

Deutsche Telekom Q3/2020 results



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Disclaimer

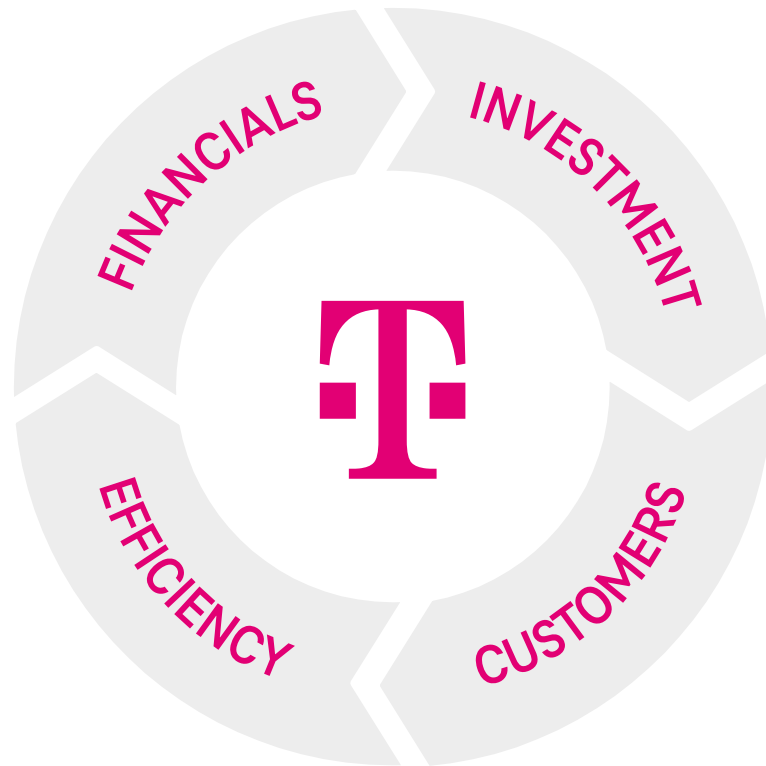
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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, adjusted 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.

9M/2020 results

sector leading growth



- Successful Q3 for New T-Mobile
- T-Mobile making strong progress with 5G/integration
- Ongoing strong organic operational performance in Europe: Germany 16th, Europe 11th consecutive quarter of EBITDA growth
- BB-net adds in GER doubled yoy. Line losses cut by two thirds
- Clean sweep of German service awards
- Benchmark fiber wholesale agreement with TEF D
- 2020 Group EBITDA AL guidance up €1bn to at least €35bn, driven by upgrades in the US and Europe, FCF guidance up to at least €6bn
- €17bn capex in 2020, unchanged
- Leverage ratio w/o leases down to 2.5x
- 2020 dividend 60 cents¹

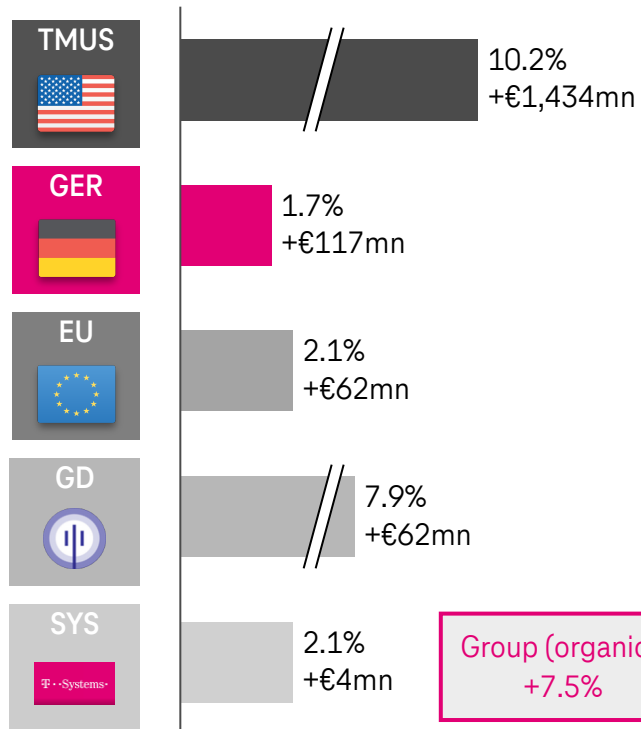
1) Subject to necessary board resolutions and AGM approval

9M/2020

we grow, despite Covid-19

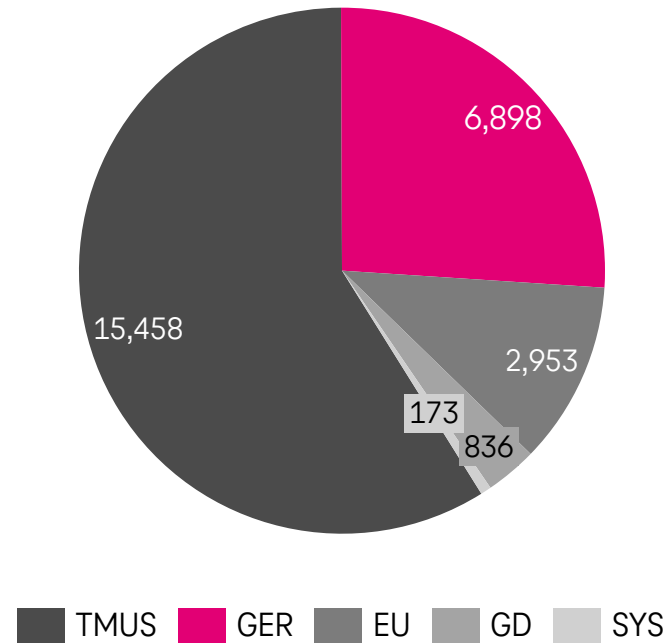


Adj. EBITDA AL (organic growth)



Adj. EBITDA AL¹

€ mn



9M/2020 reported growth

Revenue	+24.0%
Adj. EBITDA AL	+39.4%
Adj. EBITDA AL (excl. US)	+3.2%
Adj. net profit	+3.6%
Net profit	-22.6%
Adj. EPS (in €)	+3.6%
Free cash flow AL	+1.8%
Cash capex	+14.6%
Net debt AL	+52.7%

1) Excl. GHS, as reported

US merger delivering the benefits

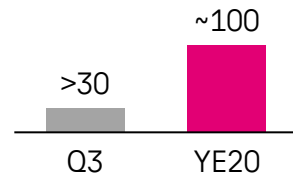


Operational progress

- Successful commercial integration
 - Rebranding executed in August
 - 2.0mn postpaid net adds in Q3
 - 0.9% postpaid phone churn in Q3

• Progress with network integration

POPs passed with 2.5GHz 5G



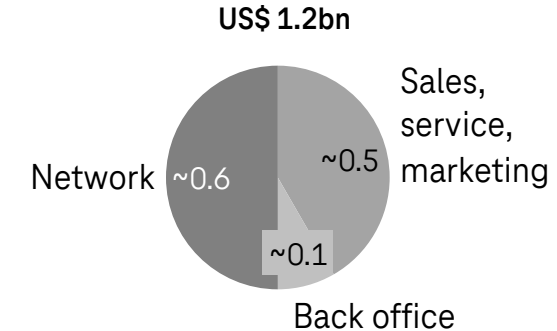
- 15% of Sprint traffic on TMUS network
- 85% of Sprint handsets compatible
- 15 year lease deal with AMT

• Extensive refinancing

- US\$28bn refinanced since April close
- Maturities from 4.3 to 9.2 years, average cost of debt to c5.1% from c5.6%

Financial progress

- Confirming target US\$6bn synergy run-rate, and US\$43bn NPV
- US\$1.2bn synergies expected already in 2020



- YTD merger-related opex US\$1.2bn; Q4 expected at US\$0.5-0.7bn
- 2020 guidance upgraded



Merger well on track to deliver benefits to customers and shareholders

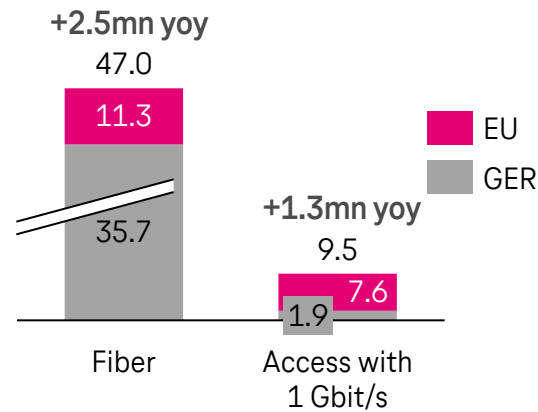
Investments

driving network leadership



Fiber networks

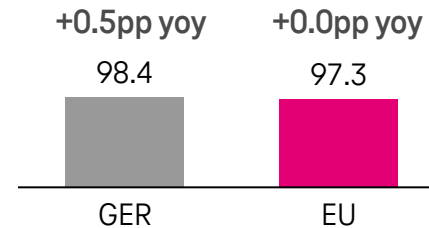
Fiber households¹
mn



- GER/EU: FTTH build accelerating
- GER: 28mn HHs passed with super-vectoring
- GER: benchmark wholesale agreement with TEF D

Mobile networks

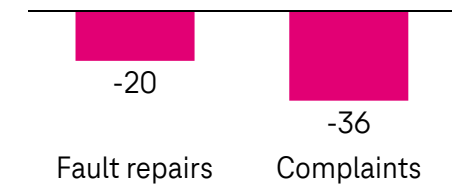
LTE outdoor POP coverage
%



- Clear 5G leadership in Germany
- 1,800 sites rolled out in the last 12 months
- T-Mobile moving fast to deploy market leading network

Agility

Improvement in service parameters (GER)
% yoy



- GER: further improvement in service KPIs
 - 1st contact resolution rate up 24%
 - Winner of “Chip” hotline test in all 4 categories
- EU
 - App penetration of 59%, up 15pp

1) EU9: ≥ 100 Mbit/s coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. GER: FTTC and FTTH/B lines

Investments/5G

leading across the footprint



Germany

Covered POPs

- >50% already covered with 2x15 MHz of 2.1 GHz. Target 2/3 coverage by year end 2020
- Top 20 cities to be covered with 3.6 GHz by YE 2020
- Handset portfolio already includes 27 5G-enabled devices



