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PRESENTATION

Operator

(Video Playing)

Ladies and gentlemen, your moderator of the Capital Markets Day, Hannes Wittig.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Guys don't shoot the messenger or the converse of that. So welcome, everyone, to Deutsche Telekom's 2024 Capital Markets Day. It's very exciting to see you here, to see you here in person. Last time, we had a virtual event. It's so much nicer you're here.

But talking about virtual, we are actually hybrid. So we have a stream and we have the ability for others industry to ask questions as well, and we'll work on this later. So many things have happened in the world since the last CMD, many unexpected things and not everything was great. But Deutsche Telekom, has delivered what it has promised and was very predictable. In fact, you can argue has delivered a bit more than promised. So that's good.

Now we see whether we can do it again. And the first question is, who will do it again? And we will show you many faces today, but we start maybe with the guys over there. Tim and his team, Mike and Peter, please come on stage and we just welcome you for a moment. Please come here. -- Okay. I think you know -- .

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

The other guys over there. Okay. Yes, so that they see as coming to the chase, for the next has come a bit more.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Christian, because you won't be on the screen. So I start with Tim. Tim -- okay. Now we get everyone who is here. Okay. Melinda, Okay. Timotheus Hottges, CEO; Ferri Abolhassan, the Head of T-Systems. You'll hear them tomorrow on the B2B slot.

Birgit Bohle, Head of HR. She will be together with Tim and talk about our people story. Peter Osvaldik, T-Mobile. He will present with Mike, the key points of the last Capital Markets Day and be available for Q&A. Then we have Claudia, which is much nicer to talk about the agenda this way. Claudia and she and her team was up to -- I don't know, he's here, right -- up to John, he will be, they will be talking about what we have achieved in technology and how we're driving this forward.

Srini Gopalan, our Head of Germany. He will be there with Wolfgang Metze, come in a moment. Next to him is Dominique. There will actually be after Tim today. So I've got that out of the way. Then Mike is the next. So you're right in the logical order there. Perfect.

Mike Sievert, CEO of T-Mobile and President of T-Mobile USA. Then Thorsten Langheim, Head of our Group Development division and our living legend. Next to him is Christian Illek, our CFO. Wolfgang Metze, he will be last tomorrow, again, the right order Wolfgang, followed by Christian and then after that Q&A.

Then, we have Wolfgang Metze, he runs our Consumer Business in Germany. Jose Perdomo, he is our Group Strategist. Jose is going to talk about B2B tomorrow, but he is one of the architects of this Capital Markets Day. And then we got Melinda Szabó, she is CEO of our business in Czech Slovak, and she is also the former CMO of the European business. So she will present with Dominique, later.

And then we've got Abdul Mudesir, he's the CTO Germany, and he will be with Claudia tomorrow. And Ulrich Klenke, who is our Brand Chief, and he will later on present you with a brand show and explain to you why we are Europe's most valuable brand and the world's most valuable telco brand and all these things. So good stuff.

And it's almost -- I'm almost through, I think, Tim, you can almost. Everybody else can leave the stage now. -- (multiple speakers)

Okay. I think pretty much we've gone through the agenda. You got the agenda in front of you anyway. So I don't need to go back to this, and I will introduce each session beforehand. Let me just see if there's anything miss.

This evening, we have an evening event after Uli's brand show. I think you are aware of it. For those in the it's very close. It's Bavarian style October Fest, mini October Fest. October Fest in Munich is over, we keep celebrating here. And we have a DJ there for those who listened to our last earnings call, right, we deliver on our promises. And I'll introduce the presentations ahead of time.

So a couple of technical points before Tim can start. You should please take a look at our usual disclaimer. And if you want to join, this is for the people in the stream, if you want to join the Q&A session, the web place a question with video. So there is a way of doing this. (Event Instructions)

Of course, we have many folks here. And so I will start with people in the room, and let's see how far we get.

And I think with that, let's get to Tim's presentation and Birgit's presentation, as I say, Tim will start with the strategy of the group. That is really the framework for everything else that you will see. But of course, we will then deep dive into many of these topics later. So Tim, it's all yours.

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

Thank you. So welcome, everybody, even from my side here. It's great having you all here. It's great to have all my good colleagues here with us as well for the next 24 hours. To be honest, I'm very excited about, let's say, the whole discussions we're going to have. I have no responsibility with regard to the October Fest celebration. This is Hannes topic. So if you want to complain about something, you can complain about me, but when it comes to the October Fest, it was his idea. So therefore, I hope that you have your later holes with you and enjoy the evening.

For us, this is a really special day. And you cannot believe how much time we as a team have spent to work on this. And by the way, we haven't done that for you. Because we do these Capital Markets for the insight for talking to our people because they see us today on stage and they know we commit to something, and then this is becoming the guidance for the next years with insight.

So this is more for talking to our people in the company where we are heading to, then rather talking to you what you can expect from us. So it's a kind of, let's say, really, let's say, restart or renewal of the strategy and how we are proceeding here.

So therefore, there is this record day here for us. Looking a little bit in the past, what have we achieved, and as well looking into the future, what are our ambitions going forward. And to just motivate us, I had a quote from Winston Churchill, which I wrote this morning, he said, success is not final, failure is not fatal. It's the courage to continue that counts. And to be honest, that's a very wise sentence as well for the ones who are not performing at that point in time.

