader FTTH footprint hasn't proven problematic so far. In the mobile market, the only gradual ramping-up of a fourth player (1&1) has not created market turmoil. In the U.S., DT has a solid position through its controlled, fully consolidated subsidiary TMUS, which contributes around 60% of the group's reported EBITDA. TMUS benefits from its superior spectrum holding, first-mover advantage in 5G and cost synergies from the merger with Sprint.

**DT's credit metrics will likely reach upside triggers in full-year 2023, and further strengthen thereafter.** The group generates robust free operating cash flow (FOCF) (about €9 billion in 2021 before spectrum and after lease payments) and its sound operational performance translate into growing EBITDA. This has not yet led to stronger credit metrics, due to heavy spectrum investment in the U.S. in 2021 and recent significant increases in tower liabilities. These headwinds will subside. We believe that DT's steady operations and strong FOCF, combined with increasing cost synergies reaped in the U.S., will drive significant deleveraging by 2023. Therefore, we foresee DT's S&P Global Ratings-adjusted debt to EBITDA likely falling to less than 3.5x by 2023, down from an average of 3.8x (3.7x including the captive finance adjustment) over 2020-2022. In our view, metrics could slightly deteriorate this year on higher lease liabilities, but should sharply improve thereafter, reaching upside triggers in 2023 and progressing further in 2024.

The company's reported leverage has been outside its policy parameters since 2020, due to the acquisition of Sprint in the U.S. and spectrum investments thereafter. At this stage, we believe that DT could return to the higher end of its leverage comfort zone, of 2.25x-2.75x, in 2024, and think this will translate into S&P Global Ratings-adjusted metrics strengthening further, to comfortably less than 3.5x.

**We do not adjust pro rata for DT's effective economic interest TMUS.** Although DT's economic interest in TMUS is limited to 48%, DT effectively controls the company and fully consolidates TMUS in its results. We do not adjust the credit metrics to reflect DT's economic interest because we estimate that the difference between the full consolidation figures, as opposed to the pro rata figures, is not material and doesn't meaningfully distort the key credit metrics. In addition, we note DT intends to take a majority economic stake, through various possible mechanisms, including by not selling its TMUS shares when the latter launches share buybacks, which we have assumed will start in 2023.

**Costs of ongoing fiber layout in Germany are captured in our base case and we do not adjust pro rata for rural deployments via off-balance-sheet joint ventures (JVs) given their immateriality.** The FTTH footprint in Germany remains among the lowest in Europe, at less than 10% of households, and DT is facing competition from cable infrastructure suppliers. DT is therefore seeking to accelerate the roll-out of fiber over the "last mile" to retail customers' premises, with the aim of connecting 10 million households with optical fiber by 2024. At this stage, we do not expect net investment will increase greatly, thanks to savings generated by the shift to all internet protocol and other optimization initiatives. We also note that DT is rolling out fiber investments in rural areas through off-balance-sheet JVs, but we think they are insufficiently material for us to adjust DT's metrics pro rata in the foreseeable future.

# Outlook

The positive outlook reflects the assumption that from 2023, DT's EBITDA will sharply increase, leading to a significant reduction in leverage from 2023 onward. In particular, we anticipate that the group's adjusted leverage will drop to less than 3.5x in 2023 and further thereafter.

## Downside scenario

Failure to sufficiently strengthen credit metrics could remove the upside potential. This could stem from a more aggressive financial policy than we currently foresee, or any material operational setbacks.

## Upside scenario

We could raise the rating within two years if credit metrics sufficiently strengthen, such that S&P Global Ratings-adjusted debt to EBITDA, fund from operations (FFO) to debt, and FOCF to debt before spectrum payments improve to less than 3.5x, to 25%, and to 10%, respectively. We would also look for prospects of a further strengthening, as DT continues to move toward its financial policy parameters.