>50%



9M/20

TMUS

Covered POPs

- Launch of world's first nationwide standalone 5G network
- >270mn POPs covered with 600 MHz, double the geographic coverage of AT&T and Verizon combined
- 2.5 GHz 5G live in 400+ cities, with 300 Mbit/s average speed covering >30mn POPs. YE 2020 target: 100mn POPs, 200mn next year



>80%



9M/20

5G
2020

Netherlands

Covered POPs

- Launch of 5G in 700 MHz
- Nationwide POP coverage achieved end of October



90%



9M/20

EU



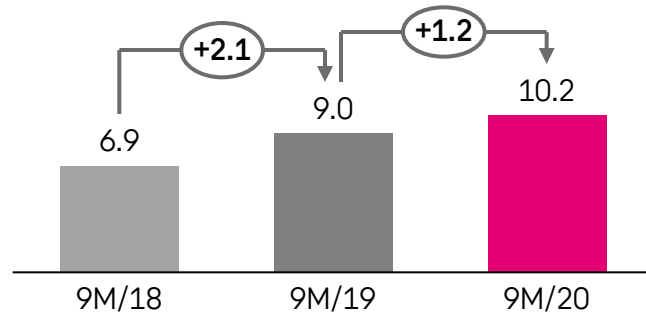
- Off to a strong start in many NatCos
- Austria: 25% coverage
- Poland: 1,600 5G base stations cover 6mn POPs
- Hungary: 5G launched commercially in mid-April

Customers growing strongly



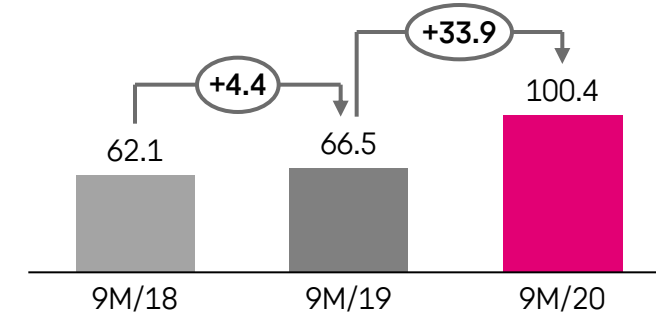
MagentaONE (GER + EU)

mn



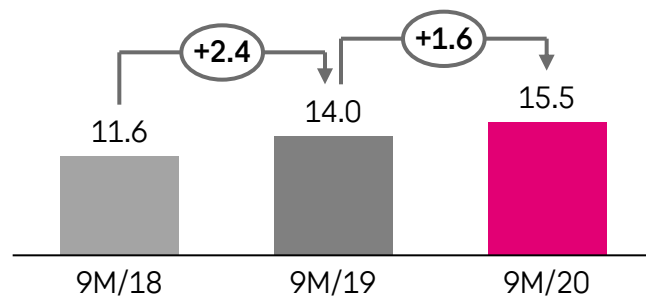
Mobile customers (US)^{1,2}

mn



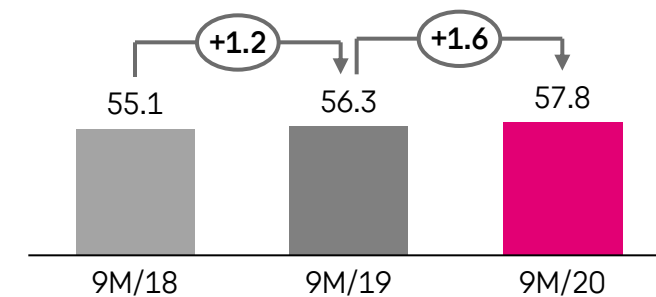
Fiber (GER)

mn



Mobile contract customers (GER + EU + NL)²

mn



1) Mobile customers w/o wholesale, adjusted for "boost" subscribers 2) Change in base. Figures not adj. for acquisitions or disposals.

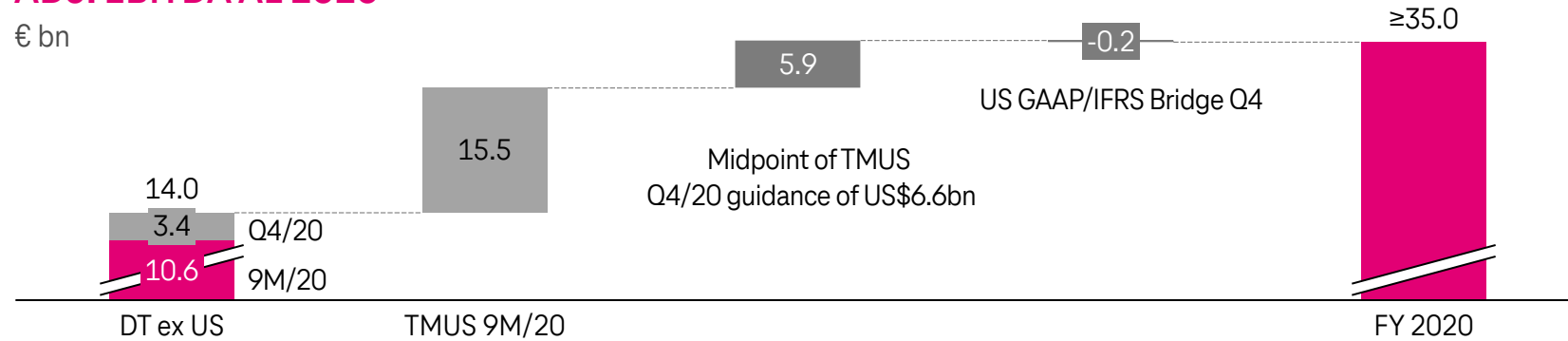
Guidance

raised in US and in Europe, despite Covid-19



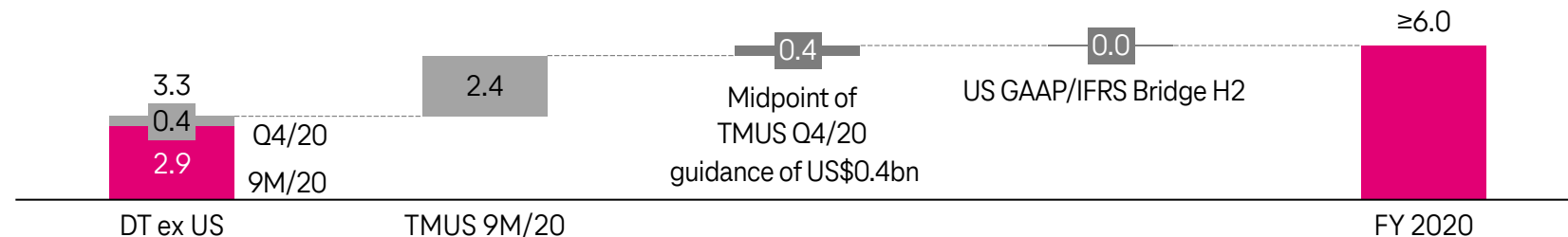
ADJ. EBITDA AL 2020

€ bn



FCF AL 2020

€ bn



Ex US guidance raised

- Adj. EBITDA AL: around €14.0bn (+0.1bn)
- FCF AL: around €3.3bn
- Cash capex around €7.8bn

Raised US guidance for Q4 reflected:

- TMUS EBITDA, FCF and cash capex included with mid-point of TMUS guidance
- Q4 US\$ F/X at 1.12

New group guidance

- Adj. EBITDA AL: at least € 35bn (+1bn)
- FCF AL: at least €6bn (+0.5bn)
- Cash capex: around €17bn (unchanged)

Review Q3/2020



LIFE IS FOR SHARING.

