

# Europe

Dominique Leroy

CAPITAL  
MARKETS  
DAY 2021

# 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, 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.

# Key messages

## 01 Leading European and fastest growing large-scale telco

EBITDA continuously growing > 2%<sup>1</sup> driven by increasing Service revenues & cost discipline, operating in attractive markets

## 02 Accelerating with customer centricity & digital

- **B2C:** Best CX, further scaling FMC & increasing HH value
- **B2B:** Profitable growth by driving clients' digitalization
- **People & Society:** Customer centric culture & organization, thriving for a positive impact on society
- **Network:** Super fast Fiber & 5G rollout for best user experience
- **Digital:** Further scaling common digital solutions across Europe

## 03 Stronger as a region

Leveraging synergies and digitalization, scaling common products & best practices across Europe

## 04 Significant contributor to DT's equity value

Continue sustainable growth with EBITDA AL CAGR +1.5–2.5%<sup>2</sup> & ROCE > WACC

<sup>1</sup> CAGR 2017–2020 Adj. EBITDA (AL)    <sup>2</sup> CAGR 2020–2024e Adj. EBITDA AL

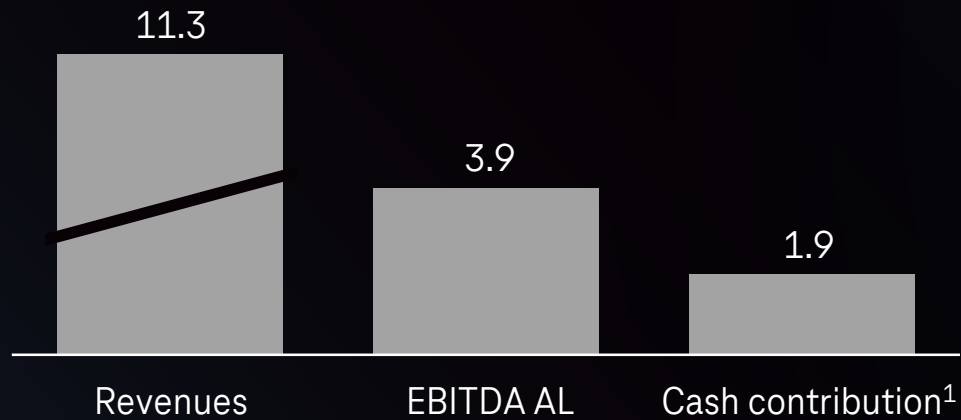
# Review 2017–2021



# Leading and fastest growing, large European telco

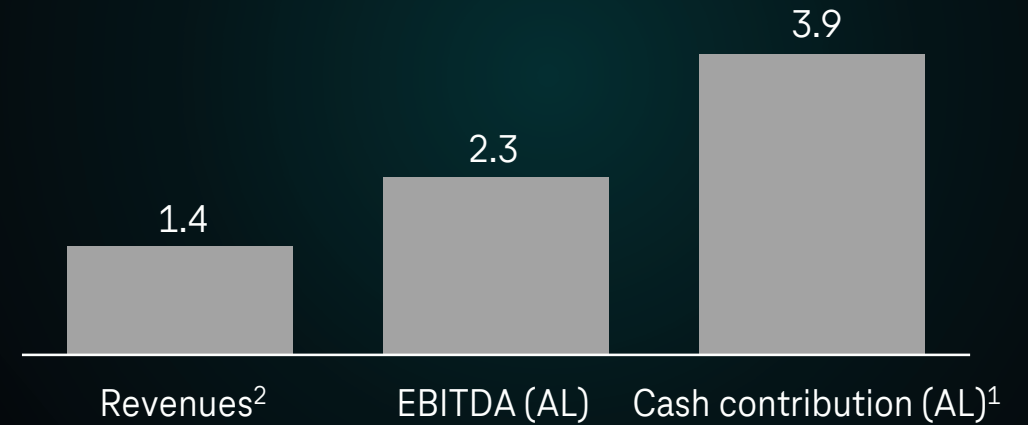
## 2020 financials

€ bn



## 2017–2020 growth

CAGR, %



7<sup>th</sup> largest EU telco, bigger than, e.g., Iliad, Telia or KPN

In 2020 Europe's fastest growing major telco

Note: EBITDA = Adj. EBITDA AL <sup>1</sup> Cash Contribution (AL) = Adj. EBITDA (AL) – Cash Capex – Special factors (Cash) <sup>2</sup> Excl. Visitor/Roaming impact