# Our Base-Case Scenario

## Assumptions

- Dollar appreciation against the euro in 2022 followed by a depreciation in 2023-2024, with an average exchange rate of $1.10 per euro in 2022, $1.13 in 2023, and $1.17 in 2024, compared with an average of $1.18 in 2021.
- Group annual revenue growth of 1% on average over 2022-2024, after an around 2% negative scope impact in 2022 from the deconsolidation of the disposed T-Mobile Netherlands, and our assumption of dollar depreciation over 2023-2024.
- A S&P Global Ratings-adjusted EBITDA margin for DT of 34% in 2022, down from 35% in 2021, due to the temporary effect of lower handset leasing revenue in the U.S., then rebounding sharply toward 40% by 2024, as cost savings from the merger integration accelerate in the U.S., and assuming moderate margin progression in Germany and Europe.
- Capex, excluding spectrum acquisitions, of about 16% of sales on average over 2022-2024, including still significant spectrum outlays that will drop sharply from 2023.
- Cash dividends of about €3.5 billion-€3.8 billion per year.
- No share buybacks in 2022, then progressively resuming in 2023 at the U.S. subsidiary. The impact of this should be mitigated once DT has secured a controlling stake in TMUS, at which time it could start to sell its TMUS shares, while keeping its controlling stake unchanged.
- About €1.7 billion of net cash proceeds in 2022 from the sale of T-Mobile Netherlands, net of the acquisition of additional shares in TMUS.
- Lease liabilities increasing about 20% in 2022 following tower contract extensions.

## Key metrics

Deutsche Telekom AG--Key Metrics

| Mil. € | 2021a | 2022f | 2023f | 2024f |
|---|---|---|---|---|
| Debt/EBITDA (x) | 3.8 | 3.8 | 3.3-3.5 | 3.1-3.3 |
| FFO/debt (%) | 21.6 | 21-22 | 24-25 | 25-27 |
| FOCF/debt (%)* | 4.0 | 9-10 | 9-11 | 13-14 |

All data adjusted by S&P Global Ratings. *Excluding spectrum. FFO--Funds from operations. FOCF--Free operating cash flow, defined as cash flow from operations after investments in property, plant, and equipment, and intangible assets. a--Actual. f--Forecast.

## Company Description

DT is one of the world's largest telecommunications operators, with headquarters in Bonn, Germany. It mainly offers fixed and mobile telecommunication services to retail and business customers, as well as IT services. The company's geographic EBITDA split in 2021 was about 40% Europe (two-thirds in Germany), and about 60% U.S. DT's largest shareholder is the German state, which has a direct stake of 14% and an indirect stake of 17% held through the German government-owned bank KfW.

## Peer Comparison

We view DT's business risk profile as the strongest in the Europe, Middle East, and Asia (EMEA) telecoms sector (see "**EMEA Telecoms: Relative Strength Ranking 2022**," published March 29, 2022, on RatingsDirect), given its strong incumbent positions in the favorable German market and the considerable scale and diversification benefits provided by its U.S. asset. We believe competition in the German market is characterized by rational mobile network pricing and predictable conditions in fixed-line broadband, and is thus benign compared with other large European markets that exhibit a higher degree of overlapping infrastructures and pricing pressures. Germany's mobile market has three established mobile networks, compared with four full-fledged operators in several other European markets. While a fourth challenger operator is now operating in Germany, it is only slowly ramping-up, and we do not expect this will lead to market turmoil, as happened in some markets in the past.

**Deutsche Telekom AG--Peer Comparisons**

| | Deutsche Telekom AG | Telefonica S.A. | Orange S.A. | Vodafone Group PLC | Verizon Communications Inc. |
|---|---|---|---|---|---|
| Foreign currency issuer credit rating | BBB/Positive/A-2 | BBB-/Stable/A-3 | BBB+/Stable/A-2 | BBB/Stable/A-2 | BBB+/Stable/A-2 |
| Local currency issuer credit rating | BBB/Positive/A-2 | BBB-/Stable/A-3 | BBB+/Stable/A-2 | BBB/Stable/A-2 | BBB+/Stable/A-2 |
| Period | Annual | Annual | Annual | Annual | Annual |
| Period ending | 2021-12-31 | 2021-12-31 | 2021-12-31 | 2021-03-31 | 2021-12-31 |
| Mil. | EUR | EUR | EUR | EUR | EUR |
| Revenue | 108,794 | 40,366 | 42,522 | 43,809 | 116,790 |