So last year, we stated that we are on a good track, and we are very proud where we are. To be very clear, we feel like the goody goodies in this industry. Srinii said it, we are the clean house in a dirty street, and that is, let's say, how we are looking at us. We had a very strong year. We overperformed in all of our operations. We are thriving both sides on the Atlantic in the US with our US team and as a group here in Europe as well.

By the way, our front runner is Dominique with the European team and 8% growth on the EBITDA side these days. We have outpaced our competition gaining market share wherever we are operating. We have created superior for the shareholders. You know where we are standing with regard to the market cap of our company these days. And I hope that we can even convince you that we have the best team in this industry and that we have a good slate of successors who will run the company into the next generation.

This is why Birgit is sitting with me here on stage. The most important thing is the people and how we're developing people. So my presentation is about a little bit going about what we have achieved, but then Birgit will immediately jump on the most important thing, which is about how good is our leadership team, how strong is the slate, what are the people, which we have in the company. And then I will talk about the strategy, which we will then lay out in all details during the next 24 hours.

Now this is the strategy. It's a very simple one. It's the flywheel. And this is the flywheel which we have from the beginning. It was always part of our strategy, and I cannot skip the slides here. Please help me. It's not working. Sorry, no slides. I can do that without slides.

The idea is that we have decided at one point in time to invest. So here we go. I love that. This is not leading guys. Can I get another one. Is it working. Okay. Here we go.

So the idea is our flywheel. And the flywheel was there from the beginning. It was the idea. We invest a little bit more into the infrastructure. By doing this, we're getting, let's say, a positive feedback from our customers. They come to us and enjoy the infrastructure and the superior quality of our services. This is why we're gaining more customers than our competition, which is filling our pipes.

The pipes have a bigger economies of scales and the economies of scales are creating more profitability. And by doing this, we gain more better financials than the competition, which we can use for share numeration, for investments, but as well for deploying even more and more and better infrastructure.

And this flywheel is working perfectly. We have invested EUR71 billion since the last Capital Markets Day into fiber and into 5G in the footprint of our operations. And this put us into the position to significantly improve our infrastructure, which brought us into the number first position in almost every market, and which has given us 300 million customers across the footprint of our entities which helped us to increase our EBITDA AL by 31% since the beginning, increased our earnings per share by 46% and helped us to keep the momentum on the investment side as well. On top of that, we were able to increase our shareholder at the same time, and that's the ambition which we want to drive going forward.

Now I can give you the details, but you know that. We are number first in brand value. We are number first in customer experience across all the markets, and our brand is the most valuable brand of Europe ahead of Mercedes, ahead of Volkswagen, ahead of Chanel or even Louis Vuitton. By the way, in all, let's say, rankings, which you can fight. The brand especially for consumers is super important to differentiate.

We have a leading position in fiber and in 5G. And you see that we have improved our FTTH network in Germany, up to 10 million households now, which are available, same size in the European footprint. And on the Europe on the mobile side, we have almost in all businesses in all markets, coverage already of 98%. In all of the markets, we are ranked number first.

This helped us to grow in the markets. And what you can see here is the total number of customers, 4% mobile postpays in Germany, 3% in Europe, 4% in mobile postpaid in the US, 2% broadband customers, 5% broadband customers in Europe. So everywhere we grew, our customer base failing the pipes. And what you can see is we were growing this business by growing market share.

So in every market where we're operating, we have gained market share compared to our peers. And you see that, for instance, in Germany, 45% of our net adds market share these days, while our market share is around 35%. The same is true for the US or you can see that in broadband as well, where our market share is significantly about our net add market share about our incremental customer base. So we are growing beyond our current position.

On top of that, we are able with intensifying our, the customer engagement. You know that we have Magenta Moments. In Germany, EUR10 million transactions on this engagement level. In the US, it's called Magenta Status, which is very active for customers get awards, get benefits by using these services. And this brings us closer to the brand.

This constantly keeps us in a contact with this client. This is driving then higher Net Promoter Score. It is reducing the churn. And at the same time, it gives us the capability of upselling. And you can see that NPS since 2020 improved by double digits. Churn is down 20% to 45% respective to the market. ARPU is up 10% to 50% depending on the market values, and the amount of interactions which we have has doubled.

So this is very important if the pace is the base on which this company sits on. If you have 300 million customers, you have to keep them happy and you have to retain them and give them offers something they don't get at the competition to keep them with us.

Customer experience is the one which is the driver for the future. And this you can see here, we have significantly used digital transformation to improve our services. And you can see that here, our e-sales shares is going up, our claims and complaints are going down significantly, 67% since our last capital markets, reactive which are quite expensive, went down by 32%, and the app penetration, which is so important for the interaction

with our customers is going up to a new record high, 62% in Germany, 73% in the European legacies. So all this digitization is helping us to improve customer service.

Sustainability, even if we have sometimes the feeling that's not so much anymore at the heart of investors, we keep on running. We are not stopping. We will continue our efforts to significantly reduce our emissions. And you know since 2021, we are already 100% based on renewables for Scope 1 and 2, but what is even more important, we were even able to reduce Scope 3, 23% ambition reduction since 2021 in our footprint.

And this despite the fact that our data, our consumption of services have doubled at the same time. So by improving data consumption, by improving data service, by improving data center access for our clients, we were able to reduce our emissions by 23% in the footprint.