# Operating in healthy markets with further growth opportunities

## Growing economies

**+3.7%**  
GDP growth<sup>1</sup>

**+3.5%**  
Consumer spend on telco services<sup>1</sup>

## Healthy markets

**2x** | **6x** | **2x**  
2 MNOs | 3 MNOs | 4 MNOs  
Number of full MNOs per market

**€0.05–0.23**  
**per MHz & PoP.<sup>2</sup>**  
Spectrum prices 5G auctions

## Imminent growth potential in digital

**9 countries**  
**< median**  
Countries' DESI<sup>3</sup> position in Europe

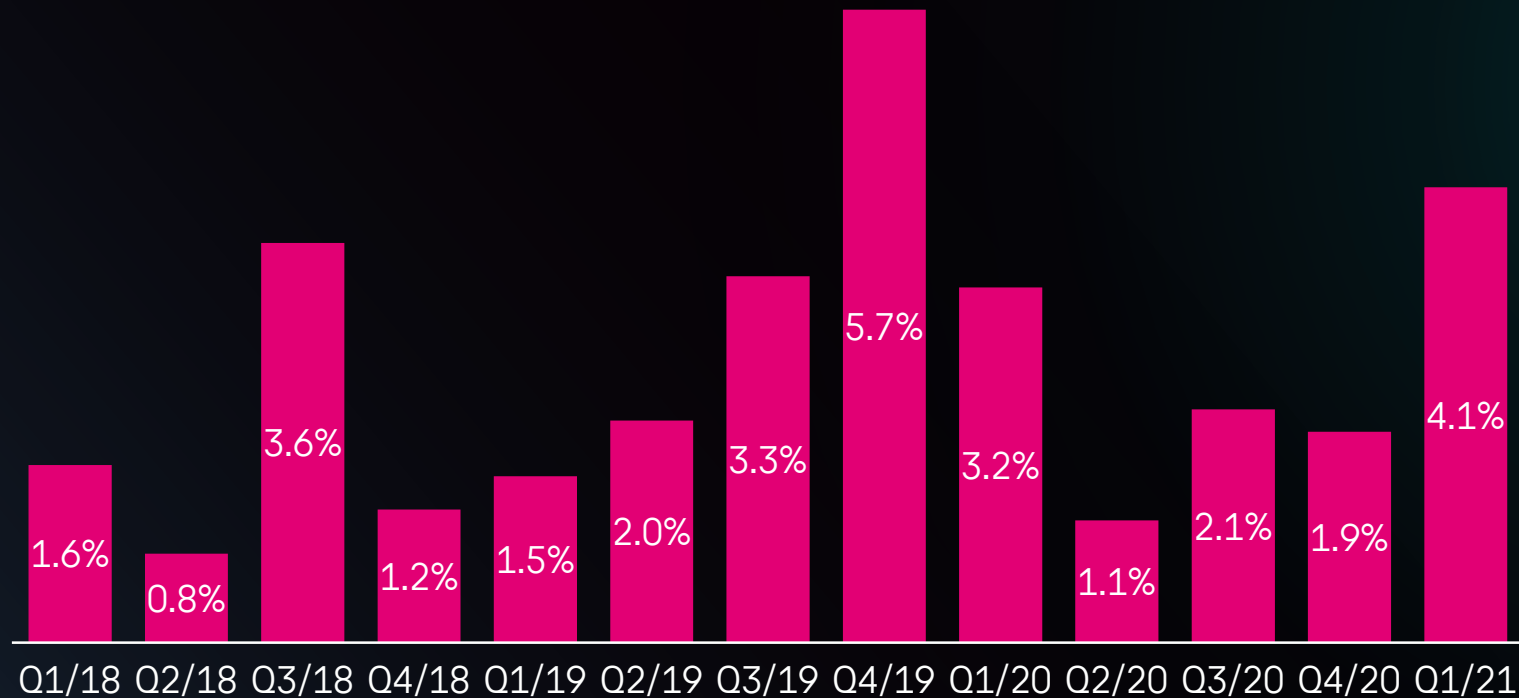
**Up to €20 bn**  
**Σ 2021–2027**  
EU funds for digitalization

<sup>1</sup> CAGR 2019–2025e; source: Euromonitor    <sup>2</sup> Auctions 2020 & 2021, in GR €0.05, CZ €0.09, AT €0.10, HU €0.10 & 0.22, SK €0.23    <sup>3</sup> DESI = Digital Economy & Society Index 2020

# Growing in organic EBITDA for 13 consecutive quarters

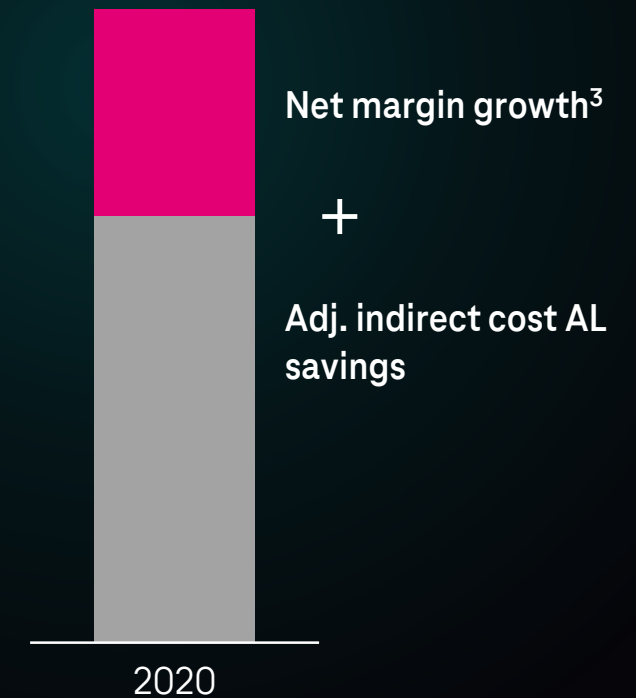
## Adj. EBITDA AL organic development<sup>1,2</sup>

% yoy



## Adj. EBITDA AL growth fueled by...

% yoy



<sup>1</sup> 2018 Adj. EBITDA (on pre IFRS 16 base)   <sup>2</sup> 2018–2019 before DTGC restatement   <sup>3</sup> Excl. Visitor/Roaming impact

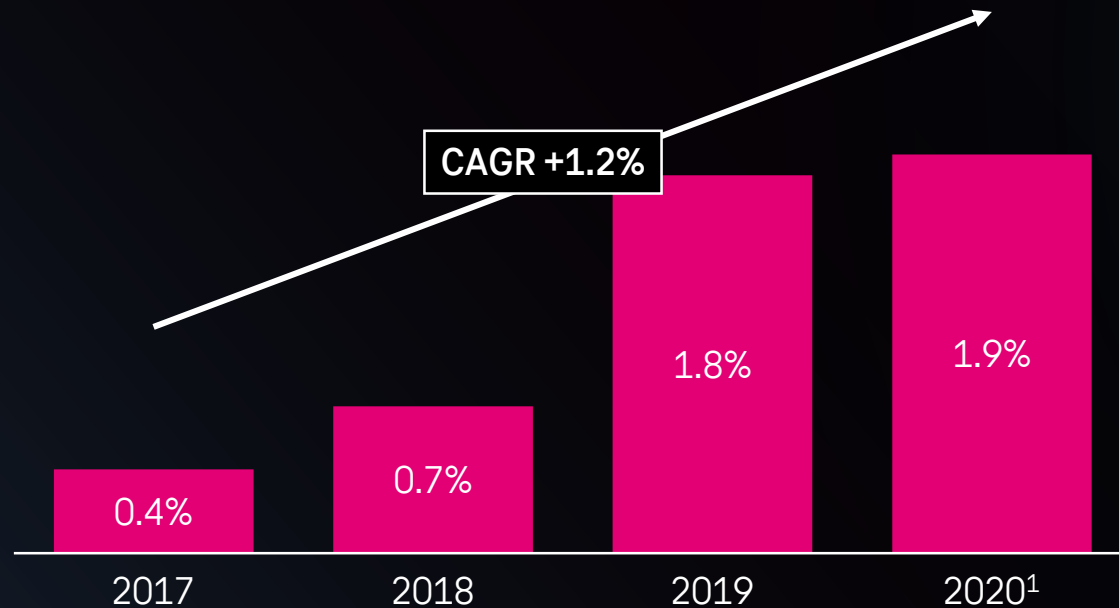




# Our Service revenue benefits from successful FMC propositions and More-for-More

Total service revenue growth in line with the markets...