## Deutsche Telekom AG--Peer Comparisons

| | | | | | |
|---|---|---|---|---|---|
| EBITDA | 38,298 | 11,717 | 13,722 | 19,081 | 47,268 |
| Funds from operations (FFO) | 31,036 | 9,739 | 11,519 | 15,839 | 39,294 |
| Interest | 5,307 | 1,570 | 1,085 | 2,646 | 5,345 |
| Cash interest paid | 6,369 | 1,519 | 1,250 | 2,222 | 5,301 |
| Operating cash flow (OCF) | 31,868 | 10,359 | 11,416 | 15,922 | 37,099 |
| Capital expenditure | 26,154 | 6,728 | 8,773 | 8,640 | 16,218 |
| Free operating cash flow (FOCF) | 5,714 | 3,631 | 2,643 | 7,282 | 20,881 |
| Discretionary cash flow (DCF) | 2,569 | 2,000 | (20) | 4,402 | 11,697 |
| Cash and short-term investments | 7,617 | 12,415 | 8,188 | 14,980 | 2,568 |
| Gross available cash | 8,586 | 12,694 | 10,454 | 15,108 | 2,568 |
| Debt | 143,668 | 48,863 | 37,393 | 60,692 | 151,428 |
| Equity | 81,468 | 24,470 | 33,650 | 59,912 | 71,451 |
| EBITDA margin (%) | 35.2 | 29.0 | 32.3 | 43.6 | 40.5 |
| Return on capital (%) | 4.9 | 4.8 | 7.0 | 4.0 | 14.2 |
| EBITDA interest coverage (x) | 7.2 | 7.5 | 12.6 | 7.2 | 8.8 |
| FFO cash interest coverage (x) | 5.9 | 7.4 | 10.2 | 8.1 | 8.4 |
| Debt/EBITDA (x) | 3.8 | 4.2 | 2.7 | 3.2 | 3.2 |
| FFO/debt (%) | 21.6 | 19.9 | 30.8 | 26.1 | 25.9 |
| OCF/debt (%) | 22.2 | 21.2 | 30.5 | 26.2 | 24.5 |
| FOCF/debt (%) | 4.0 | 7.4 | 7.1 | 12.0 | 13.8 |
| DCF/debt (%) | 1.8 | 4.1 | (0.1) | 7.3 | 7.7 |

## Deutsche Telekom AG--Peer Comparisons

| | Deutsche Telekom AG | AT&T Inc. |
|---|---|---|
| Foreign currency issuer credit rating | BBB/Positive/A-2 | BBB/Stable/A-2 |
| Local currency issuer credit rating | BBB/Positive/A-2 | BBB/Stable/A-2 |
| Period | Annual | Annual |
| Period ending | 2021-12-31 | 2021-12-31 |
| Mil. | EUR | EUR |
| Revenue | 108,794 | 147,983 |
| EBITDA | 38,298 | 50,122 |
| Funds from operations (FFO) | 31,036 | 41,096 |
| Interest | 5,307 | 7,716 |
| Cash interest paid | 6,369 | 8,410 |
| Operating cash flow (OCF) | 31,868 | 38,796 |
| Capital expenditure | 26,154 | 13,693 |
| Free operating cash flow (FOCF) | 5,714 | 25,104 |
| Discretionary cash flow (DCF) | 2,569 | 11,677 |
| Cash and short-term investments | 7,617 | 18,613 |
| Gross available cash | 8,586 | 18,613 |