Financials

strong growth

€ mn

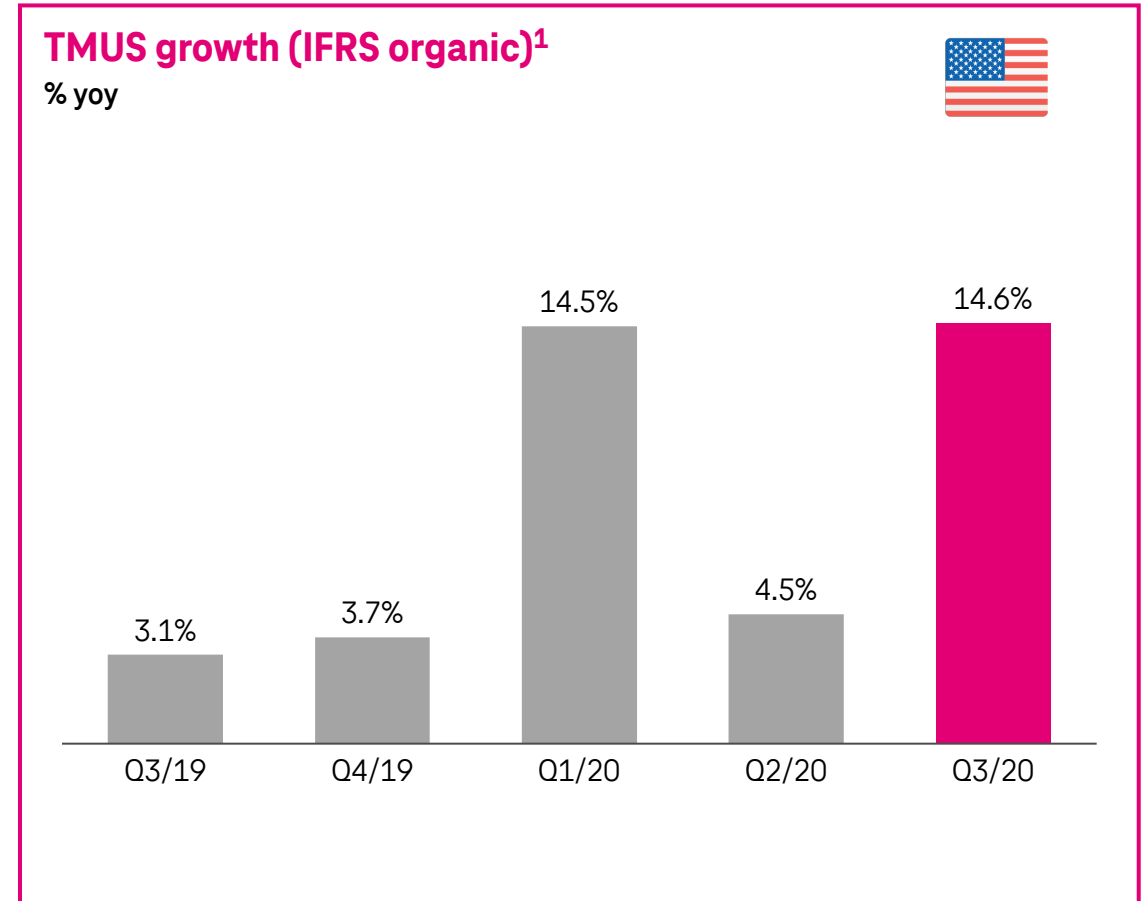
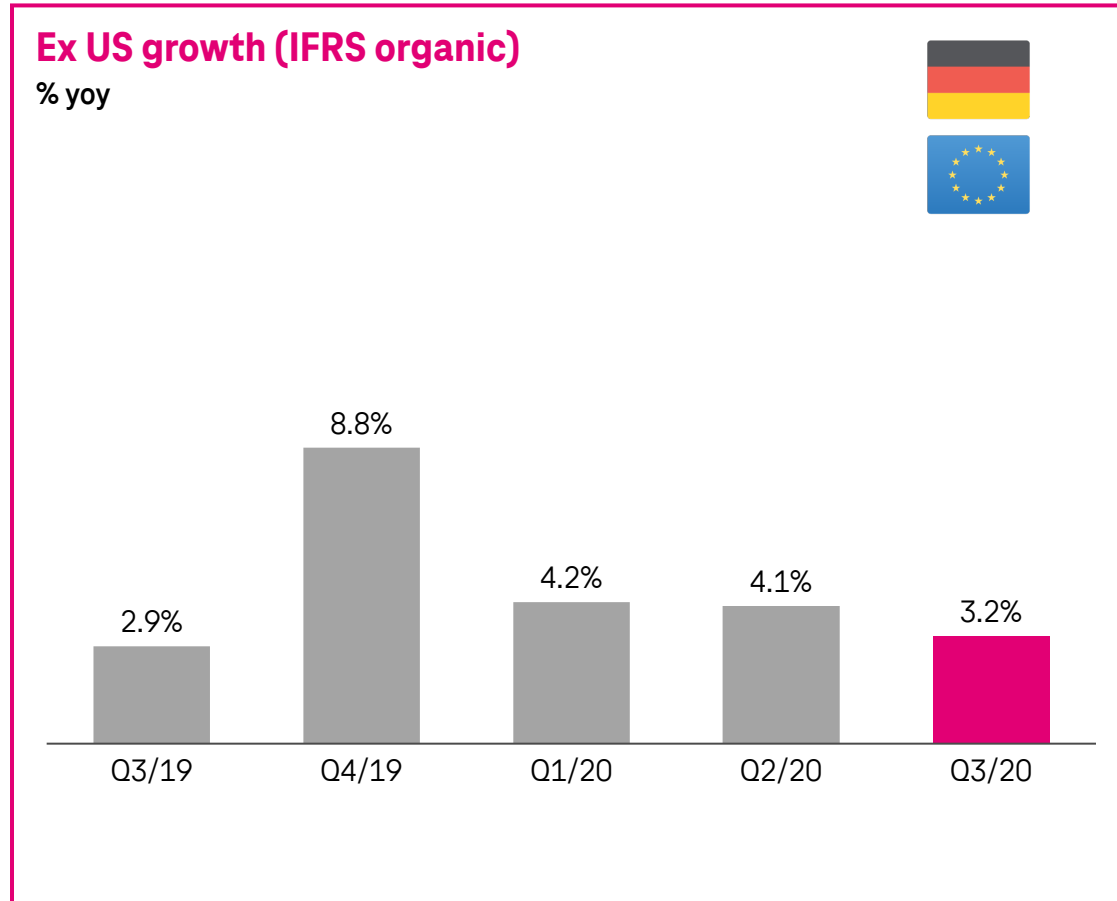
	Q3			9M		
	2019	2020	Change	2019	2020	Change
Revenue	20,017	26,393	+31.9%	59,169	73,377	+24.0%
Adj. EBITDA AL	6,478	9,692	+49.6%	18,701	26,065	+39.4%
Adj. EBITDA AL (excl. US)	3,605	3,698	+2.6%	10,277	10,608	+3.2%
Adj. net profit	1,420	1,509	+6.3%	3,932	4,072	+3.6%
Net profit	1,368	817	-40.3%	3,213	2,487	-22.6%
Adj. EPS (in €)	0.30	0.32	+6.7%	0.83	0.86	+3.6%
Free cash flow AL ^{1,2}	2,147	1,634	-23.9%	5,250	5,347	+1.8%
Cash capex ²	3,037	4,490	+47.9%	10,043	11,512	+14.6%
Net debt	78,807	124,521	+58.0%	78,807	124,521	+58.0%
Net debt AL	60,742	92,737	+52.7%	60,742	92,737	+52.7%

1) 9M/20 before €1,600mn zero bond redemption (in Q1) and before €2,157mn US payer swap payment (in Q2)

2) Free cash flow AL before dividend payments and spectrum investment. Spectrum: Q3/19: €143mn; Q3/20: €273mn, 9M/19: €1,164mn, 9M/20: €1,368mn





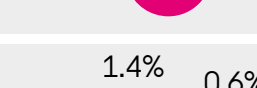
EBITDA AL

growth on both sides of the Atlantic



1) Sprint included since Q2/20

Covid-19 impacts expected headwinds

	Maximum possible exposure (ex US)	Q3/2020 estimated impact
Retail roaming revenue	 ~€0.35bn	€65mn
Mobile handset revenue	 ~€3.5bn	Limited impact
ICT revenue	 ~€9bn ¹	~€100mn
Fixed call revenue	 ~€0.6bn	~+€10mn
Bad debt	 ~€0.3bn	Limited impact
EBITDA AL (ex US)	<ul style="list-style-type: none"> • Q3 EBITDA ex US +3% organic • Limited impact in H1 but Q3 estimated impact c€0.1bn • Strong fundamentals nevertheless allow us to raise 2020 guidance from €13.9 to €14.0bn 	

1) Split in previous reporting structure

Germany

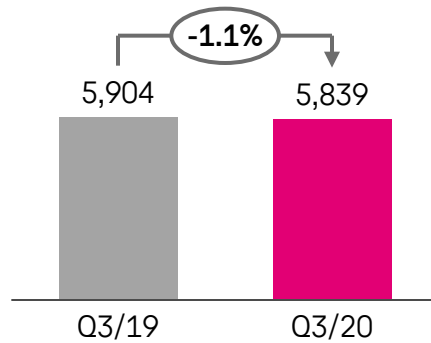
revenue decline due to lower equipment revs, EBITDA growing



Revenues

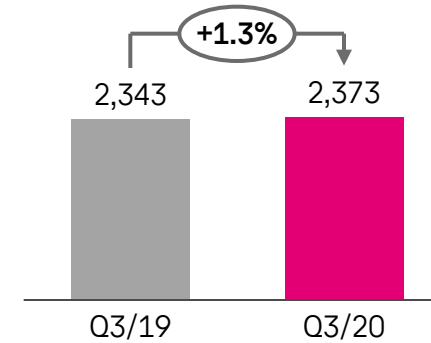
€ mn

- Handset related around -1.5pp
- Covid-19 related >1pp



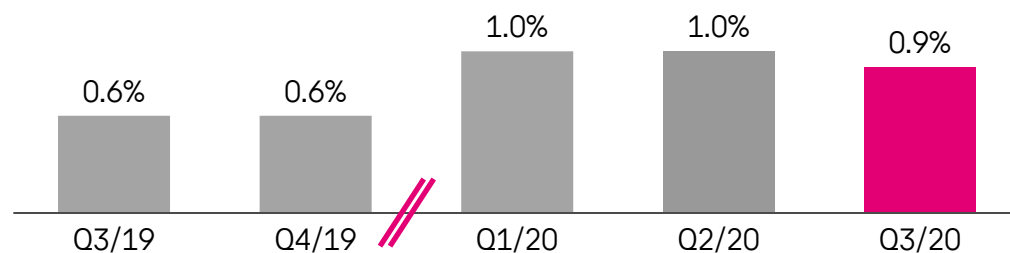
Adj. EBITDA AL

€ mn



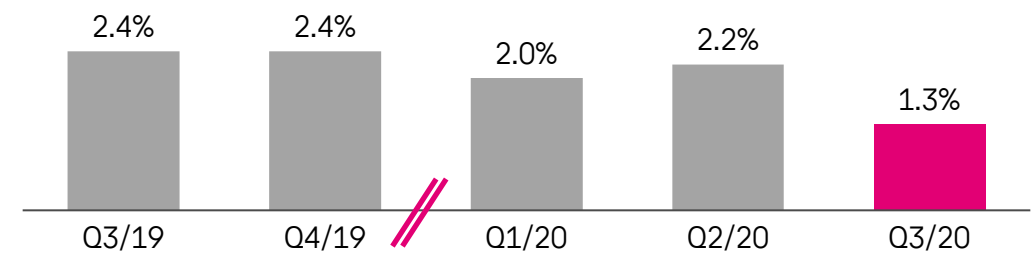
Total service revenue growth¹

% yoy



Adj. EBITDA AL growth (organic)¹

% yoy



1) 2020 quarterly trends in new reporting structure

Germany

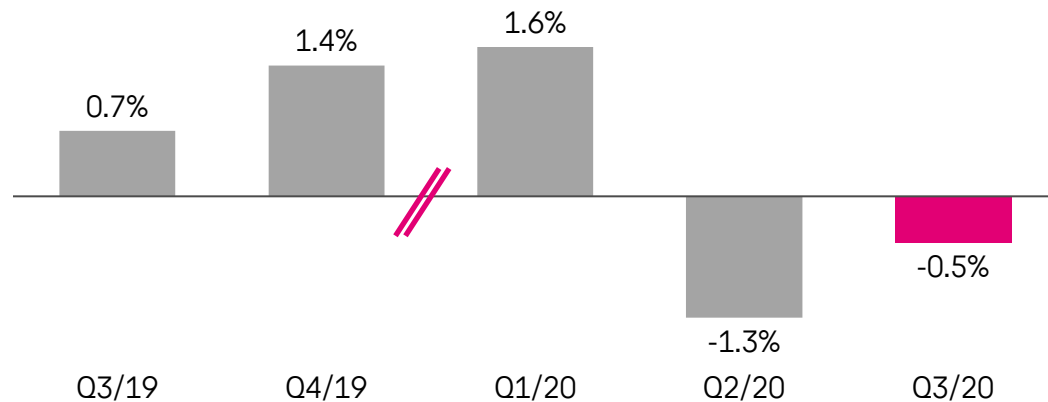
fixed line service revenues growing, mobile c2% ex Covid-19