Organic Total service revenue development, % yoy



Driven by...

## Value creation

More-for-More tariff upgrades, rolled out across NatCos and customers migrating to FMC propositions along up- & cross-sell paths

## Volume increase

Mobile contract subscribers increased by 2.5 mn (2017–2020)  
Broadband subscribers increased by 0.8 mn<sup>2</sup> (2017–2020)

<sup>1</sup> Excl. Visitor/Roaming revenue    <sup>2</sup> Excl. UPC acquisition in AT



# €320 mn net indirect cost reduction already by 2020, via continuous transformation

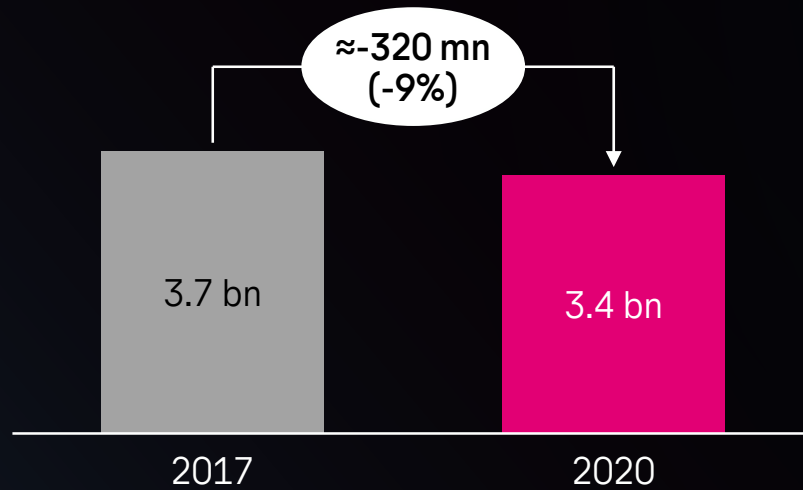
Rightsizing the organization, esp. HQ & central business functions

Outsourcing of non-core activities

Simplification of internal processes with digital

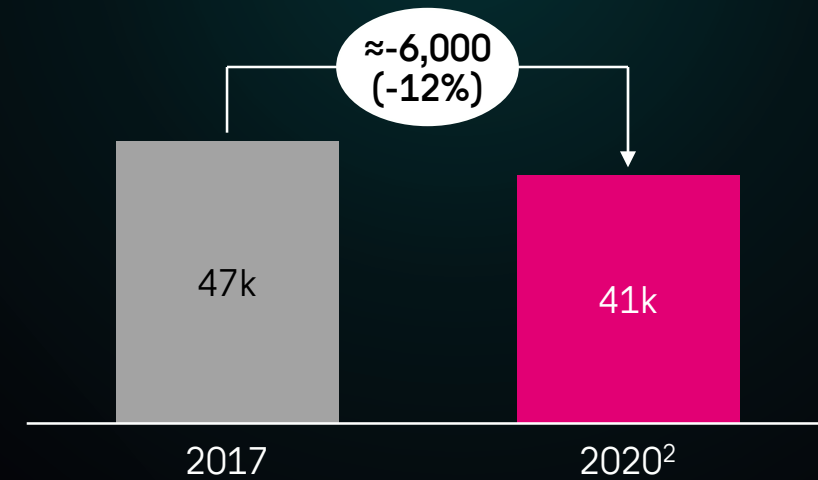
## Adj. indirect cost AL (organic)

€



## Total workforce

# FTEs<sup>1</sup>



Share of Net revenue

32%

30%

<sup>1</sup> Excl. Albania <sup>2</sup> Incl. UPC Austria



# Fiber rollout heavily accelerated

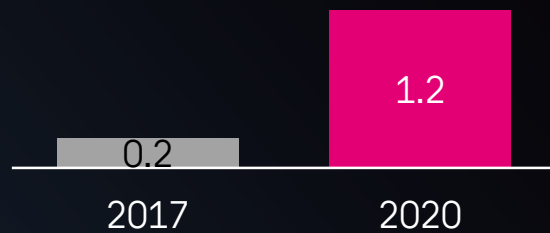
Fiber rollout more than tripled at stable CAPEX

With improved Fiber utilization

## 5x Rollout run rate

Organic incremental HHs passed<sup>1</sup>

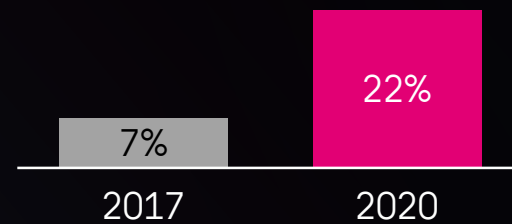
mn



## 3x HH coverage

Fiber HHs coverage<sup>1,2</sup>

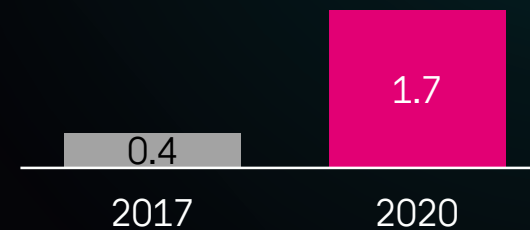
%



## 4x HH connected

Fiber HHs connected<sup>1</sup>

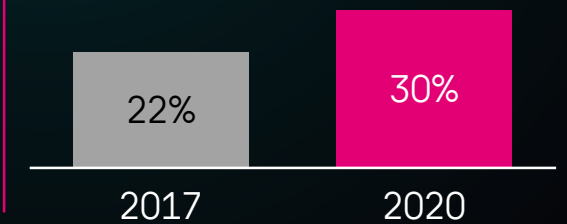
mn



## ↑ Fiber utilization

HHs connected<sup>1</sup>

as % of passed



Financed via internal prioritization

<sup>1</sup> FTTH/B & Docsis 3.1 (1 Gbps) in AT, CZ, GR, HR, HU, ME, MK, SK    <sup>2</sup> FTTH/B & Docsis 3.1 (1 Gbps) as % of HHs