### Deutsche Telekom AG--Peer Comparisons

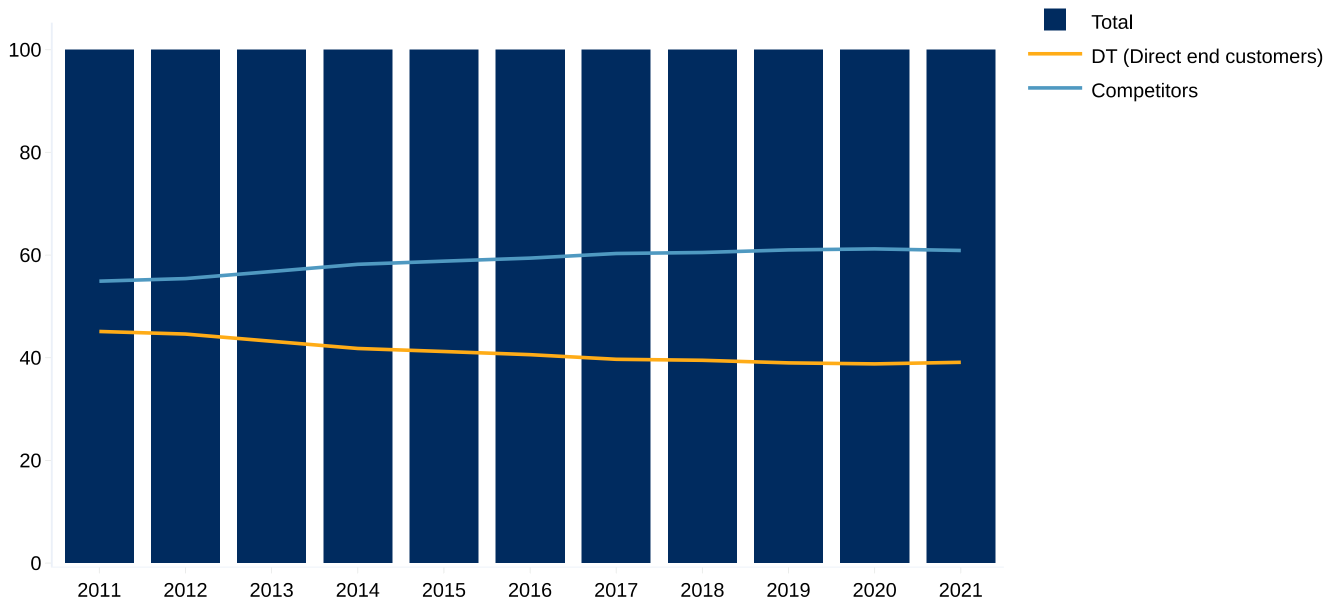
| | | |
|---|---|---|
| Debt | 143,668 | 200,907 |
| Equity | 81,468 | 151,224 |
| EBITDA margin (%) | 35.2 | 33.9 |
| Return on capital (%) | 4.9 | 7.5 |
| EBITDA interest coverage (x) | 7.2 | 6.5 |
| FFO cash interest coverage (x) | 5.9 | 5.9 |
| Debt/EBITDA (x) | 3.8 | 4.0 |
| FFO/debt (%) | 21.6 | 20.5 |
| OCF/debt (%) | 22.2 | 19.3 |
| FOCF/debt (%) | 4.0 | 12.5 |
| DCF/debt (%) | 1.8 | 5.8 |

## Business Risk

DT's strong business risk reflects market leadership positions in the German broadband and mobile market, No.2 position in the U.S. mobile market and a large-scale, broad geographic and asset diversity. In mobile, it has an over 30% market share, ahead of Telefonica O2 and Vodafone, and we do not foresee any major shifts in the next two years, given the only gradual ramping up of the fourth mobile operator, 1&1. In the U.S., TMUS is No.2 in terms of subscribers and owns substantial spectrum.

DT has about 40% of fixed broadband market share. Although its broadband market share has declined by two percentage points over 2016-2020 (see chart below), ceding a share to cable operators, it has somewhat firmed up in 2021, which we think was likely underpinned by the company's super-vectoring footprint. In the future we think the ongoing deployment of FTTH could help DT stabilize or gradually regain some of the market share it lost, a trend that occurred in other large European markets.