Mobile service revenue growth¹

% yoy

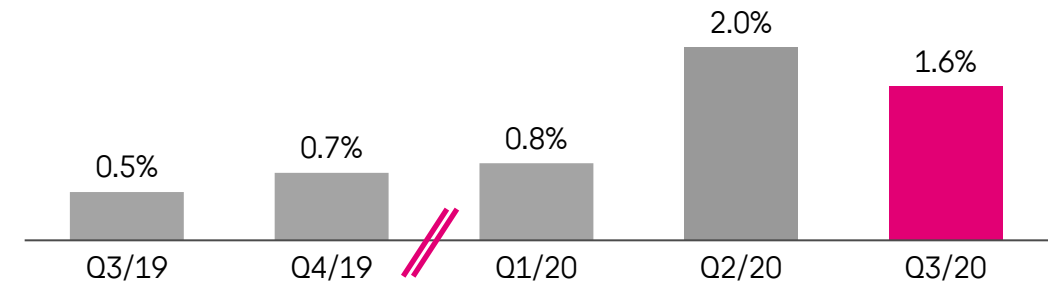
- Covid-19 related headwind on roaming (c1.9pp) and on visitor revenues
- Ex Covid-19 growth +c2%



Fixed service revenue growth¹

% yoy

- Decreasing line losses and growing broadband net adds
- 0.2pp Covid-19 related tailwind from fixed calls in Q3 after 1.1pp in Q2



1) 2020 quarterly trends in new reporting structure

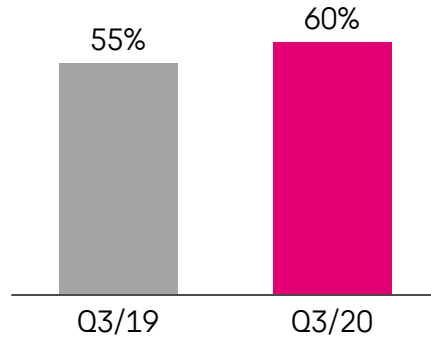
Germany

positive mobile KPIs



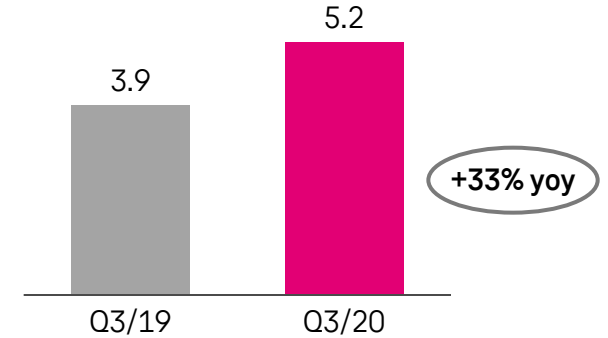
MagentaEINS share (mobile)¹

%



Data usage³

GB



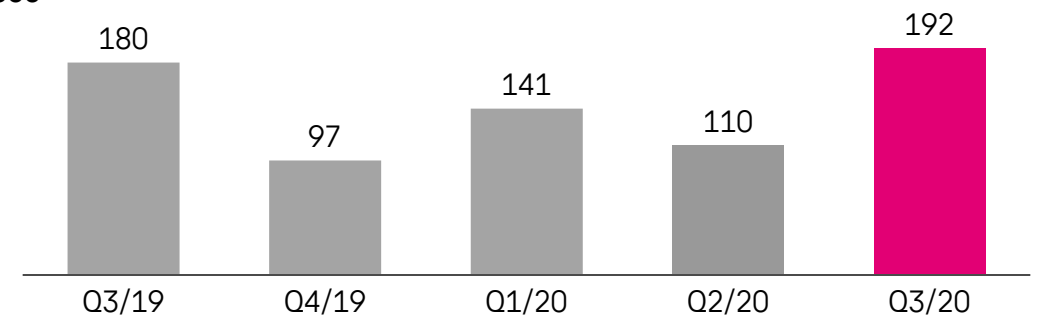
Churn²

%



Branded contract net adds⁴

000



1) As % of B2C T-branded contract customers 2) Contract excl. Lebara 3) Per month of B2C T-branded contract customers 4) Of own branded retail customers excl. multibrand