On the circularity task, we are on good track with regard to the recycling of fixed-line devices, 61% are coming back and getting recycled, entirely recycled with no ICT waste to landfill. So it's going in full recycling. We have a challenge when it comes to the mobile devices because mobile devices sitting there, the industry doesn't have really the motivation to recycle their services. They always want to say something new. And therefore, only 25% for mobile devices are coming back for full recycling yet, but we are working and we have a new program, which I'll show you later on how to improve this number going forward.

And on top of that, we had a lot of beneficiaries when it comes to social investment. You know the T brand is an inclusive brand. It's never an exclusive front. We are for everyone, for everyone in the society. For the ones who cannot afford our service to the ones who are super rich and don't care about what the service costs.

Our brand has to embrace all of them. And therefore, our brand has to sit in the middle of the society. And that is what we are trying to do with a lot of, let's say, benefits and a lot of contribution we're giving back to the societies. 51 million people benefited last year alone. In the US, we have this big 10 million digital inclusion program running. Same for Europe and Germany. 51 million people participated in kind of digital inclusion activities of the group. The worth of this last year was EUR1.5 billion. This is almost 1% of our revenues, which we are giving back for social contributions into the societies.

So we keep on running on the -- on delivering on our environmental and on our social commitments. And I think we made great progress compared to last year. I always said portfolio management is incremental part of an operational strategy of a company. You have to focus on your portfolio and do the right things. And we divested to be able to invest.

This was one of the paradigms, which we were pursuing in this group for the last 10 years. We sold Netherlands, we monetized towers. We had this fantastic deal with SoftBank on the Sprint transaction where we were able to guarantee a purchase price of \$108 for the T-Mobile US stock. We have the DT Capital Partners as a venture arm, which is giving us a lot of money back already. This money helps us to drive the change and the organic development of our group.

For instance, we were able to increase our share in the US from 43.6% in May '21 since we met last time to 50.4% today. And we did that with different instruments, and we created for our shareholders and for us only with the stake, a valuation, which is now EUR48 billion higher than it was '21.

So this portfolio manager, the smart M&A in the back, which is helping us to organize markets to find, let's say, the right partners and even to monetize assets at high valuations helped us a lot to generate shareholder value here at the same time.

Now the outcome and Christian will go in very detailed. I do this one is since 2020, we have increased our service revenues by 5.5% organically by 3.6%. Our core EBITDA AL grew by 8% on a CAGR basis, organically 6.9%. Our free cash flow rose on a CAGR by 31.8%. Over this time, CAGR from 6.3 billion to 19 billion despite the fact that we invested EUR71 billion into the future of this company. And the return on capital employed was ahead of 6.5%. So we are earning our capital costs in all the markets where we're operating.

This is the consequence, and you know that. I should not teach the market, but going from EUR80 billion market cap, Mike and Peter in the US to EUR222 billion, by the way, over these few years is amazing. I think this is a story never been written before in this industry. And Deutsche Telekom was just another telco at 2020 with already EUR60 billion. and we are now EUR131 billion, and we are more worth than all telcos in Europe together.

Now the question is why is that the case? Why is T different? And what is different with the DNS, what is behind that number? And what is the foundation of that company? And if you don't understand why we are performing that way, I think you have to better understand a little bit the DNA, maybe even the principles, the beliefs, we have in the company when making decisions.

The first belief is leading attitude in everything we do. I expect that an accountant is doing his accounting in a leading manner. I expect that we have a leading service with regard to customer service. Our network should be leading in the eyes of the customers and the network drive tests. If I'm standing on this stage, I want to be better than all my CEO's who are out there. If everyone in the company has a leading mentality, and I can tell you, not everybody has it. But the more they have it, this company can only succeed. This company can only win. So leading attitude in everything, how we do the things, even the small ones.

Second, customer delight and superior quality is the best financial investment. It's not a hygiene factor. It's not something where you just have to do it like your peers are doing it. It's not a cost. It's a super accretive investments into the future. Never lose market share. If you go into losing market share, you lose service revenues, you get it, let's say, to the shareholders who want their dividends. You are not able to pay the dividend. Or you pay a dividend, then you cannot invest anymore.

This flywheel is not working anymore. If you are losing your base, if you are losing customers, I can tell you, you lose the base for the flywheel running. We will never lose market share. And if we lose it, we analyze it, we change the business model and we fight it back. This is, let's say, a DNA where we are today leading in all the markets because we are gaining market share.

Sustainable growth and continuous transformation is deeply within our DNA. Finally, I very openly say T stands for transformation. To keep the momentum to constantly willing to change the status quo, to constantly be agile and adapt to the situation was something which was helping us in the past. The willingness to question even success.

Long-term orientation with persistent short-term orientation. A lot of telcos have huge dividend yields, huge payouts, and they have lost the site for the long-term perspective. May be good for short term, never good for long term. And I think what was successful at Deutsche is that we were able to balance this in a quite reasonable and good way over the past. I know some of you hate the high investments we did. 21% CapEx to sales ratio is quite high. But at the end of the day, it's paying off.

Smart portfolio management, I mentioned that, we have the best M&A team in this industry. Nobody was able to make 27.5 times multiple on their towers, and I do not want to give too much credit to my M&A team here, but I'm very proud to have these guys being so smart.

Unique balance between global scale and local entrepreneurship. You don't underestimate that. If you have a global company like ours and you centralize, the power is not sitting in the country anymore. People get demotivated, but if you let the countries do what they want, I can tell you, you will not take the benefit of a global company.