# CMD 2018 commitments: Delivered

	Ambition 2017–2021e	Achievements 2020 <sup>3</sup>	2017–2021e
<b>B2C growth drivers</b>	<ul style="list-style-type: none"> <li>FMC revenue (€1.7 bn 2021)<sup>1</sup>: CAGR +25%</li> <li>&gt; 50% App penetration, 30% pure online sales</li> <li>Lead in TRI*M: #1/#2 in all markets</li> </ul>	<ul style="list-style-type: none"> <li>+42% (€1.7 bn)<sup>4</sup></li> <li>62% App penetration, 29% mobile online sales<sup>5</sup></li> <li>B2C: 9/10 NatCos are #1 or #2 in Q4</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>
<b>B2B growth drivers</b>	<ul style="list-style-type: none"> <li>FMCC revenue (€0.5 bn 2021): CAGR +10%</li> <li>20% FMCC portal share</li> <li>B2B/ICT revenue: CAGR +7%</li> </ul>	<ul style="list-style-type: none"> <li>+27% (€0.69 bn)</li> <li>31% B2B self-service penetration</li> <li>+7.4%</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>
<b>Profitable midterm growth</b>	<ul style="list-style-type: none"> <li>Revenue growth: CAGR &gt; 1%</li> <li>Adj. EBITDA (AL) growth: CAGR +1–2%</li> <li>Adj. indirect cost (AL) reduction by €0.4 bn</li> <li>Cash contribution (AL)<sup>2</sup>: CAGR +2–4%</li> </ul>	<ul style="list-style-type: none"> <li>+0.9% (+1.4% excl. Covid-19)<sup>6</sup></li> <li>+2.3%</li> <li>€0.32 bn</li> <li>+3.9%</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> <li>●</li> </ul>

<sup>1</sup> NatCos: CZ, GR, HR, HU, ME, MK, RO, SK <sup>2</sup> Cash contribution (AL) = Adj. EBITDA (AL) – Cash Capex – Special factors (Cash) <sup>3</sup>Actual results 2017–2020, or respectively actuals 2020

<sup>4</sup> NatCos: AT, CZ, GR, HR, HU, ME, MK, PL, SK. Achievements 2020 EU8: CAGR +37% (€1.7 bn) <sup>5</sup> Online channels share of gross adds, tariff changes, contract prolongations and paid add-ons for mobile contract customers

<sup>6</sup> Visitor/Roaming impact

# Strategy 2021–2024



# We will move from good to great

## FROM

Turning around to sustainable profitable growth

Improving customer experience

Strengthening assets, esp. towards convergence

Moving to digital channels with centrally developed OneApp

Rightsizing the organization & increasing efficiency

Strengthening of NatCos' functional brand promises



## TO

Fast growing customer centric & digital telco

Winning the hearts & minds of our customer

Truly converged FMC player in every market

Scaled digital solutions and network cloudification

Fully digital, agile, lean & customer centric organization

“Love brand”

# We won't stop... until we have won the HEARTS & MINDS of our customers

## Future growth levers: 2021–2024



01 B2C

Customized value propositions & simple customer journeys

02 B2B

Address clients with segment specific solutions & experience

03 People, society  
& environment

Employee engagement, digital inclusion, care for our planet

04 Networks

Accelerated gigabit network rollout for best usage experience

05 Digitalization

Scaled digital solutions across the footprint, cloudified network

06 Capital  
allocation

Leverage power of the region, invest into future growth drivers



# Strong commercial momentum in all product categories



**B2C/PRIVATE CUSTOMERS**

## OUR PROOF POINTS

- ✓ **FMC scaled up**  
 51.1% FMC penetration in Broadband base with 2.7 mn FMC HHs<sup>1</sup>
- ✓ **Value play with More-for-More**  
 Mobile ARPU stabilized with More-for-More tariff upgrades
- ✓ **Strong net adds performance in all categories**  
 +2.6% Mobile contract, +4.2% Fixed broadband, +19.5% FMC HHs, +2.3% TV<sup>2</sup>
- ✓ **Strong TV customer base**  
 5.1 mn TV customers
- ✓ **#1/#2 in customer satisfaction in all NatCos**  
 All-time high TRI\*M in EU (69 pts<sup>1</sup>)

<sup>1</sup> By end of 2020 in AT, CZ, GR, HR, HU, ME, MK, PL, SK    <sup>2</sup> Customer base end of 2020 vs. end of 2019



# Upgrade FMC propositions and capture under-served segments

Addressing customers' needs in an increasing segmented way & with sharpened propositions



**FURTHER SCALE FMC  
IN ALL MARKETS**

Increase **Fiber** penetration and upgrade **in-home Broadband connectivity**



**DRIVE HH VALUE BY  
UP- & CROSS-SELL**

Push **multi-SIMs** into **HHs/families**, best **content aggregation** for **TV & beyond**, best user experience **CPEs**



**ENSURE FULL  
MARKETS COVERAGE**

Address under-served segments with **youth propositions**. Defend with **2<sup>nd</sup> brands** for **smart shoppers**

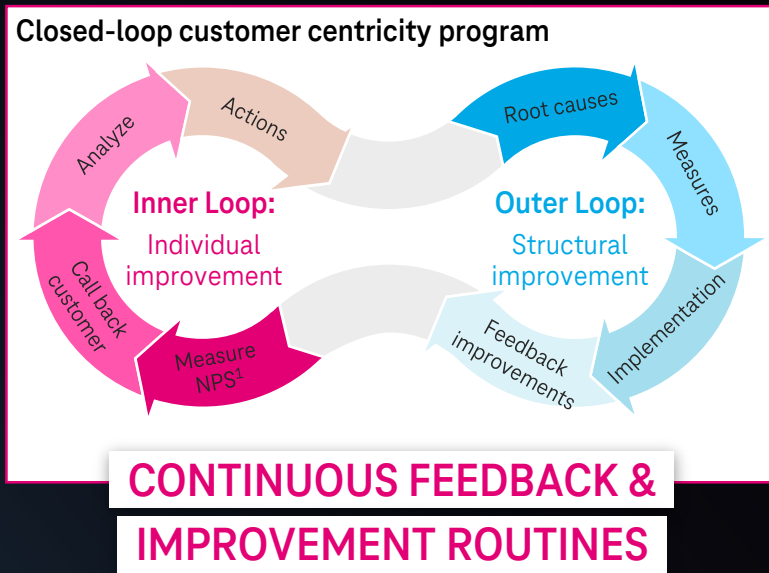
# Becoming the undisputed #1 in customer experience