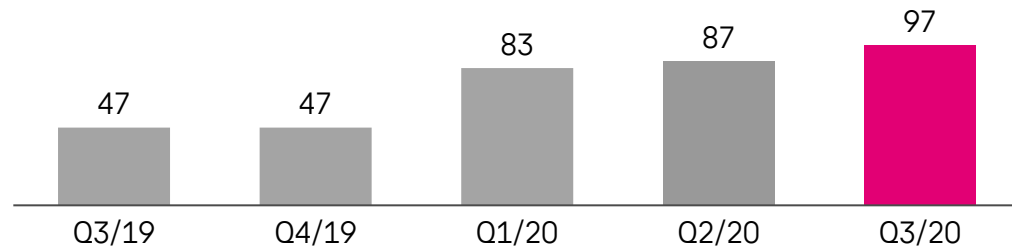
Germany

improving commercials in fixed



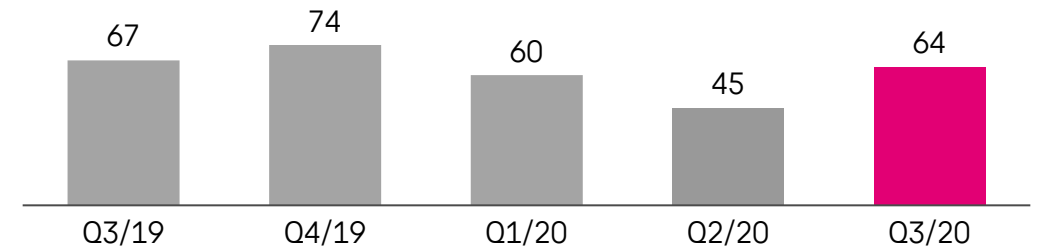
Broadband net adds

000



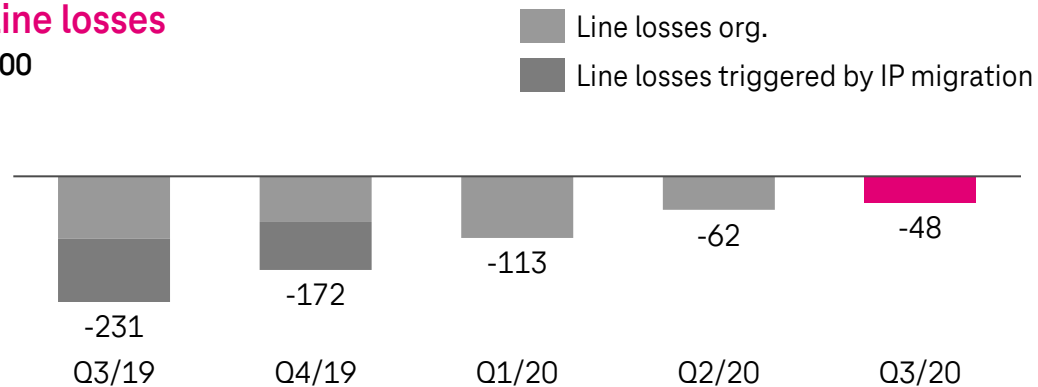
TV net adds

000



Line losses

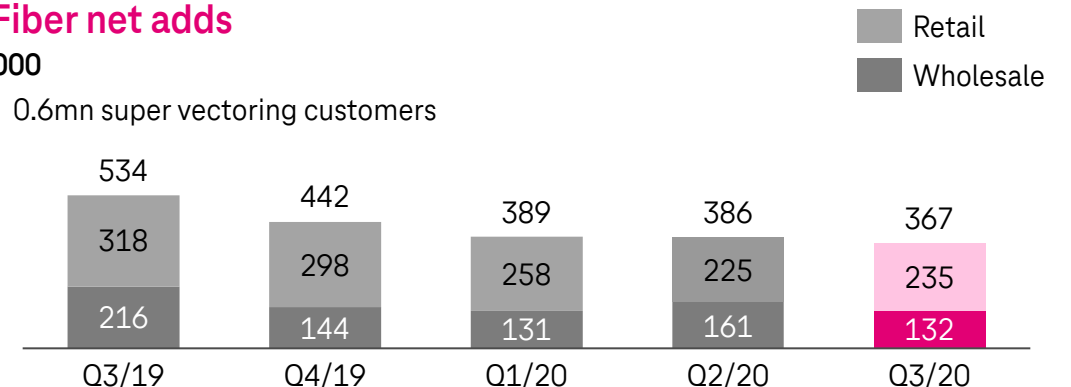
000



Fiber net adds

000

• 0.6mn super vectoring customers



Germany

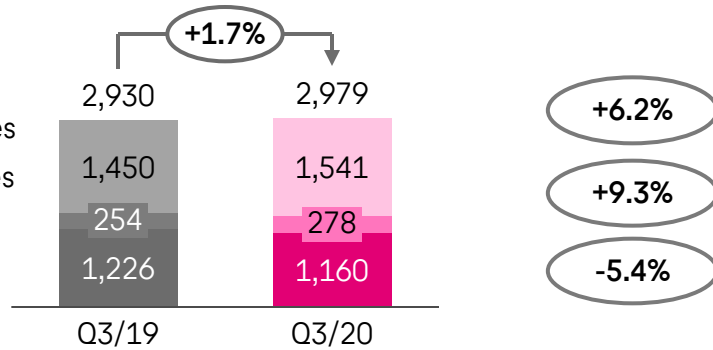
growth in fixed



Retail fixed revenues¹

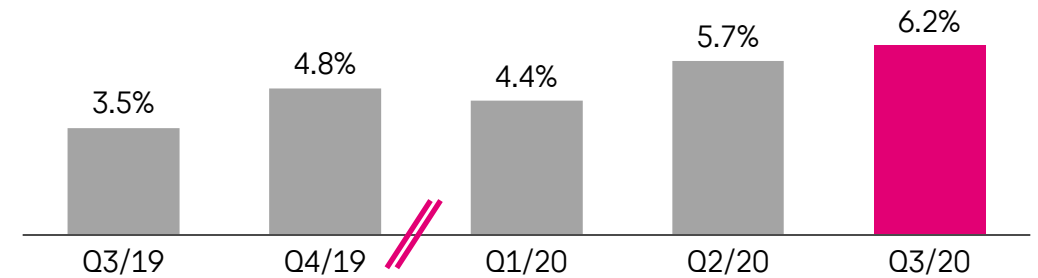
€ mn

- Broadband revenues
- Single play revenues
- Other revenues



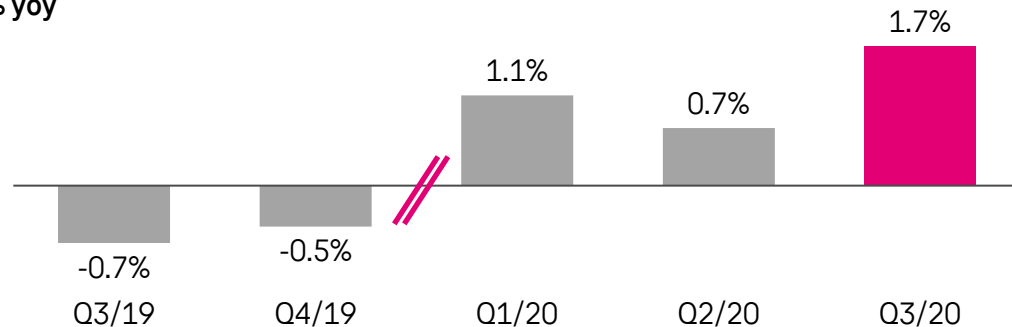
Broadband revenue growth¹

% yoy



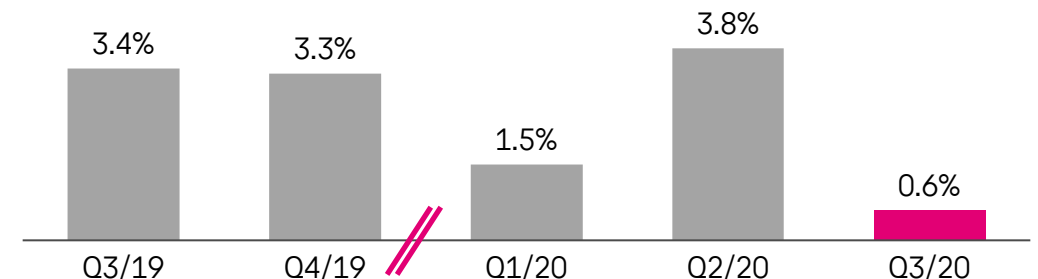
Retail fixed revenue growth¹

% yoy



Wholesale revenue growth¹

% yoy



1) 2020 quarterly trends in new reporting structure

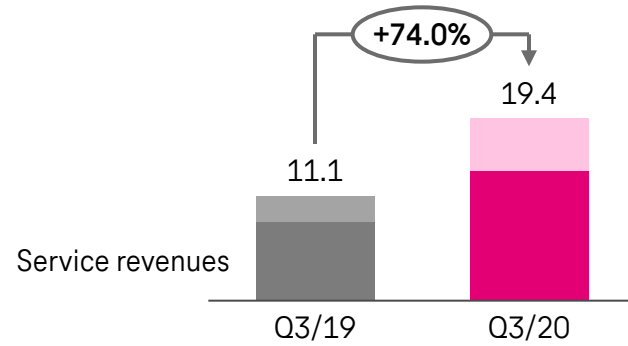
T-Mobile

new T-Mobile off to a good start



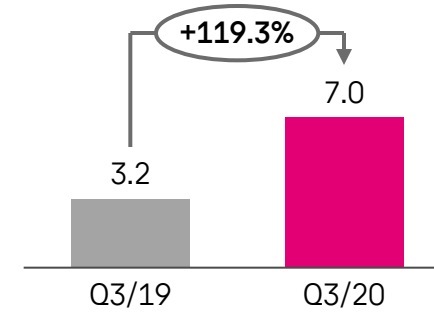
Revenues (IFRS)

US\$ bn



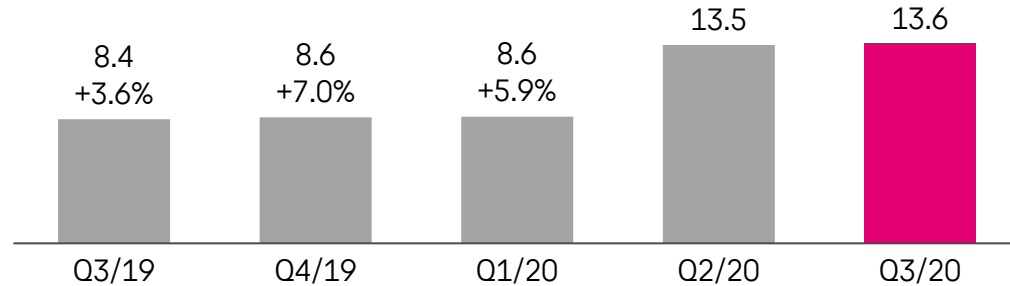
Adj. EBITDA AL (IFRS)

US\$ bn



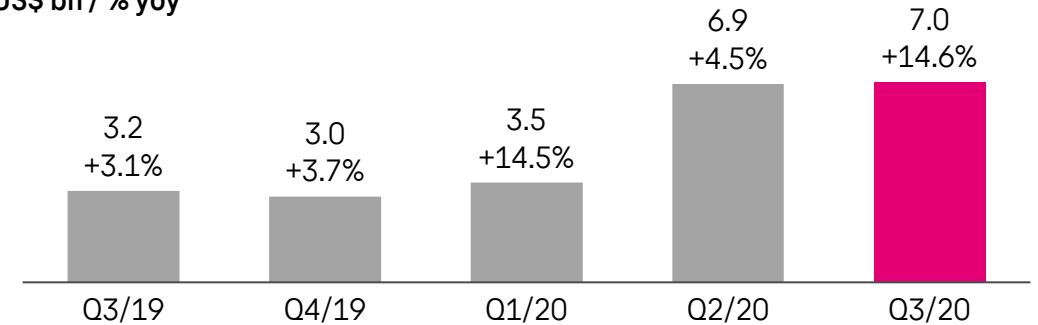
Service revenue (IFRS)¹

US\$ bn / % yoy



Adj. EBITDA AL growth (IFRS) organic

US\$ bn / % yoy



1) No restated historic service revenues available for Q2 and Q3



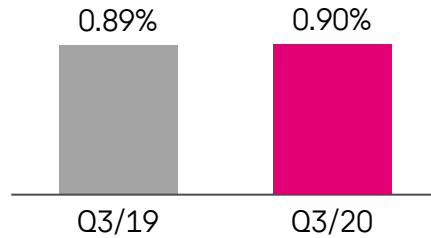
T-Mobile

executing on key drivers



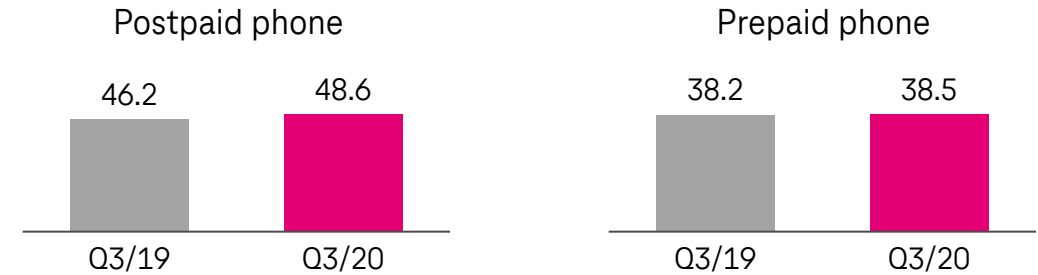
Postpaid phone churn

%



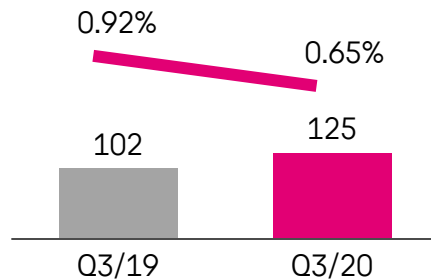
ARPU

US \$



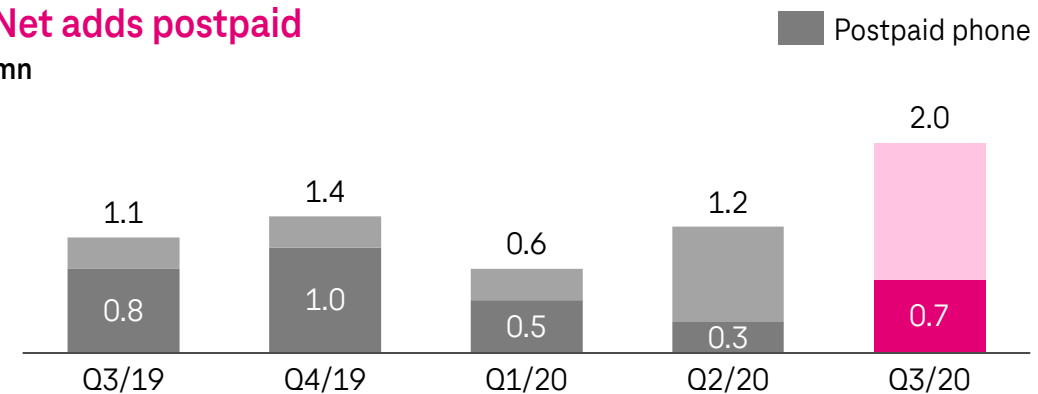
Bad debt expense and losses from sale of receivables

