FitchRatings

RATING ACTION COMMENTARY

Fitch Upgrades Deutsche Telekom to 'A-'; Outlook Stable

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Fitch Ratings - Paris - 22 Jun 2026: Fitch Ratings has upgraded Deutsche Telekom AG's (DT) Long-Term Issuer Default Rating (IDR) and senior unsecured rating to 'A-' from 'BBB+'. The Outlook on the IDR is Stable. A full list of rating actions is below.

The upgrade reflects DT's improving operating profile in the US, stronger cash flow generation and increasing financial flexibility, supported by its growing shareholding in its key subsidiary, T-Mobile US, Inc. (BBB+/Positive). These strengths are further complemented by strong geographic and business diversification across Germany, the US and several European countries.

T-Mobile US has matured sufficiently to pay sustainably high dividends and return cash to shareholders through significant share buy-backs. In addition, DT projects cumulative surplus cash flow of EUR15 billion by 2027 as per its strategic update in February 2026, assuming net leverage close to its target of up to 2.75x and undertaking significant operational investments.

KEY RATING DRIVERS

T-Mobile US's Improving Credit Quality: DT's credit profile benefits from the improving credit quality of its key subsidiary, T-Mobile US, which accounted for two-thirds of the group's adjusted EBITDA in 2025. Fitch revised the Outlook on T-Mobile US's 'BBB+' IDR to Positive in May 2026, reflecting strong operating momentum and improved free cash flow (FCF) generation.

Since the Sprint acquisition in April 2020, T-Mobile US has materially increased its scale and market shares, supported by solid spectrum holdings. Fitch expects EBITDA leverage to remain close to mid-2.0x over the next few years, despite higher shareholder returns and investments. (CFO-capex)/debt exceeded 21% in 2024-2025.

Increasing T-Mobile US Shareholding Positive: DT's increasing stake in T-Mobile US above the controlling level enhances its financial flexibility. DT announced its intention not to participate in T-Mobile US's share buy-backs in 2026, which could increase its stake to above 54% by end-2026 compared with 53.8% as of April. We believe DT will continue to view T-Mobile US as a strategic investment and ensure that it retains a majority stake in the company. However, any shareholding above the controlling level is potentially available for divestment if necessary.

Surplus Cash at T-Mobile US: Strong cash generation at T-Mobile US is leading to a substantial amount of unallocated cash, with positive implication for the group and parent DT. T-Mobile US estimated that more than USD22 billion of its remaining USD50 billion capital allocation envelope through 2027 was available for growth investments, deleveraging and additional shareholder remuneration, on top of up to USD30 billion earmarked for shareholder returns, as estimated in February 2026 by VATM (German telecoms industry association).

Sustainable Domestic Market Leadership: DT has a structurally strong position in its domestic market, which we expect it to defend, supported by significant investment. Overall, DT is investing ahead of its domestic competitors, with its share of nationwide telecoms infrastructure investment at 37% (VATM estimates). Its proactive capex strategy supports strong infrastructure quality and customer gains, with its overall domestic revenue market share approaching 27% in 2026 compared with 24% in 2020. DT held 40% of the retail broadband subscriber market and a 33% mobile revenue market share in Germany in 2025 (VATM estimates).

Robust Pan-European Operations: DT's European operations have a moderate, but overall positive, impact on the company's credit profile, mainly through geographic diversification benefits. These operations are profitable and cash flow generative, as suggested by adjusted EBITDA after leases minus cash capex of EUR2.6 billion in both 2025 and 2024. The company recorded 33 consecutive quarters of EBITDA margin improvement to end-1Q26, with European profitability broadly converging with domestic levels.

No Government Support: We do not factor governmental support into DT's ratings. We believe any efforts to support the company would likely be focused exclusively on its domestic operations and only after other options, including international divestments, had been exhausted, potentially at a lower rating level. The German state (AAA/Stable) holds a direct 14.2% stake in the company, while state-affiliated development bank KfW (AAA/Stable) holds another 14.4%.

Proportionate and DT-ex US Metrics: DT's controlling stake in T-Mobile US allows it to fully consolidate the subsidiary in its accounts. However, the significant minority interest in T-Mobile US, weak legal and operational ties with DT, and T-Mobile US's standalone funding structure highlight the analytical relevance of leverage metrics calculated on both a DT-excluding US (DT-ex US) and a proportional consolidation basis.

Strong DT-ex US Credit Profile: We view DT-ex US's leverage as comfortable and expect it to remain strong, at below 2x. We estimate it was 1.7x at end-2025, with cash dividends from T-Mobile US treated as sustainable and added to DT-ex US's EBITDA for metric calculation purposes. T-Mobile US no longer requires funding support from its parent, given its strong FCF generation and fully independent funding profile, which increase the analytical significance of DT-ex US metrics. Moreover, DT's support is prohibited as T-Mobile US is not considered a group company for financing purposes. The last portion of DT-held T-Mobile US debt was repaid in February 2026.