Bring customer centricity to the next level



## AMBITION 2024e

# #1 in TRI\*M in every country to reduce churn





# Build superior “love brand” experience with impact on society

Creating emotions and connecting with our customers & society in a unique manner

**AMBITION 2024e**



**Brand preference  
≥ Market share in  
every country**

**CONVEYING DIGITAL  
OPTIMISM**

**PEOPLE AS  
BRAND AMBASSADORS**

**WINNING PEOPLE'S  
HEARTS & MINDS**

We won't stop...  
until we have connected  
everyone to the  
opportunities of now

Employees & customers as  
passionate advocates

Creating emotions and  
making people's life better

# Further grow our €6.6 bn<sup>1</sup> business in B2C

Fueled FMC growth and value increase with up- & cross-sell

✓ Net adds at fair share

> 4 Avg. #RGUs per HH – and revenue per HH to increase

↗ Value market share growth

> 10% FMC revenue CAGR 2020–2024e

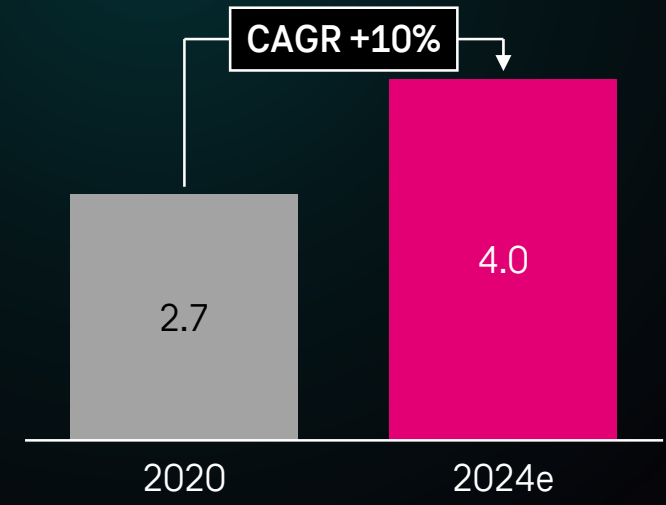
+1–2% Net margin growth

towards 50% FMC B2C revenue share in full-FMC countries

## AMBITION 2024e

FMC households<sup>2</sup>

mn



<sup>1</sup> B2C revenue in 2020    <sup>2</sup> In AT, CZ, GR, HR, HU, ME, MK, PL, SK



# We established ourselves as trusted partner for small to large businesses and public sector



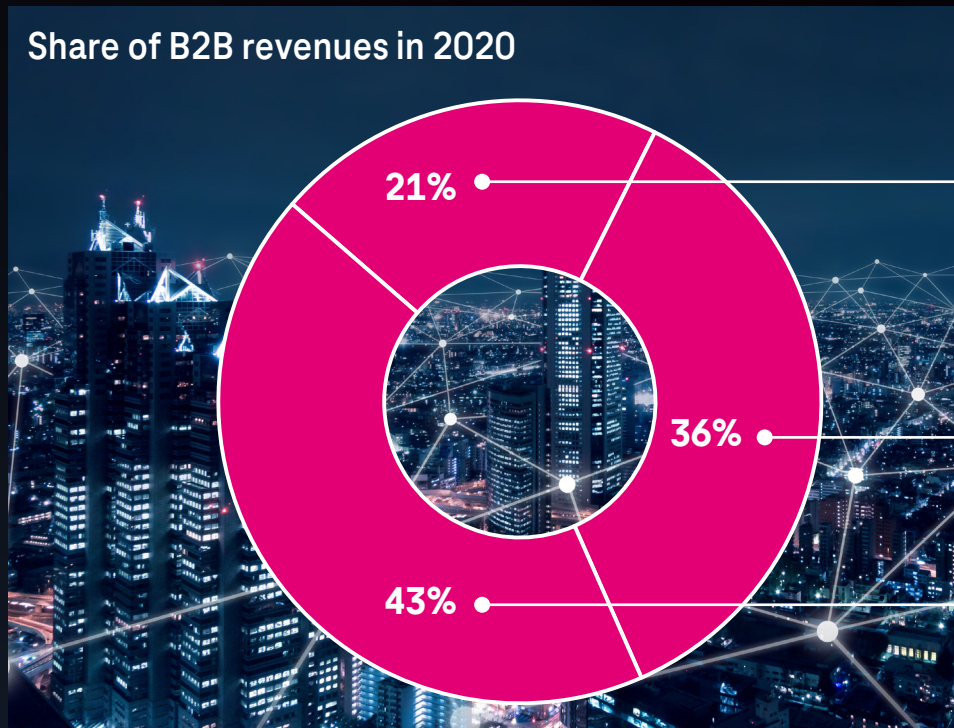
## OUR PROOF POINTS

- ✓ **Integrated ICT player**  
 €1.1 bn revenues, continuously growing with 7% (CAGR 2017–2020)
- ✓ **Profitable growth in B2B**  
 Yearly B2B net margin growth by 2% (CAGR 2017–2020)
- ✓ **Scaled Cloud propositions via partnerships**  
 Cloud offerings via Microsoft Acceleration Center went live in August 2019, generating €92 mn revenues in 2020 already
- ✓ **Partner in digitalizing cities**  
 Smart City revenue doubled with smart lightning, parking, traffic management – launched in most countries



# Leading customer centric partner for digitalization of B2B clients

Further scale our €3.3 bn business<sup>1</sup> in B2B with relevant, segment specific value propositions