**Share of Fixed Broadband %**




Source : Bundesnetzagentur Annual Report 2021

## Financial Risk

We believe the group is prioritizing debt deleveraging in order to revert into its 2.25x-2.75x net debt to EBITDA comfort zone, which includes its fully consolidated U.S. operations. We think this could occur in 2024, a year after the S&P Global Ratings-adjusted leverage would likely cross the 3.5x level. This would likely position the company even more comfortably within commensurate parameters for a one notch upgrade. We therefore see a likely steady strengthening in our adjusted metrics from the next full year.

We fully consolidate the combined U.S. entity into the wider DT group in our analysis. Although DT's economic interest is limited to 48%, the company controls a majority of the voting rights. In addition, DT has available options to seize a majority economic stake in TMUS, and we believe we have factored sufficient leeway in our forecasts to reflect the potential impact of such an initiative on DT’s credit metrics.

# Debt maturities

### Deutsche Telekom AG (excluding the U.S.)--Debt Maturity As Of March 31, 2022

| Year | Amount |
|---|---|
| 2022 | €3.9 billion |
| 2023 | €3.4 billion |
| 2024 | €3.2 billion |
| 2025 | €2.0 billion |
| 2026 | €2.5 billion |
| Thereafter | €22.2 billion |

### Deutsche Telekom AG--Financial Summary

| Period ending | Dec-31-2016 | Dec-31-2017 | Dec-31-2018 | Dec-31-2019 | Dec-31-2020 | Dec-31-2021 |
|---|---|---|---|---|---|---|
| Reporting period | 2016a | 2017a | 2018a | 2019a | 2020a | 2021a |
| Display currency (mil.) | EUR | EUR | EUR | EUR | EUR | EUR |
| Revenues | 73,095 | 74,947 | 75,656 | 80,531 | 100,999 | 108,794 |
| EBITDA | 21,802 | 24,002 | 24,715 | 27,080 | 35,036 | 38,298 |
| Funds from operations (FFO) | 16,559 | 18,450 | 19,481 | 22,055 | 26,760 | 31,036 |
| Interest expense | 4,141 | 3,810 | 3,404 | 3,230 | 5,157 | 5,307 |
| Cash interest paid | 4,717 | 4,918 | 4,537 | 4,267 | 7,586 | 6,369 |
| Operating cash flow (OCF) | 17,061 | 19,456 | 19,934 | 22,832 | 24,361 | 31,868 |
| Capital expenditure | 13,476 | 19,318 | 12,202 | 14,014 | 18,360 | 26,154 |
| Free operating cash flow (FOCF) | 3,585 | 138 | 7,732 | 8,818 | 6,001 | 5,714 |
| Discretionary cash flow (DCF) | 1,877 | (1,932) | 3,387 | 5,008 | 2,934 | 2,569 |
| Cash and short-term investments | 7,757 | 3,319 | 3,679 | 5,393 | 12,939 | 7,617 |
| Gross available cash | 10,328 | 3,948 | 4,333 | 6,333 | 13,820 | 8,586 |
| Debt | 79,614 | 78,177 | 80,179 | 85,323 | 134,156 | 143,668 |
| Common equity | 39,794 | 42,470 | 43,437 | 46,231 | 72,550 | 81,468 |
| Adjusted ratios | | | | | | |
| EBITDA margin (%) | 29.8 | 32.0 | 32.7 | 33.6 | 34.7 | 35.2 |
| Return on capital (%) | 5.8 | 7.8 | 6.9 | 7.3 | 5.4 | 4.9 |
| EBITDA interest coverage (x) | 5.3 | 6.3 | 7.3 | 8.4 | 6.8 | 7.2 |
| FFO cash interest coverage (x) | 4.5 | 4.8 | 5.3 | 6.2 | 4.5 | 5.9 |
| Debt/EBITDA (x) | 3.7 | 3.3 | 3.2 | 3.2 | 3.8 | 3.8 |
| FFO/debt (%) | 20.8 | 23.6 | 24.3 | 25.8 | 19.9 | 21.6 |
| OCF/debt (%) | 21.4 | 24.9 | 24.9 | 26.8 | 18.2 | 22.2 |
| FOCF/debt (%) | 4.5 | 0.2 | 9.6 | 10.3 | 4.5 | 4.0 |