So what is the right balance to find between global and local. Keep the people empowered, give them the ownership for their business, their local adaptation, their flexibility, but at the end of the day, don't give up on the benefits of the synergies of a big group, which is unique compared to other players.

Create a business with purpose. To be honest, I don't like the word ESG. I even don't know what it is, especially the G. For me, ESG means having a purpose in what I'm doing, connecting the world. And on the other side, creating no standards, being intega and what we are doing, being open-minded, being in the society and being a lighthouse for the customers.

No scandals. We were lucky having no scandals. If you have scandals, I can tell you the management is entirely focused on getting things fixed then rather focusing on customers. Radical transparency to create trusted reliability. To be honest, that sounds obvious for you guys. But we always have the discussion, which kind of things should we release.

And by the way, a lot of my colleagues are only releasing good news. By either way, you're not sleeping on the tree. You know what's behind and you're trying to find it out. So be open. Radical transparency, even if you don't make things in the right manner or if you fail, you create credibility by being authentic. And if you have that in the company, you don't have the politics in the company, your open mind and say, this was the good, this is the bad, and this is the ugly. I can tell you, it has to accelerate the way to transform. Sometimes this hurts, sometimes this is uncomfortable, but I can tell you it is accelerating how the company is changing.

And the last one is create passion in the company, create a diverse thinking in the company and create ownership in the company with becoming, let's say, shareholders of the company, and we will talk about that in a second about how many people are owning stock in Germany and in European constitutes already. And diversity you will talk about this as well.

I think this is the foundation. And if you look to our strategy, this is it. This is the core. This is always there. It has been there. It has been trained, but it's at the core. The rest is a strategy which we can do, which we can improve, but this is the core.

Now the outcome is very clear. To be honest, we are very happy with where we are sitting here after our last Capital Markets Day. I do not go into the details of it. But most of the KPIs, we overperformed or we achieved. There is only this IDC issue, where the inflation and some other topics hit us, but Christian will go into details where we see a clear and a little bit of the cash CapEx, where we invested more than what we have promised, but this is EUR100 million deviation. Nevertheless, let's talk about that one. At a later stage, overall, I would say the grades of our record is quite good.

This is, by the way, bringing us into the position that for this year, we announced the highest dividend Deutsche Telekom ever paid in history. It's EUR0.90. EUR0.78 was 2008 at the beginning, now we go for EUR0.90, which is bang in line with our commitments.

And on top of that, we agreed with our Supervisory Board to always under the assumption that we deliver on the numbers, which we are expecting for 2024 that we have an additional share buyback of EUR2 billion of up to EUR2 billion for the upcoming 12 months to support our belief that the company's terminal value, the company's internal value is significantly higher than what we have currently on the stock market, and we believe it's a good investment to buyback shares.

With this, I want to come to the people who made this success possible. Not only the 200,000, but especially as well the leaders, and I hand it over to Birgit.

Birgit Bohle - Deutsche Telekom AG - Director of Human Resources and Legal Affairs, and Labor Director, Member of the Management Board

Thank you, Tim. It's a privilege for me to be here today because I not only take care, I truly care about the heart of our organization, our people. And Tim just said it. We are the best team in the industry. 200,000 people on both sides of the Atlantic and with passion, diverse thinking and business ownership. And I have a simple mission here for the next 15 minutes. I want to give you some proof points, but also a little bit of flavor of this best team, of our culture and why we are actually different.

And of course, it starts with our leadership team. We created our leadership anchors and our joint mantra is good is not leading. And you heard Tim complain about this is not leading. This is what we are pushing all the time. In the last years, we have actually renewed our leadership team. And today, 60% of the business leaders, so our top 50, and 70% of our transformation team, our T3s, are less than five years in a row.

When it comes to BLT promotions, we've seen a very healthy mix of internal and external candidates. And it shows you two things. First, with a very strong internal bench and we're able to attract top talent from external leading companies.

For us, diversity is actually a driver of performance. because diverse teams simply make better decisions. And it's not only about gender diversity. It's about a mix of experience, skill, international expertise and also age diversity. And you've also seen and already seen quite a few of the BLT colleagues on stage. You will see more tomorrow. So there is some proof point on our strong team. And this team is significantly more diverse than three years ago.

But I assume you hear from everyone that they have the best team and that they are leading. So it's an easy claim, but a little harder to proof. We really wanted to challenge ourselves. We wanted to know. So in '23, we actually hired Egon Zehnder, one of the finest leadership advisory consultancies, and we went through rigorous individual development centers.

We did it all as the Board with our top 50 and quite some success are going through that. And it was personality tests. It was four hours of interviews with two interviewers taking turns with individual feedback sessions. And at the end of the day, we've gotten overall results. We shared that radical transparency with our BLTs, where we are leading, where we still need to grow, and one quote I would like to share with you from the Egon Zehnder report, it's the leadership team is stronger than market benchmark ranging in the 95% percentile. And that's what we're proud of.

We invest a lot into this strong leadership pipeline. And I can tell you, we, as a Board, are very involved in that. In almost every Board meeting, we are discussing placements, succession pipelines, performance of our BLTs and our T3s. And for our top 200, 230, we decide on every single placement as a Board. And I can tell you that's not a tick in the box of formal one minute item on the agenda, that often triggers really vibrant discussions.