**Public sector**

## Sector digitalization

Digitalize, smart solutions – utilize recovery funds

**Large accounts/key accounts**

## Specific industry solutions

Connect (SD-x, UCC), store and protect

**Small & medium businesses**

## Growth & digital transformation

Magenta x-bundles, easy to deal with and easy to use solutions

<sup>1</sup> B2B revenue in 2020

# Fuel profitable growth in B2B

## Manage B2B for profit

**€300 mn** B2B revenue growth<sup>1</sup>



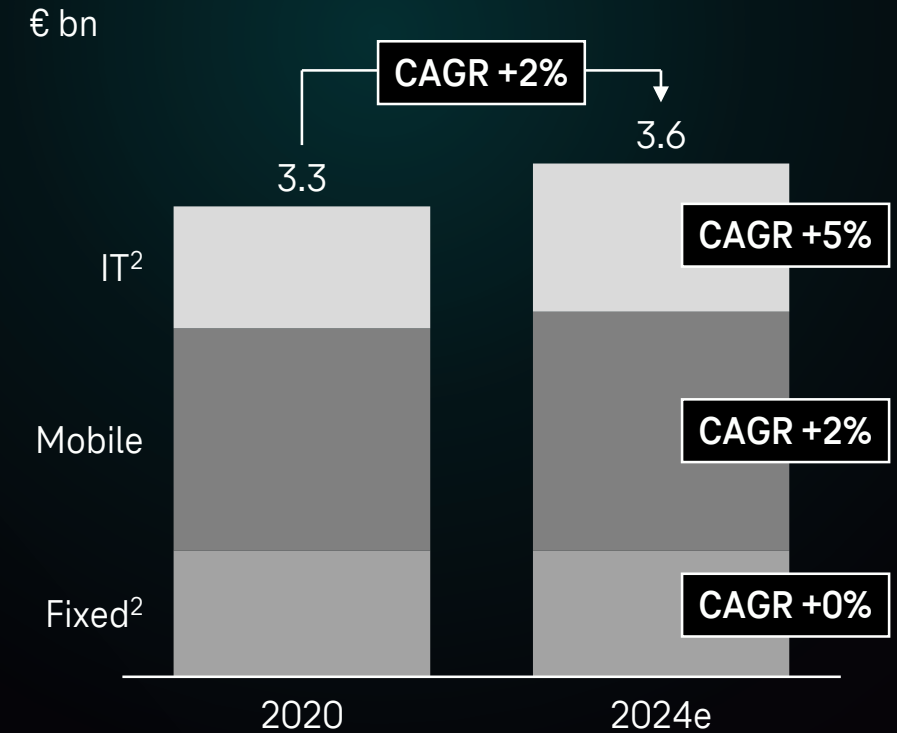
Grasp B2B opportunities in AT, CZ and PL



**≈2%** Net margin growth in SMBs & large enterprises

## AMBITION 2024e

### B2B revenues



<sup>1</sup> Versus 2020    <sup>2</sup> IT = System Solutions, fixed including data communication



# Attracting top talents and caring for our people

Highly engaged employees with enthusiasm for best customer experience


**EU**  **People & Leadership**


**CUSTOMER  
CENTRIC CULTURE &  
ORGANIZATION**

**ATTRACTION,  
DIVERSIFICATION,  
DIGITAL TALENTS**

**AGILE, LEAN  
ORGANIZATION**

## AMBITION 2024e

 Employee satisfaction

 Employee engagement

**TOP  
5-10** In employer ranking

# And having a positive impact on society

## Making people's life better



**DIGITAL  
INCLUSION**






“A clear impact to our communities and help younger generations as well as the elderly to take part in digital opportunities”



**CARING FOR  
OUR PLANET**

“Lower energy consumption/carbon emission & increase in resource efficiency as top priorities for DT EU and all our stakeholders”

## AMBITION 2024e

-  100% electricity from renewable sources (2021)
-  Circularity contribution: Refurbishment & recycling (devices), reduce waste
-  Coding and STEM education for younger generation and helping the elderly on “digital”
-  Teaching right usage of digital technology
-  Enabling digital schools



# Super fast broadband network rollout

## Networks

### Mobile coverage

(population)







### Fiber coverage<sup>1</sup>

(households)



## OUR PROOF POINTS

- 
**Step-change in accelerating Fiber rollout**  
 Fiber rollout p.a. x5, reaching 22% coverage with 30% utilization<sup>1</sup>
- 
**Best mobile network**  
 98% LTE coverage – 5G launched in most countries<sup>2</sup>
- 
**Convergence play in all markets**  
 Fast own rollout plus wholebuy & infrastructure sharing
- 
**Strong 5G spectrum positions in all mid- and C-bands**  
 Successful spectrum acquisitions with spectrum share 30–41%<sup>3</sup>

<sup>1</sup> In AT, CZ, GR, HR, HU, ME, MK, SK until end of 2020

<sup>2</sup> In AT, CZ, GR, HR, HU, PL, SK until end of 2020

<sup>3</sup> HU 41% & 31%, AT 37%, CZ 31%, SK 30%, GR 37% in auctions 2020 & Q1/2021

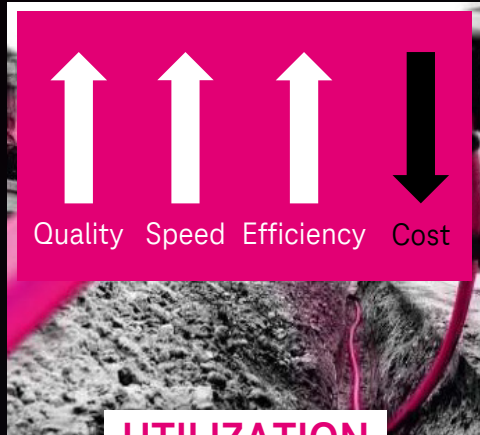
# Undisputed Fiber leader – and we will continue to invest

Gigabit access at affordable prices with best in-home user experience



**SUPER FAST  
OWN ROLLOUT**

Prioritization within **stable Capex**, leveraging **EU funds**



**UTILIZATION  
& PAYBACK**

Rollout **cost below €400** per HH passed<sup>1</sup>, further **utilization increase** via FMC household deep-sell & segments extension, providing **payback periods of 10–14 years**



**COMPLEMENTED  
WITH PARTNERING**

Fiber coverage via **infrastructure sharing** and **wholebuy (additional 4 mn Fiber accesses in PL & CZ)**



## AMBITION 2024e

**40%**  
**≈10 mn HH** Fiber HHs 1 Gbps coverage<sup>2</sup>

**33%**  
**> 3 mn HH** Fiber utilization 1 Gbps

<sup>1</sup> Based on 2020 reported values (fiber rollout & Capex) including households passed street <sup>2</sup> FTTH/B & Docsis 3.1 (1 Gbps) in AT, CZ, GR, HR, HU, ME, MK, SK