in US\$ mn and as % of total revenues



Net adds postpaid

mn



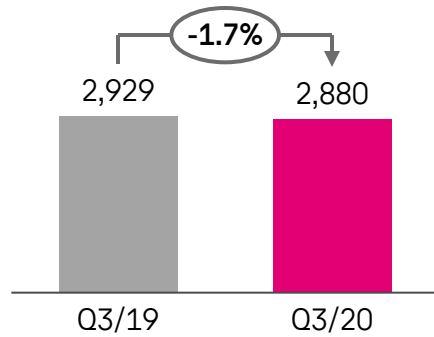
Europe

11th consecutive quarter of organic EBITDA growth



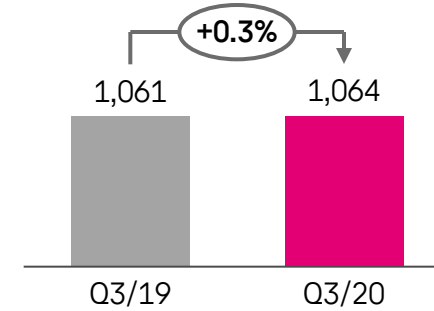
Revenues

€ mn



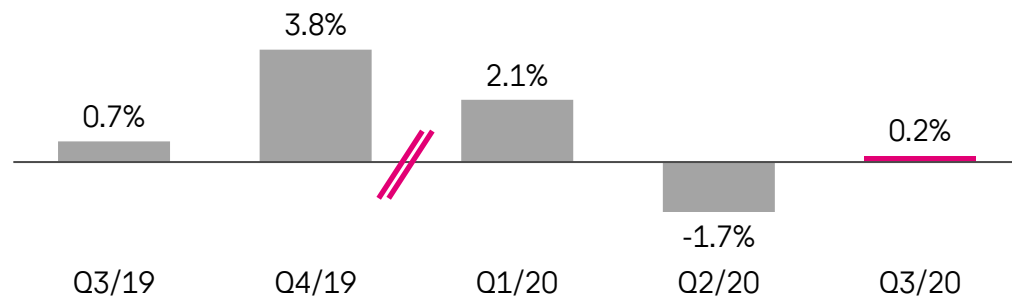
Adj. EBITDA AL

€ mn



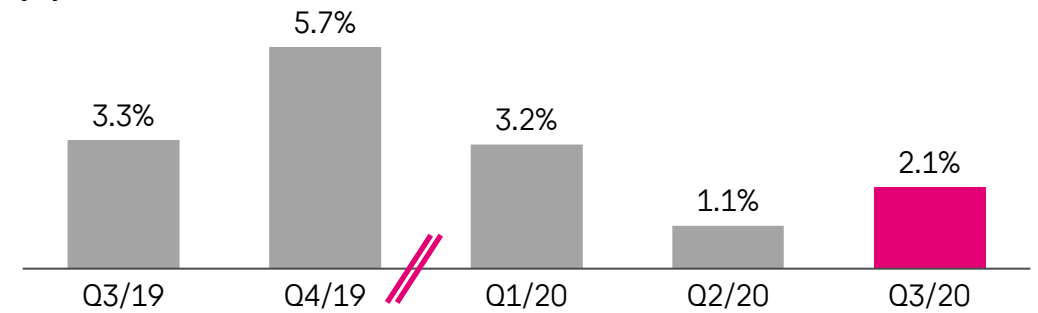
Revenue growth (organic)¹

% yoy



Adj. EBITDA AL growth (organic)¹

% yoy



1) 2020 quarterly trends in new reporting structure

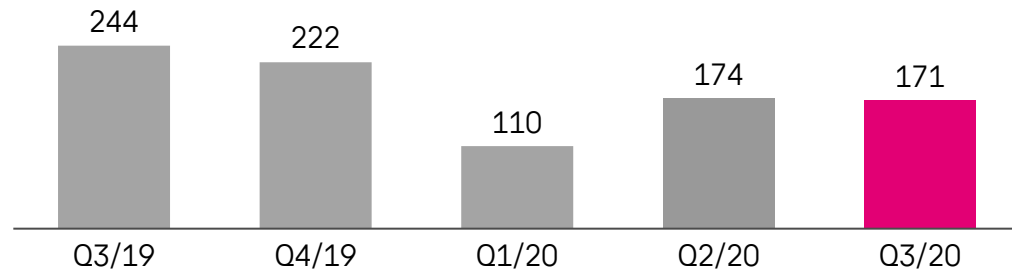
Europe

solid customer growth



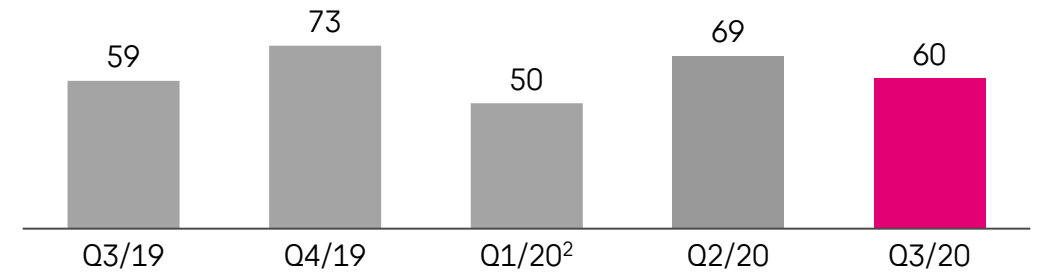
Mobile contract net adds¹

000



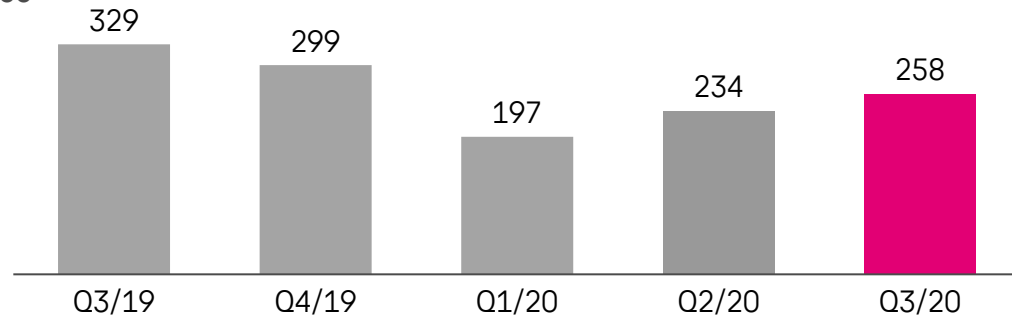
Broadband net adds

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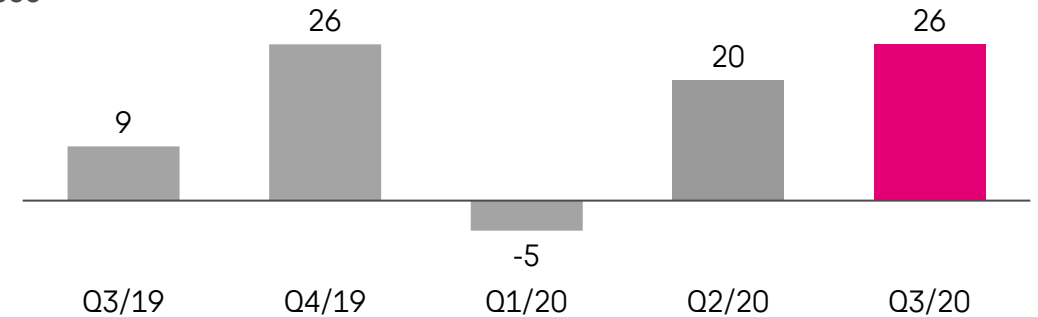
FMC net adds²

000



TV net adds

000



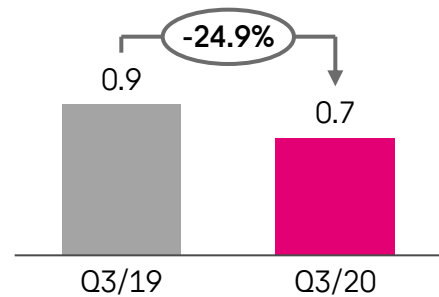
1) M2M customers have been reallocated to prepay as of Q1/20. Historic figures have been adjusted 2) Prior quarters in 2020 restated due to an alignment of definition.

T-Systems

Covid-19 weighs on transformation

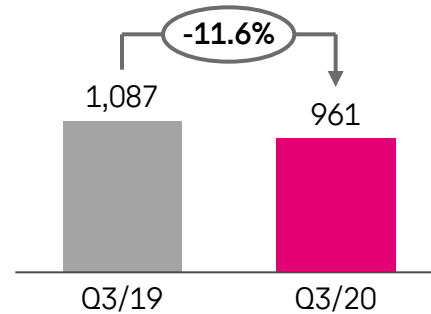
Order entry

€ bn



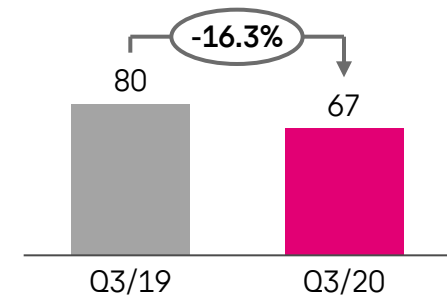
Revenues

€ mn



Adj. EBITDA AL

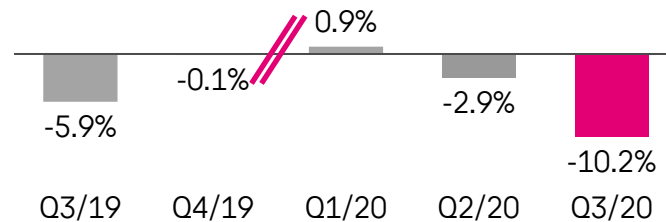
€ mn



Order entry impacted by Covid-19 related delays in new business and contract renewals. Revenue also negatively impacted by phasing in international business.