Until '27 we will continue to renew our leadership team. We finally want to reach 30% female executives. We will continue to grow the share of executives with international expertise and also deep tech expertise. We've also set ourselves a target for a more balanced age distribution. The majority of our leaders is still very long in the industry and in the company, and we are privileged to have their expertise.

At the same time, the fast-changing environment calls for more younger leaders. We need their cutting-edge skills. We need their fresh thinking, and that's why we've set ourselves an internal target.

Egon Zehnder also talked about the performance orientation of our leaders, and we actually foster this through our compensation system. Since '21, we've also included environmental targets in our executive pay, but we also wanted to have more skin in the game. So in '23, we changed our share matching plan. And now 96% of our executives actually have shares and invest in the share matching plan. That's up 40%.

Our leaders believe in our strategy and our leaders believe in our culture. And I believe that our culture is actually the true secret source of our success. And we shape our culture with and through our leaders. Tim it was you who actually invented the BLT and the T3 learning journeys.

And I only joined in 2019, but I remember every single trip. Joining in 2019, my first trip was to South Korea. And we visited SK Telecom. Why? Because that was the technology leader. And they already have a nationwide 5G network. While in Germany, we were still in the auction process. We wanted to see it live. We learned about the Korean culture bali bali, fast, fast. And we actually translated that into one of our guiding principles, get things done that we didn't have before.

Estonia '21, we went there to understand how that country had become leading in digital society and e-government. We talked to government officials, and they told us about the pivotal decisions on e-identity they had done. We also learned some interesting facts that getting divorce is one of the only things you can't do online in Estonia.

In Finland, last year, we were actually quite impressed by the ecosystem of start-ups that we saw in Helsinki. And if you see us all in blue up there, this is at 30 degrees-minus in Lapland as a team doing outdoor activities and that clearly got us out of our comfort zone.

For me, these are experiences and for many of our leaders that money can't buy. They're inspirational. They are out of the box. And we always want to try to learn from the very best.

On this slide, Tim talked about continuous transformation is part of our DNA. From the people side, I can add continuous workforce transformation is part of our DNA. So we've produced our workforce by more than 25,000 people from 2020 to '23. And against a common myth that headcount

cuts are impossible in Germany, we've actually reduced over proportional, effectively, quietly socially responsible. And the drivers have been automation, digitization, quality improvements and, of course, back-office cuts.

At the same time, we've become younger. So our average age has actually declined by almost half a year in the last two years, and we've increased the number of people who provide services from around the globe. Of course, this is driven by cost advantages, but also by really access to top digital and tech skills.

Today, we have 17,000 people working in T hubs around the world and in the global delivery centers of T-Systems. And India is fast growing, today reaching already more than 5,000 people.

Until '27, we will further accelerate workforce transformation and AI that Claudia and team will talk about will help to achieve that. We will increase our global workforce shares to more than 50% in technology, 45% system, 50% for internal shared services. And as part of workforce transformation of a responsible workforce transformation, we continue to invest in future proven skills.

Last Capital Markets Day, we actually introduced a KPI for that, and that's our share of digital experts. So it's people really working like software engineers. Like data architects. And our ambition was to reach 17% of our total share in the workforce by this year. We clearly over-delivered and we reached that target already in '21. Today, we are 30,000 digital experts and 7,000 of them have AI expertise. And we plan to grow that share to 25% to 30% in 2017.

We continue to invest in our skill transformation. We are among the leading and largest housebuilder here in Germany with 5,000 apprentices and dual students. We have state-of-the-art digital learning offers and just to give you one number. Of course, we focus on AI. And until today, we have actually have 90,000 people participating in our AI learning offers from simple things like prompting to the advanced stuff for the experts.

AI also will accelerate our HR work, like in any other area. So we're rolling out a skill intelligence platform that now helps us matching the skills of all our people towards projects, jobs and also learning offers and thus making a lot faster, but also a lot better recommendations.

Let me come to a close of my part here and back to our culture. What is truly setting us apart is the purpose, the values and above all, the passion of our people. And you find a lot of numbers here on this slide. They show you that our people are fans of our brands, that they find their work meaningful.

Our favorite number is the 40% of employees in Germany that have actually invested in our shares to you program, and it's being rolled out internationally, yet, it's hard to explain culture through numbers. You must experience it. And I experienced it when I'm doing one of my days, our customer days that we have mandatory for our leaders with the front-line colleagues. I experienced it with 200 volunteers at our Special Olympics when I feel the energy of our young teams in Puna or in Granada or also at the Jubilee celebrations in Fantasia Land close by where we celebrate the colleagues that are 24, 25, 40 and even 50 years with us.

Just two weeks ago, we had our Living Culture Day, and we do that once a year. We remind ourselves of our purpose and our values. And this time, we have to model, The Power of We. That's probably a good summary of the best team. Diversity is our strength because we share a leading attitude, we share a strong set of values, and we have a common purpose. We won't stop until everyone is connected. We won't stop to deliver on our '27 ambitions. And what these ambitions are, Tim and later on, the colleagues will tell you.

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

Thank you, Birgit. I'm so impressed how disciplined she is. I never follow the speaker notes here. She was on spot on this one. So let me create chaos again. By the way, said, if you want to give birth to a star, create chaos first.