# Best mobile network

Mobile network with significant 5G population coverage, capable of speeds faster than 1 Gbps



## Strong 5G spectrum position

Rapid 5G coverage increase, leverage mix of 5G New Radio & Standalone/New Core, to cover all areas from urban to rural

## Accelerated network modernization & upgrade

Site upgrades & refarming for 5G, Fiber network integration, 3G retirement, demand driven capacity rollout

## Investment optimization

Applying the right technology mix, partnerships to complement rollout in white spots, Open RAN

## AMBITION 2024e

**> 75%** 5G population coverage<sup>1</sup>, further scaling to 98%

**3G retirement** In all countries



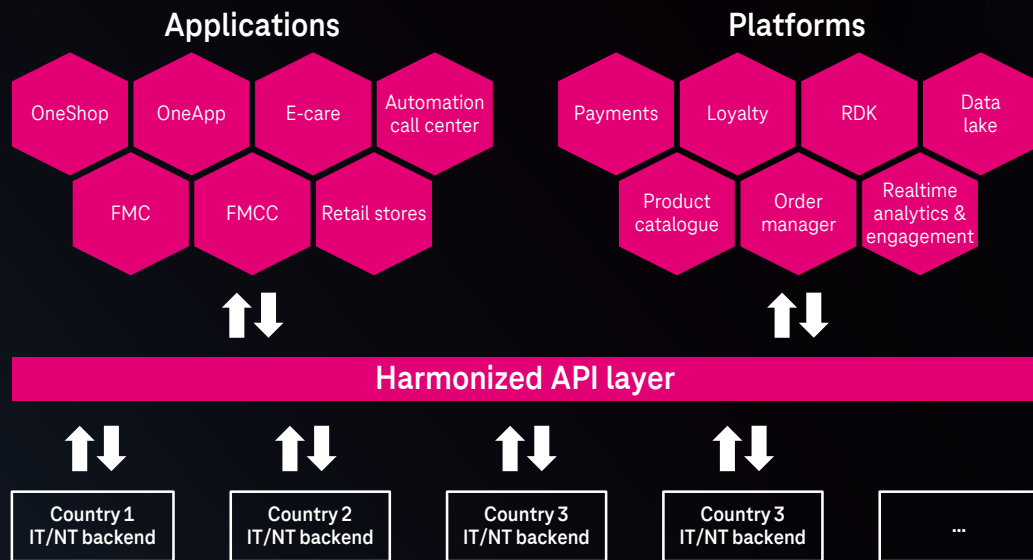
ARPU/ARPA increase in B2C & B2B via More-for-More, FMS, M2M/IoT, Campus Networks, etc.

<sup>1</sup> In AT, CZ, GR, HR, HU, ME, MK, PL, SK

# We created leading digital platforms

## Digitalization & Efficiency

Moving to harmonized API<sup>1</sup> layer across NatCos



## OUR PROOF POINTS

- ✓ **Central development, local rollout across footprint**  
 Centrally developed OneApp with harmonized API<sup>1</sup> live in all NatCos
- ✓ **Large scale customer reach via OneApp**  
 > 60% of smartphone users use the OneApp each month
- ✓ **Personalization & campaigning via OneApp**  
 Best tariff proposal based on usage profile via the app
- ✓ **Self-care & self-administration via OneApp**  
 Error reporting, tariff migration & prolongation, bill payment, etc.
- ✓ **Monetizing the OneApp**  
 -10% non-sales calls, €1.2 bn payments & top-ups, 300k tariff changes & contract prolongations

<sup>1</sup> Application Programming Interface



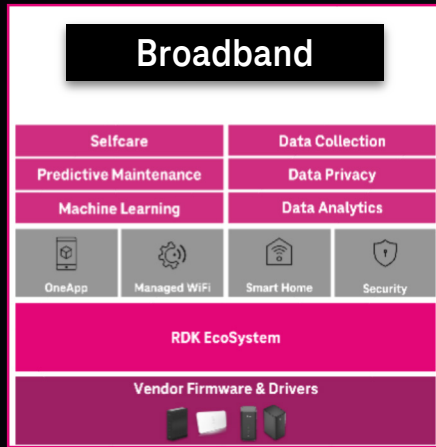
# Video





# Further scaling common digital solutions across Europe

Making digital the preferred way dealing with us



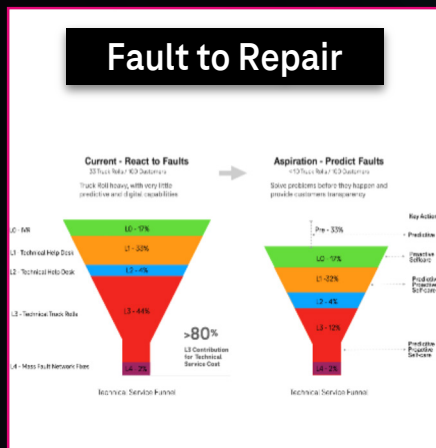
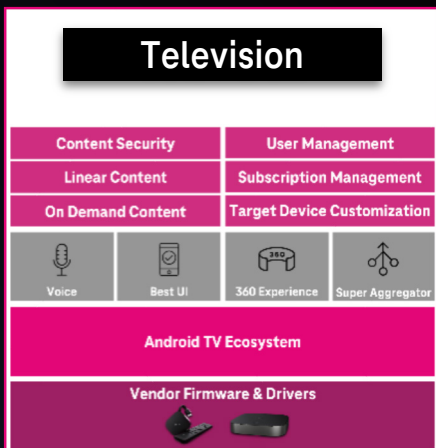
## AMBITION 2024e

**-5-10% p.a.** Non-sales customer care calls

**-15%** Truck rolls<sup>1</sup>

Ultimate digital in-home Broadband experience

Best user interface for TV content discovery



**30%** Transactions share on app

**≥ 95%** 1<sup>st</sup> time right in provisioning

Centrally aided customer journeys – no field trips

<sup>1</sup> Customer initiated field trips to fix service issues



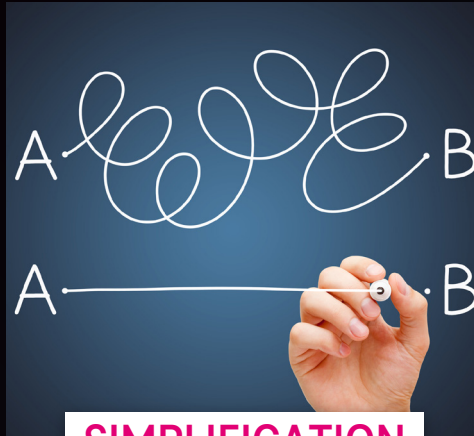
# Modernized NT and IT towards cloud & digitally enabled platforms