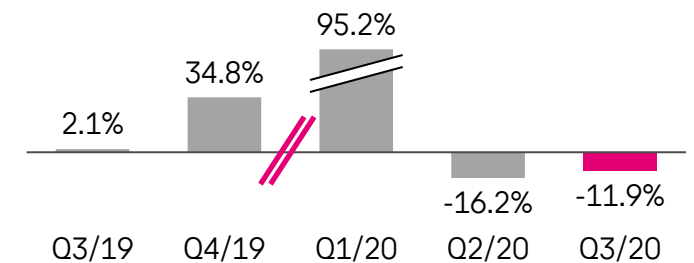
Revenue growth (organic)¹

% yoy



Adj. EBITDA AL growth (organic)¹

% yoy



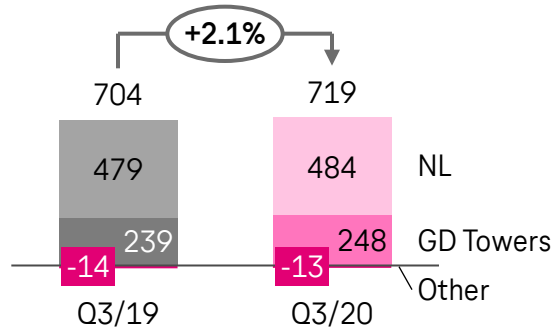
1) 2020 quarterly trends in new reporting structure

Group Development

ongoing strong performance

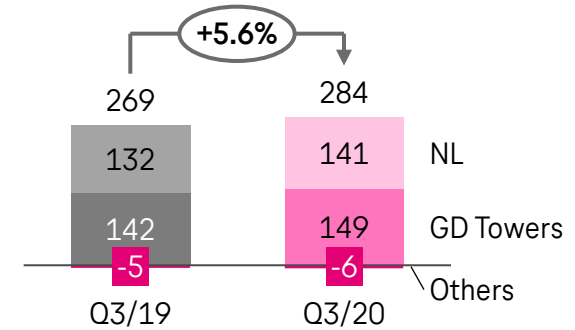
Revenues

€ mn



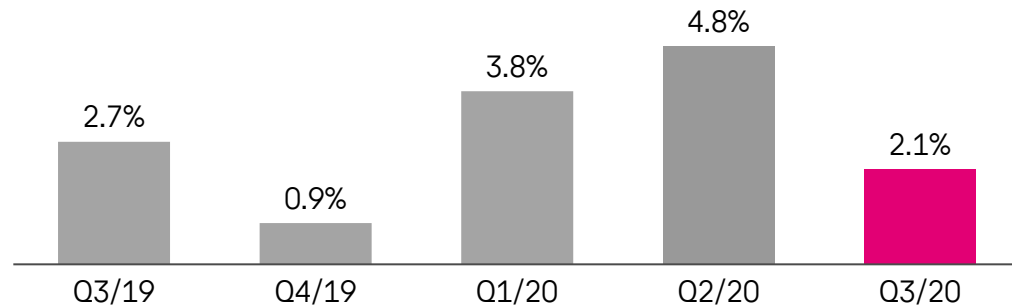
Adj. EBITDA AL

€ mn



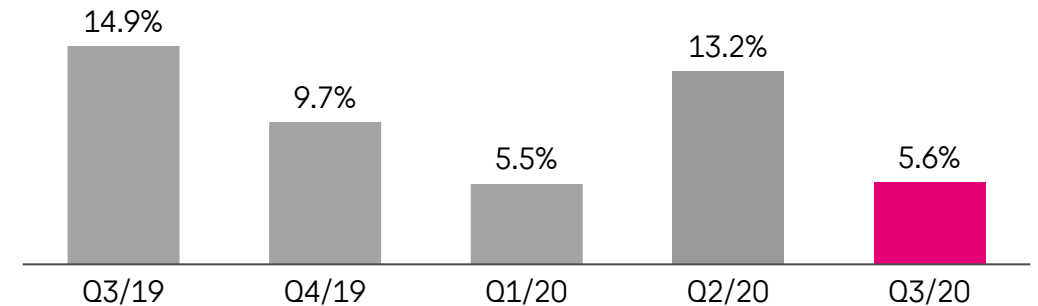
Revenue growth (organic)

% yoy



Adj. EBITDA AL growth (organic)

% yoy



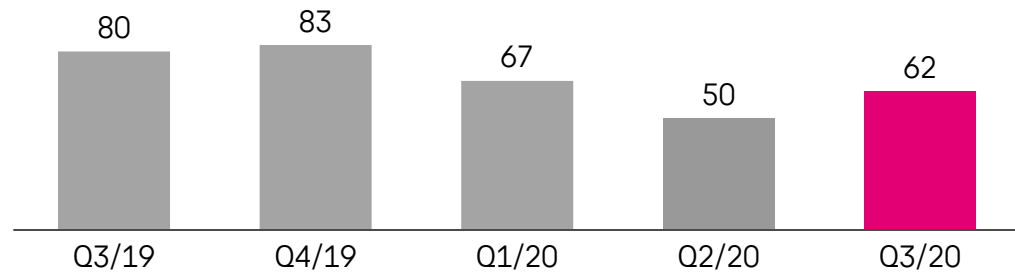
GD/TMNL

growth continues despite Covid-19



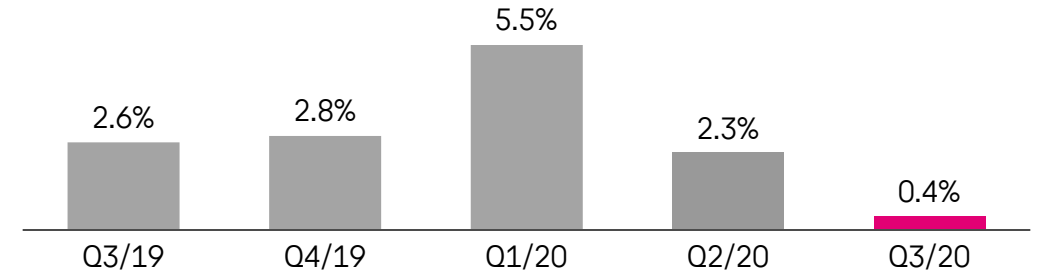
Contract net adds

000



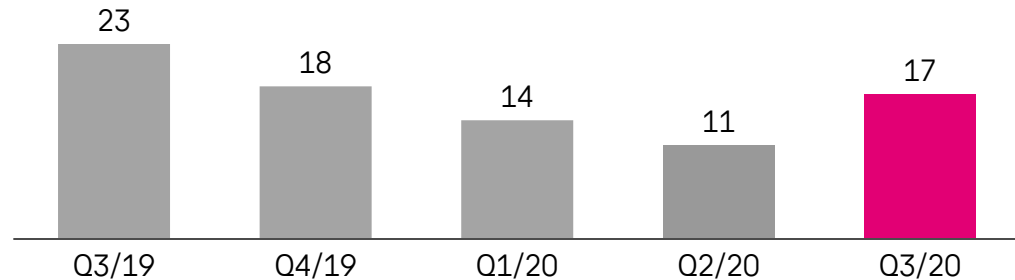
Mobile service revenue growth (organic)

% yoy



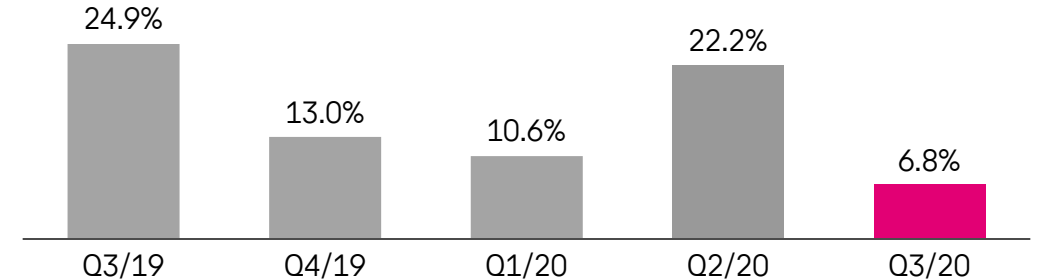
Broadband net adds

000



Adj. EBITDA AL growth (organic)