## Deutsche Telekom AG--Financial Summary

| | | | | | | |
|---|---|---|---|---|---|---|
| DCF/debt (%) | 2.4 | (2.5) | 4.2 | 5.9 | 2.2 | 1.8 |

## Reconciliation Of Deutsche Telekom AG Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | Dec-31-2021 | | | | | | | | | |
| Company reported amounts | 111,466 | 42,678 | 108,794 | 40,538 | 13,057 | 5,052 | 38,298 | 32,171 | 3,145 | 26,365 |
| Cash taxes paid | - | - | - | - | - | - | (893) | - | - | - |
| Cash interest paid | - | - | - | - | - | - | (6,158) | - | - | - |
| Trade receivables securitizations | 2,265 | - | - | - | - | - | - | (92) | - | - |
| Lease liabilities | 33,134 | - | - | - | - | - | - | - | - | - |
| Postretirement benefit obligations/ deferred compensation | 5,877 | - | - | (87) | (87) | 89 | - | - | - | - |
| Accessible cash and liquid investments | (5,509) | - | - | - | - | - | - | - | - | - |
| Capitalized interest | - | - | - | - | - | 211 | (211) | (211) | - | (211) |
| Share-based compensation expense | - | - | - | 540 | - | - | - | - | - | - |
| Asset-retirement obligations | 2,051 | - | - | - | - | (45) | - | - | - | - |
| Nonoperating income (expense) | - | - | - | - | 353 | - | - | - | - | - |
| Noncontrolling/ minority interest | - | 38,790 | - | - | - | - | - | - | - | - |
| Debt: Derivatives | (2,162) | - | - | - | - | - | - | - | - | - |
| Debt: other | (3,454) | - | - | - | - | - | - | - | - | - |
| EBITDA - Gain/(loss) on disposals of PP&E | - | - | - | 161 | 161 | - | - | - | - | - |

## Reconciliation Of Deutsche Telekom AG Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA: Business divestments | - | - | - | (214) | (214) | - | - | - | - | - |
| EBITDA: other | - | - | - | (2,640) | (2,640) | - | - | - | - | - |
| D&A: Impairment charges/ (reversals) | - | - | - | - | 36 | - | - | - | - | - |
| Total adjustments | 32,202 | 38,790 | - | (2,240) | (2,391) | 255 | (7,262) | (303) | - | (211) |
| **S&P Global Ratings adjusted** | **Debt** | **Equity** | **Revenue** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from Operations** | **Operating cash flow** | **Dividends** | **Capital expenditure** |
| | 143,668 | 81,468 | 108,794 | 38,298 | 10,666 | 5,307 | 31,036 | 31,868 | 3,145 | 26,154 |

# Liquidity

We assess DT's liquidity as strong based on our expectation that liquidity sources will exceed uses 1.5x in the 12 months started March 31, 2022, and by more than 1.0x in the subsequent 12 months. In addition, we think DT enjoys a high standing in capital markets and well-established, solid relationships with its banks, as demonstrated by frequent issuance of notes and credit facilities to a variety of investors and in multiple currencies.

## Principal liquidity sources

- Cash and liquid investments of about €7 billion (excluding the U.S.).
- €12.6 billion available under undrawn committed credit facilities which do not contain covenants nor material adverse clauses.
- Cash FFO (excluding the U.S.) of about €9 billion.

## Principal liquidity uses

- Debt maturities of about €4.1 billion.
- Capex (excluding the U.S. and spectrum payments) of about €8 billion.
- Dividend payments of €3.5 billion.
- €2.1 billion spent on TMUS share acquisitions from Softbank.

# Covenant Analysis

## Requirements

DT is not subject to any maintenance covenants in its outstanding bonds or existing credit facilities.