Moderate Proportional Leverage: We view DT's net leverage as moderate overall and expect it to remain within its guidance of below 2.75x (under the company's definition), likely about 0.4x lower under Fitch's approach on a proportional consolidation basis after adjustments for leases and certain other items. In view of its ample financial flexibility, supported by its increasing equity stake in T-Mobile US, DT is well positioned to mitigate quickly any potential impact from M&A or extraordinary investments in spectrum.

PEER ANALYSIS

DT's size, profitability and cash flow generation are comparable with those of Verizon Communications Inc. (A-/Stable), supported by T-Mobile US's expanded scale and strengthened operational franchise in the US. Verizon is the leading US mobile operator with a stronger broadband franchise and a lower net leverage target of 2.0x-2.25x.

DT continues to lag Verizon in US market share, but this is offset by broader geographical and business diversification through its German and wider European operations. Another direct US peer, Comcast Corp. (A-/Stable), benefits from broad business diversification, with leading positions across cable/broadband, entertainment and global theme parks, which mitigates the impact of competitive pressure in any single segment.

Outside the US, DT is comparable with other western European diversified telecoms operators with similarly strong domestic operations and a geographically diversified portfolio of international businesses, such as Orange S.A. (BBB+/Stable), Vodafone Group Plc (BBB/Stable) and Telefonica SA (BBB/Stable). DT's superior financial flexibility, driven by its sizeable US operations, supports a leverage sensitivity threshold of up to 0.5x wider, on a proportional consolidation basis, set at 2.5x.

FITCH'S KEY RATING-CASE ASSUMPTIONS

Fitch's Key Assumptions within our Rating Case for the Issuer

All assumptions, unless otherwise stated, relate to DT's reported numbers that fully consolidate T-Mobile US.

- Low- to mid-single-digit revenue growth a year, with stronger growth in the US in 2026-2029

- Fitch-defined EBITDA margin gradually improving to 39% in 2029 from 36% in 2025

- Capex averaging 14% of revenue in 2026-2029

- Negative working capital averaging slightly above 1% of revenue in 2026-2029

- Share buy-backs at DT-level of EUR2 billion a year in 2026-2029 (DT provided up to EUR2 billion share buy-back guidance for 2026 only)

- EUR/USD exchange rate of 1.17 in 2026-2029

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bbb', Lower), market and competitive positioning ('a', Higher), diversification and asset quality ('a', Higher), company operational characteristics ('a', Moderate), profitability ('a-', Moderate), financial structure ('bbb+', Higher), and financial flexibility ('bbb+', Lower). The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

The Governance assessment of 'Good' has no impact.

The Operating Environment assessment of 'aa-' has no impact.

The SCP is 'a-'.

To derive the Long-Term IDR:

Fitch made no adjustments to the SCP, resulting in an IDR of 'A-'.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- EBITDA net leverage on a proportionate basis for T-Mobile US sustained above 2.5x (2.2x in 2025) and above 2.0x on a DT-ex US basis (with stable dividends from T-Mobile US treated akin to EBITDA) (1.7x at end-2025), without a credible plan to reduce leverage within 18-24 months

- Pressure on FCF, driven by EBITDA margin erosion, consistently higher capex and shareholder distributions, or significant underperformance in core segments

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

A positive rating action is unlikely in the medium term but positive factors in the long term include:

- EBITDA net leverage on a proportionate basis for T-Mobile US sustained below 1.5x and below 1x on a DT-ex US basis

- Continued market leadership with growing market shares in the US and Germany and wider business diversification including into broadband/fiber

LIQUIDITY AND DEBT STRUCTURE

DT aims to maintain sufficient liquidity to cover 24 months of debt maturities. At end-1Q26, DT had liquidity reserves of EUR17.6 billion, excluding T-Mobile US, comprising EUR5.6 billion cash and cash equivalents and EUR12 billion undrawn committed credit facilities, versus EUR1.8 billion maturities in 2Q26-4Q26 and EUR3.5 billion in 2027.

ISSUER PROFILE

DT is one of the world's largest integrated telecommunications companies. It is the incumbent telecom operator in Germany, with leading positions in fixed and mobile, and has a strong US presence through T-Mobile US (share: 53.8% as of April 2026).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for DT.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Deutsche Telekom International Finance B.V.				

senior unsecured	LT	A-	Upgrade	BBB+
Deutsche Telekom AG	LT IDR	A- Rating Outlook Stable	Upgrade	BBB+ Rating Outlook Stable
	ST IDR	F2	Affirmed	F2
senior unsecured	LT	A-	Upgrade	BBB+
senior unsecured	ST	F2	Affirmed	F2

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 02 Aug 2024) (including rating assumption sensitivity)

Corporate Rating Criteria (pub. 09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 09 Jan 2026)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Deutsche Telekom AG	EU Issued, UK Endorsed
Deutsche Telekom International Finance B.V.	EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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