So that said, what is happening going forward? And what are, let's say, the changes which we are facing in our industry before we go in what we are doing. And we can talk about that one for ages, but there are six major trends in our industry, which is -- which are forcing us to change the way how we organize our business.

The first thing, artificial intelligence is changing everything. I think it is the biggest game changer I have ever seen in my life, are in technology. And therefore, we have to embrace it. We have to in depth it into every activities which we are doing.

Both, by the way, from an efficiency perspective, but as well from an improvement for customer service, customer interactions for individualized offers and the like. The second thing what I see is the race for customer engagement. We are living in an industry which is getting more and more mature, which is commoditizing. So the question is, what can you do to differentiate in the eyes of customers, aside of price?

And therefore, we have to reinvent a way of interacting with the customers. I talked about Magenta Status and the Magenta app and our Moments already. We're talking about the way of digital first of the way that we automatize and adapt our services to the generations, which is, which grow up with the technologies. But we have to enable as well new services like eSIM services, like APIs, which developers are using. Like even other connectivity services into the one which we are having, to create engagement and to connect the people in every situation of their digital lives.

Enterprise digitization and software focus. If you were talking to a business customer today, the business customer is not focusing on connectivity alone. He's not interested to talk with me about connectivity. He's always asking me, by the way, how can you create an added value for me out of the connectivity? And how can you make sure that this connectivity is safe and secure? And how can I improve my productivity of my specific business model with your service? And this is exactly something which we have to adapt in our B2B services that we help customers to digitize their businesses including, let's say, new opportunities like IoT, robotics or private network infrastructures.

Disaggregation and orchestration is the way how we run the networks. We talked about that one. Getting independent from vendor black boxes, getting independent from this proprietary technology verticals, we are buying in our industries and getting an advantage from the cost and as well from a sovereignty perspective.

The functional decomposition, the cloudification of monolithic network architecture, is something which we overcome with software architecture, which we are developing. By the way, not only for every country, but for the joint group. And a kind of large-scale adoption of AI in this network operations is a way of optimizing, of creating security but as well a higher productivities.

Global platform economics. Guys, you are looking to over-the-top. We are looking to all these digital ecosystems, and we always appreciate the way how these guys are developing one product and scaling it out throughout the whole world. But we never think the way for the telco industries. We always think this is a kind of local industry, boom, siloed, pillar built country by country. There must be horizontal synergies for within this value chain, which we can use and which we have to deploy, telco as a platform.

On top of that enables us to integrate even third parties into our propositions, being it, let's say, stalling in the US for areas where people are not covered with network infrastructure for a juristical basis. Being it let's say, CPaaS models in the ecosystem with our B2B customers, which we are having on the fixed line side.

And customers are changing as well. The need for a purpose for a purpose-driven organization is getting more and more relevant, not by the way, only from customers, but as well from political I can tell you, they look at us. You have more discussion about the data breach than you have maybe about a new price proposition in the markets. And therefore, you have to be very resilient in this kind of global ecosystem, which is getting more complex every single day.

Now how are we reacting on this one? And in my presentation is just giving the headlines. We will have deep dives on each of these topics later on in the presentations of my colleagues. So therefore, I'm less focusing now on the KPIs but trying to be more focused on the principles of the narratives of our strategy.

Let me change first with the way how we are developing this flywheel. The T, the foundation, our strong T is different stays. We will do everything to make it even stronger. The idea of investing more, having happy customers being number one, the idea of creating high efficiencies and better financials stays as well. This is successful, why should we change it.

But we want to accelerate our flywheel by putting two components on top of that. The first one is create the benefits of global scale better than we did. We are the provider of the Western Hemisphere. We are the biggest telco in the Western Hemisphere. So how can we jointly generate more benefits by collaborating. Everything what we scale in Greece, on Macedonia and Germany, if you can bring it like the app into the US is scaling immediately exponentially. The US is a way for us to scale up and to reduce the cost in our ecosystem.

The second one is data and AI. We put this data-centric organization and the ability of AI at the core, at the center of our strategy. This is may be different to other telcos, but we believe in every kind of part of our value chain, it will help us to become an even better telco.

Now in detail, I'm going to skip that one because it's describing again what I said already. We start always what the foundation of that company is. We stay focused infrastructure player. The core of the core of the core is 5G and fiber.

Let's talk about fiber for a moment. Now here, we are pursuing two principles. We have countries where we have a legacy, an infrastructure like Germany was 70% copper infrastructure, vectoring and super vectoring, working very nicely.

In this market, our principle is over the next years, we are changing, modernizing this infrastructure and the same infrastructure share from copper into fiber. So the value chain stays the same, the technology behind is different. Including switching off copper at one point in time, but we will not give up infrastructure share.

So if we have 70% infrastructure share in Germany, our ambition is to build 70%. If we have 50%, we will 50%. So the principle is we are not going on wholesale models or whatever, we are building the same infrastructure. And that is what you can see here the broadband market share and infrastructure view is what we are driving in the markets like Greece, in the market like Hungary, in the markets like Germany. And then we have markets where we have a strong mobile footprint, but we don't have a copper infrastructure, a copper legacy.

So in this market, for us, convergence fiber is a great opportunity to gain and to grow. Like we're doing it in the US. We announced 12 million households, which we are going to cover with the acquisitions which we recently announced. We do this following a logic of internal rate of returns on profitability opportunities and growth in the core business, which we have. We're using the distribution. We're using the customer service proposition. We're using our brands to develop this business.