Substantially reducing Gigabit production costs in NT & IT



## MODERNIZATION

Clean up of legacy elements NT/IT, accelerate **copper to Fiber** migration, **field force optimization**



## SIMPLIFICATION

Simplify service chain architecture & reduce legacy features, **clean up portfolio** & business rules, automation



## CLOUDIFICATION

Cloudified 5G production with common target architecture, shift voice & data loads on a **cloud infrastructure**

## AMBITION 2024e

**42%** of workloads in network cloudified

**€300 mn** Indirect cost reduction<sup>1</sup>

**One** common CaaS product as a multi-cloud proposition

**4** NatCos with 5G SA (standalone) core

<sup>1</sup> Adj. indirect cost, 2020–2024e

# Capital allocation strategy paid off – portfolio strengthened

## Further converged portfolio with inorganic moves & partnerships

### Austria

UPC merger: EBITDA margin from 34% to > 40%<sup>1</sup> via strong synergies & implementation

32% HH  
Gigabit coverage



### Poland

Several wholebuy deals done, further in negotiation

26% HH  
Gigabit coverage



### Czech

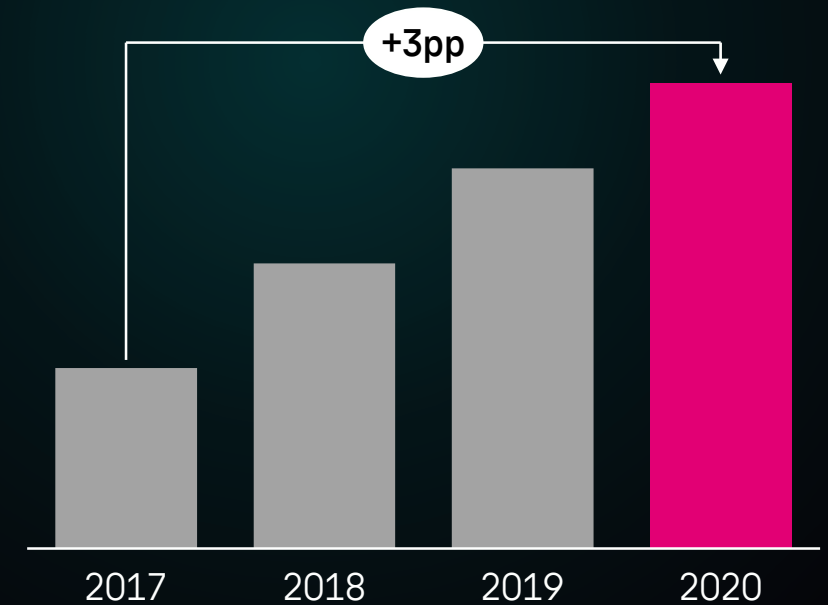
Own FTTH rollout, CETIN partnership & smaller M&A deals

4% HH  
Gigabit coverage



CETIN co-rollout partnership signed: Add. 11% coverage planned for next 7 years

ROCE continuously increased



## Streamlined portfolio

### Romania

Fixed sold, mobile lean challenger being realized



### Albania

sold



<sup>1</sup> From 2018 to 2021e incl. towers like-for-like

# Stronger as a region – we are more than the sum of the parts

## Leveraging synergies across DT group



Strategic co-creation & best practice sharing

Team of digital experts

300+ developers in Global Development Center India

Common IT & data model across NatCos

Core product capabilities inhouse

Data analytics skills

Harmonized service chains on cloud architecture

## AMBITION 2024e

- ✔ Developed only once & moved across footprint
- ✔ Repeatable playbooks, e.g., for FMC and Home OS – to scale up fast & successfully
- ✔ Scaling common digital solutions across Europe
- ✔ Fast and efficient in execution & go-to-market

# Segment EU is a strong contributor to DT's equity value

## Strong execution

- Customer growth
- Cost reduction track record
- Highly digital

## Attractive portfolio

- Service revenue growth fixed & mobile
- Diversification, offsetting country risks

## Well invested

- High & growing Gigabit coverage
- 1 mn FTTH build per year
- Good spectrum position/network leadership



## Growing adj. EBITDA AL (organic)

- 13 quarters in a row
- 2020–2024e guidance +1.5–2.5% CAGR



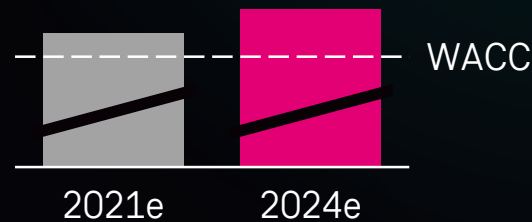
## High cash generation

- Cash conversion<sup>1</sup> growing from 48% in 2020 to 57% in 2024e
- Cash Capex stable 2020–2024e



## Earning cost of capital

- ROCE > WACC



<sup>1</sup> [Adj. EBITDA AL – Cash Capex – Special factors (Cash)] / Adj. EBITDA AL

# Midterm ambition level





# Midterm ambition level

	Midterm ambition level	Year
<b>Customer centricity</b>	▪ Customer satisfaction: #1 in TRI*M in all markets & brand preference $\geq$ market share in all countries	▪ 2024e
	▪ Employer ranking: TOP 5–10 in employer ranking in all countries	▪ 2024e
	▪ 5G coverage: > 75%	▪ 2024e
	▪ Fiber coverage: 40%, Fiber connections: > 3 mn	▪ 2024e
<b>Financials</b>	▪ Revenue growth: CAGR <sup>1</sup> > 1%	▪ 2020–2024e
	▪ Adj. EBITDA AL growth: CAGR +1.5–2.5%	▪ 2020–2024e
	▪ Adj. indirect cost AL: Reduction by €0.3 bn	▪ 2020–2024e
	▪ Cash Capex stable	▪ 2020–2024e
	▪ ROCE further increasing, ROCE > WACC	▪ 2021–2024e

<sup>1</sup> Adjusted for MTR