% yoy



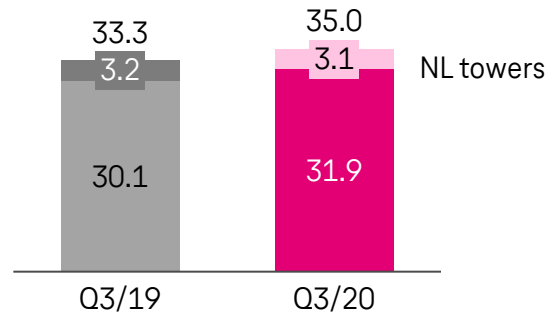
GD Towers

ongoing expansion



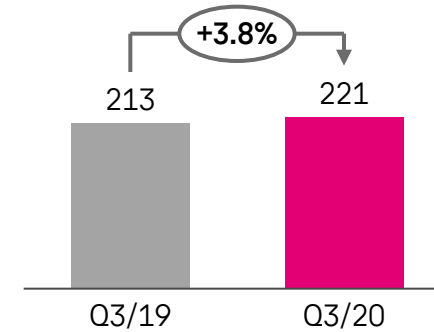
Total sites

000



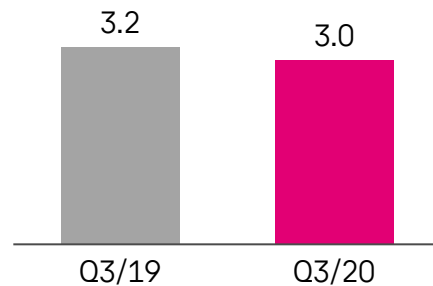
Recurring rental revenues

€ mn



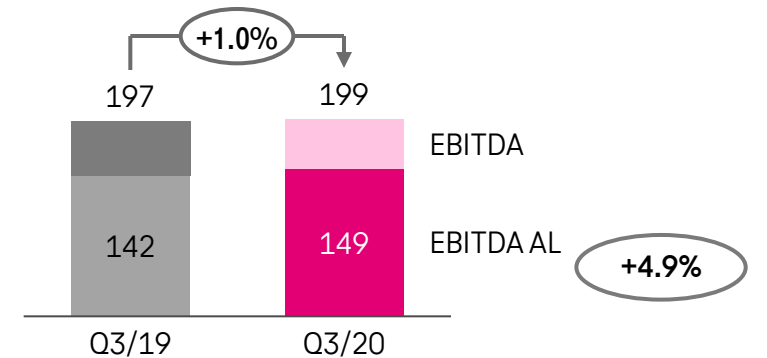
Opex AL per site

€ 000



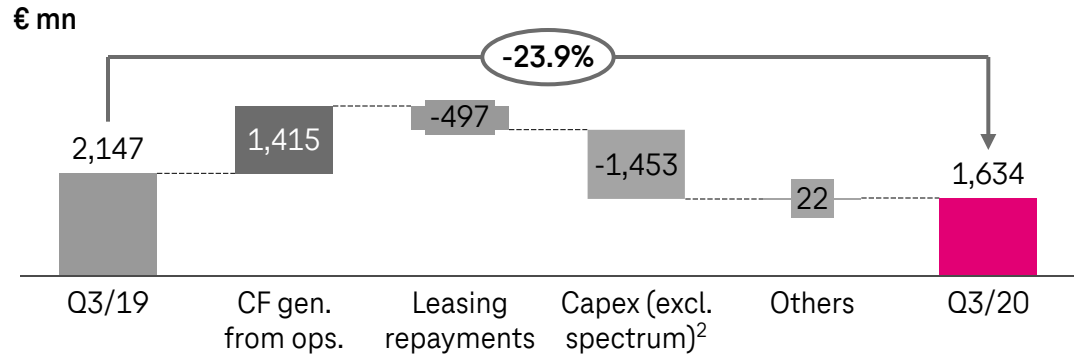
Adj. EBITDA

€ mn

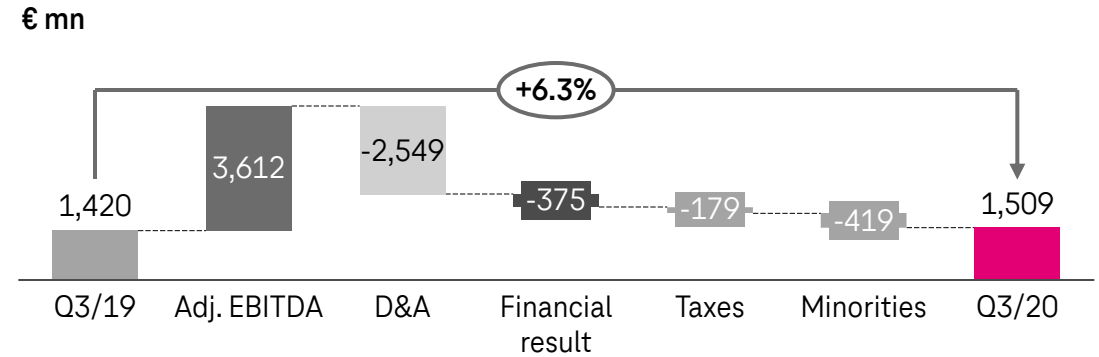


Financials: FCF reflects merger-related investments

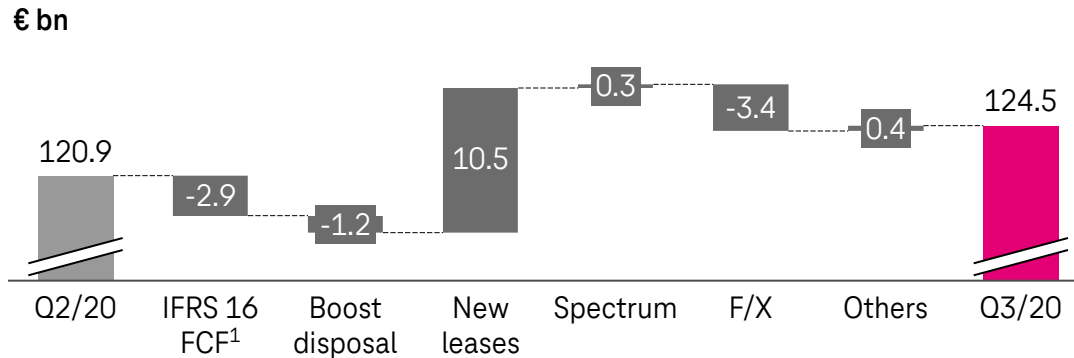
Free cash flow AL¹



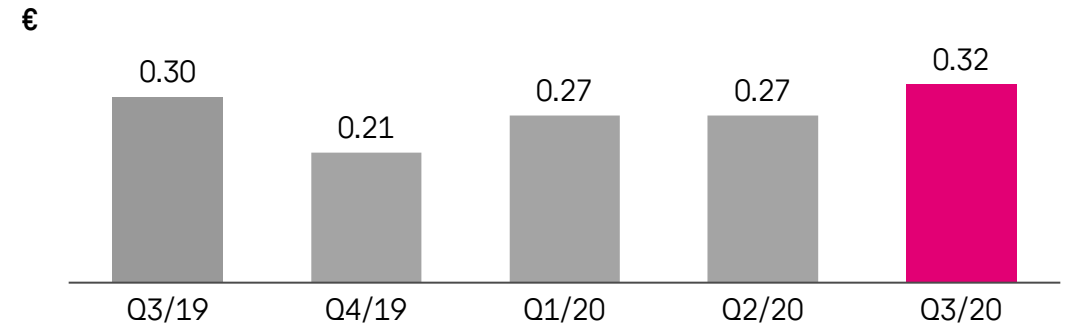
Adj. net income



Net debt (Q3/20 over Q2/20)



Adj. EPS



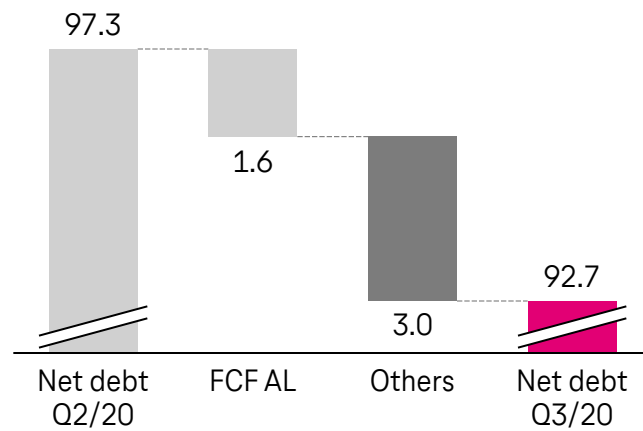
1) Free cash flow and FCF AL before dividend payments and spectrum investment 2) Excl. spectrum: Q3/19: €143mn; Q3/20: €273mn

Net debt analysis

financial leverage down to 2.5 times

Q3/20 net debt w/o leases¹

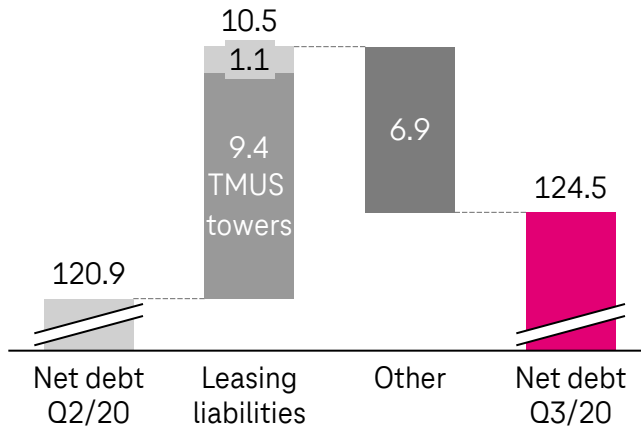
€ bn



Others include “Boost” sale (€1.2bn) and currency (€2.5bn), partially offset by spectrum (-€0.3bn) dividends (-€0.2bn) and miscellaneous (-€0.2bn)

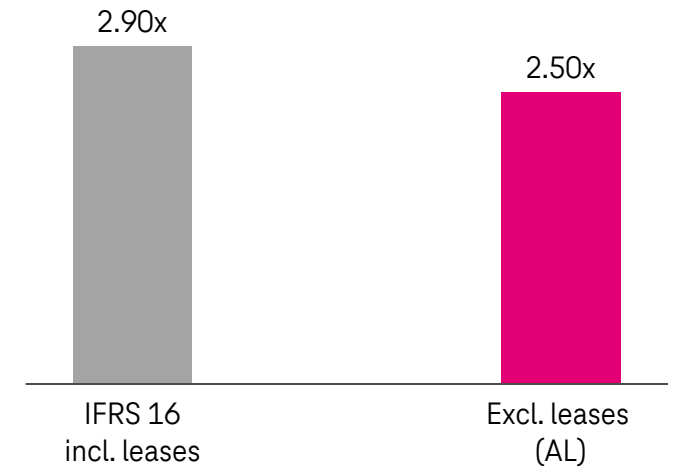
Q3/20 net debt incl. leases

€ bn



TMUS towers reflect American Towers contract prolongation. Total increase in leasing liabilities with €10.2bn US related

Leverage ratios²



We reconfirm returning into comfort zone of 2.25 to 2.75 in year 3 after merger

1) Net debt w/o leases includes finance leases of TMUS

2) Based on the previous four quarters, since Q2 including pro forma EBITDA incl. Sprint (€42,931mn adj. EBITDA and €37,140mn adj. EBITDA AL)

Balance sheet

ratio outside of comfort zone due to merger

€ bn	30/09/2019	31/12/2019	31/03/2020	30/06/2020	30/09/2020
Balance sheet total	174.3	170.7	173.6	270.0	265.3
Shareholders' equity	45.1	46.2	45.9	73.5	72.0
Net debt	78.8	76.0	77.4	120.9	124.5
Net debt/adj. EBITDA ¹	2.80	2.65	2.64	2.90	2.90
Equity ratio	25.9%	27.1%	26.4%	27.2%	27.1%

Comfort zone ratios

Rating: A-/BBB	
2.25–2.75 net debt/adj. EBITDA	
25–35% equity ratio	
Liquidity reserve covers redemptions of the next 24 months	

Current rating

Fitch:	BBB+	stable outlook
Moody's:	Baa1	negative outlook
S&P: ²	BBB	stable outlook

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters. Since Q2 including historic pro formas for Sprint

2) S&P changed rating from BBB+ credit watch negative to BBB stable outlook following the closing of the US transaction in April 2020.