A little bit opportunistic. It's not needed to have 70% like we have it in the copper ecosystems, but it is following internal rate of returns. And that's the way how we are driving growth homes passed in Germany up to 17.5 million. Every year, we're going to build 2.5 million households. This is why we are going in Europe for 13.5 million households, every year 1 million more.

And that is, let's say, how the fiber utilization in this footprint is growing over time and how we see that. And in the US, you know the numbers, Mike and the team showed it 12 million to 15 million households is the ambition which we're having here.

What's the principle of 5G? Now you have heard that 100 times, and I had a very interesting discussion with Mike. Mike said, Tim, what is going on in Europe? Everybody is complaining about 5G and saying 5G is not a business case. You are nuts, how can you target down, 5G is the best after slice breads. It made up rich, it made us successful. We are 5G winners. Without 5G, I would not be, let's say, in the number one in the US market. 2.5 gigahertz deployment made us the number one in the US.

There's no question that without 5G, we would not be where we are today, outperforming ATT, Verizon every single drive test. I was thinking about this because I was one of the guys complaining that there is no business case of 5G. So it came back after that discussion and said, by the way, guys, is it true that 5G is a problem? And then we did a business case, and we can go into the details of it.

We were very early investing in 5G. We were driving 5G. It helped us to improve the productivity of the network, energy efficiency and other things, and we looked it up. Since we have deployed 5G, we have grown our market share in Germany on an annual basis by 3% to 4% points because customers are recognizing that our network is significantly better than the network of Vodafone and O2.

The customers are willing to pay us more. Our ARPU is not shrinking anymore with the speed as it did before. The profitability of that is positive, and the NPV is already positive on the 5G investment, which we have taken.

There is a 70-ish percentage return on capital employed on the 5G investments which we have. Now I cannot talk for everybody because I know the European industry, 65% of all European mobile players don't earn their capital costs. But I can tell you one thing, we made 5G for all the markets a winning strategy. We are changing the narrative that 5G is a bad thing. For us, it's a great thing. And we will pursue everything to accelerate our 5G services.

The next thing, superior customer experience to monetize the full potential of B2C services. I talked about that one already. How can we increase our net add share always above our market share? How can we increase our ARPA, which we are gaining from the customers? The answer is very simple. We are not benchmarking us anymore with our telco peers. We have to benchmark us with the over-the-top players and the way how they are interacting with their customers.

And we have a lot of ways of improving this potential. Think about the way of utilizing, of deploying, of serving faster in Germany in our markets. Think about the proposition around TV, which is growing nicely, by the way, in Germany with contents like the European Championship. Think about beyond core services, which we're going to talk about in Dominic's presentation later on.

And think about, let's say, always this upgrading of the network for the customers, which is increasing the customer experience around it, by the way, more for more as a principle of that logic. So customer orientation is very important.

Next thing, B2B. To be honest, we declared B2B in Europe and Germany a turnaround case. By the way, if you declare it to turnaround case, it's very easy to change because people, if they accept it, they know they have to do something. New management on top of it, and when we started from the to analyze every single market, every kind of what is the portfolio about, how can we grow our customer base. This is a significant business of us.

We have EUR20 billion revenues in this entity. We have 40,000 people deployed in these areas, more than 5 million customers on this angle. And by the way, we were not that worse as most of the peers because we have the strong IT capabilities in our group as well, which helped us to mitigate the shortfalls on MPLS and some fixed line services.

And therefore, we believe with this new setup, we can grow the business with 5% prospectively. And we're going to be able to even grow our profitability higher than the 5 percentage. This is super relevant for the future because here, you have a true differentiator where not price is so, so super relevant, but the added value you can generate.

And what we need for that is the systems. What we need for that is the IT capabilities, which we have. Luckily, and maybe we were the laggard, not selling this asset, but we have it. And we're now using the systems to help us to work on cloud services with our customers on SaaS products with our customers so that we create an added value, which is beyond the connectivity piece.

So what I'm telling you here is the narrative behind B2B is to systems and our global footprint in the Western Hemisphere is one of the propositions we want to drive. Boosting efficiency on our levels. We are not getting tired on improving our cost basis. And by the way, must do for all industries.

Now the idea which we have is that we are reducing our cost base by an equivalent of EUR1.5 billion over the next years until 2027. This is an equivalent reduction of 3% to 5% of the projected service revenues. Because at the end of the day, if we are growing our cost base can grow as well. As long as our margin is improving. So therefore, it's not the EUR1.5 million alone because we want to grow the business, but we want to improve the margin of our areas.

And this is taking place in customer-facing functions due to, let's say, AI use in all these areas, operations, SG&A, overheads and the like where we have started an operational program last year, which is now getting harvested over the next year.

Next thing, AI. To be honest, I'm personally the Head of AI in this company. I have no clue compared to AI experts. But it's me who is driving this project to show everybody how important it is across all the domains, and I'm very happy about where we are. How many people are already part of the story. 70,000 people already getting trained here in Germany alone on AI tools.

We have a great foundation in the way how we build it. The first one, we have an AI competent center being based here, which is helping the departments who don't have their own IT or the experts there. We have an AI within T Systems, who is developing on a more sophisticated basis, I think with 800, 900 people AI services in the group.