## Environmental, Social, And Governance

### ESG Credit Indicators

| E-1 | **E-2** | E-3 | E-4 | E-5 | S-1 | **S-2** | S-3 | S-4 | S-5 | **G-1** | G-2 | G-3 | G-4 | G-5 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

| Environmental | Social | Governance |
|---|---|---|
| - N/A | - N/A | - Risk management, culture, and oversight |

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021. N/A--Not applicable.

Governance factors are a moderately positive consideration in our credit rating analysis of DT. This reflects DT's deep and broad management expertise and its strong operational track record, as illustrated by the company's successful diversification into the U.S., the ongoing integration of Sprint within TMUS, which has gone smoothly so far, and the execution to date of DT's available options to regain a majority economic interest in the combined U.S. operations.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

About half of consolidated external debt is at the U.S. level, and the rest mainly at the parent or fully owned subsidiary DT Finance. The latter is used as a finance vehicle and its issues are guaranteed by the parent. Based on the 48% existing economic stake of DT in U.S. subsidiary TMUS, the structural subordination ratio is about 40%.

### Analytical conclusions

Although parent-level creditors will be structurally subordinated in respect to the U.S. assets, which carry a high level of debt, we continue to rate the unsecured debt at DT at the same level as the issuer credit rating. This considers that the pro rata structural subordination ratio remains lower than 50%. In addition, we note the liquid and considerable equity value of DT's stake in TMUS, which provides a strong cushion to the creditors at parent level. Conversely, in the situation of a default at TMUS, the equity value would likely remain substantial, given the value of spectrum and network assets. Moreover, a substantial proportion of cash flows come from outside the U.S., while DT's debt is not cross-defaulted with its U.S. subsidiary's debt and the latter does not benefit from any guarantee from the parent.

### Rating Component Scores

| | |
|---|---|
| **Foreign currency issuer credit rating** | **BBB/Positive/A-2** |
| **Local currency issuer credit rating** | **BBB/Positive/A-2** |
| **Business risk** | **Strong** |
| Country risk | Very Low |
| Industry risk | Intermediate |
| Competitive position | Strong |
| **Financial risk** | **Significant** |
| Cash flow/leverage | Significant |
| **Anchor** | **bbb** |
| Diversification/portfolio effect | Neutral (no impact) |
| Capital structure | Neutral (no impact) |
| Financial policy | Neutral (no impact) |
| Liquidity | Strong (no impact) |
| Management and governance | Strong (no impact) |
| Comparable rating analysis | Neutral (no impact) |
| **Stand-alone credit profile** | **bbb** |

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Dec. 14, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

### Ratings Detail (as of July 04, 2022)*

| | |
|---|---|
| **Deutsche Telekom AG** | |
| Issuer Credit Rating | BBB/Positive/A-2 |

## Ratings Detail (as of July 04, 2022)*

| | |
|---|---|
| Commercial Paper | |
| *Foreign Currency* | A-2 |
| Senior Unsecured | BBB |
| **Issuer Credit Ratings History** | |
| 22-Apr-2022 | BBB/Positive/A-2 |
| 01-Apr-2020 | BBB/Stable/A-2 |
| 29-Apr-2018 | BBB+/Watch Neg/A-2 |
| **Related Entities** | |
| **Deutsche Telekom International Finance B.V.** | |
| Issuer Credit Rating | BBB/Positive/A-2 |
| **Hellenic Telecommunications Organization S.A.** | |
| Issuer Credit Rating | BBB/Positive/A-2 |
| **Sprint Capital Corp.** | |
| Issuer Credit Rating | BB+/Watch Pos/NR |
| **Sprint Communications Inc.** | |
| Issuer Credit Rating | BB+/Watch Pos/NR |
| Senior Unsecured | BB+/Watch Pos |
| **Sprint Corp.** | |
| Issuer Credit Rating | BB+/Watch Pos/-- |
| Senior Unsecured | BB+/Watch Pos |
| **T-Mobile USA Inc.** | |
| Senior Secured | BBB- |
| Senior Unsecured | BB+/Watch Pos |
| **T-Mobile US Inc.** | |
| Issuer Credit Rating | BB+/Watch Pos/-- |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.