We have a huge partner ecosystem. We don't put everything into one basket. We are working with GenAI, for instance, on chatbots. But we are now finding out that the open models are giving the same results at significantly lower costs. So why not work with Lama and other things or [Mistra]? We are developing our own LLM in areas where we don't get a service. Think about the telco-specific LLM, which we have developed with SK. It is Syntel and others, which is showing first already results.

And on top of that, we have, let's say, a lot of partners like Sprinkler or Perplexity, which are services, which are sitting on top of the LLMs to bring an added value to our customers. And we will soon come up to make AI proposition for customers in the consumer area. How can customers benefit from AI, like we are doing it maybe already from a daily basis.

On top of that, we have a super great asset base, think about the data platform, which we have developed over years now, 100 million app sessions on a monthly basis where we have the data points, 18 million one-shop users on our website. 5.5 million RDK routers just being deployed and giving data on every minute while we are sitting here. This is the foundation which we can use for the productivity on AI.

And then what we want to do as well is the leveraging AI as a product, either on [dokfut] but then sell it to your business customers, trying to use what you are doing, what you're doing, shared bots, for instance, and selling this to third parties to monetize on the skills which we have developed on ourselves.

And another narrative is there is no business case for AI. I can tell you one thing from my companies might be true. For Deutsche, it's not true. We are committing already today for significantly savings on AI. To give you an example, efficiency via contract analysis and drafting of legal documents, minus 10% cost saving in our organization.

Autonomous networks, networks who are predictive, networks who are more steering itself, less human interaction, more detectional work automatized 20% to 30% productivity gain. Accelerate productivity in all the software development we're doing into systems but as well in our business areas, 20 to 30 productivity gains.

Improving our Net Promoter Score by 10 points by automated proactive WiFi repair. This is another productivity gain significantly for our service areas. Sales and service, but use and others, 20% to 30%, and we will talk about that later on. So we are committing to the business case of AI. We see the significant advantage of that one, and we want to leverage across all the businesses.

My last topic on the strategy is to accelerate the global scale and leveraging our unique footprint, which we have here in the group. Now we have started with this already. If you look to our strategy, we have a very homogeneous strategy in the US and Europe. It's a single strategy. It's mobile and fixed. It's very, very consistent. It's not that you have to learn every market separately, very consistent in the way of what our priorities are.

We have global hubs where we have people deployed. We are participant on global alliances on our APIs even in the collaboration of businesses. We have a global go-to-market with our brand which is absolutely consistent in the brand architecture and the way how we appear. We have our multinational customers, which we are serving or we have a global carriers developing the global backbone services.

Common product platforms, which we are developing jointly together, the idea of the app, the idea of the RDK routers, which we need in our footprint. The idea of the T device, which we're trying to explore around the continent. The idea about the architecture of about customer services.

And now even the idea of bigger things in the network architecture in the way how we procure, in the way how we build an alliance should be part of the business case of the future to take the advantage of the scale which we have compared to all the others. We have the duty to prove that we are different than a local telco. And we have to prove that there is a benefit by scale.

That said our portfolio management stays an incremental part. And we will talk about portfolio management as well in session. My message here and my narrative is we still have a lot of opportunities outside of our core business to generate value. Think about if we would get a re-rating prospectively for our DT stock over the time. Think about if we take more assets, more shares in our US operations with the liquidity, which we have over time, it's helping us big time on the nominator, because the earnings will always let Deutsche Telekom benefit from that one.

We can leverage the Transatlantic scale in a better way, which we're doing already. To be honest, a lot of, let's say, the experience which is now used in the US to participate on private equity companies and in the fiber rollout has been, let's say, laid out or experienced already earlier here in Europe. DT Towers is still sitting there with 49% of the assets. And on top of that, we have the Eastern European towers, which are ready to get integrated or to get monetized. The outsourcing process is already on its way.

We have new options at BT. Let's see what's going. I think it was to wise to keep calm on this one. And not being over hectic. I think the development is going into our favor. And we have the tech fund with EUR2 billion, which is ready to get invested.

On top of that, for the first time, and I remember you that we said last time, we have a EUR50 billion problem. EUR20 billion problem was how to get the majority in the US and EUR30 billion was the question about how do we get the fiber investments financed, which we have now. This problem is off the table.

For the first time in history, this group is in an other position. View as has said, we are generating EUR20 billion additional funding for strategic optionalities. We have already plus EUR10 billion committed to investments which we have already announced. That leaves us with EUR50 billion -- up to EUR50 billion, which we can consider for shareholder remuneration, for debt reductions, for other opportunities.

If we take that together and look to the business case, which we have generated, and taking all, let's say, our share numeration compensation out, we still have EUR15 billion in addition, which we can use for debt reduction, for shareholders remuneration, for acquisitions or other opportunities in our footprint. So we are in a much better position than we ever were in our history.

Secularity, climate and social. My message is here, we keep committed, and we make this a 0, net 0 company over the next years. And on top of that we will change the way of the secularity score for the mobile devices with a new setup that we reuse, that we collect and that recycle these devices and the network IT in a different way. And we keep our momentum to have beneficiaries in high double-digit million scale across the -- for the upcoming years.

Now I have to come to the conclusion and to the final end here. We said last time, we're going to grow this company by 3% to 4%. We are now saying service revenue will grow by 4%. We have said we are growing our business on the EBITDA AL side last time by 3% to 5%. We are here now and committing ourselves to grow the business by 4% to 6%.

Our adjusted earnings per share should grow by 11% over the next years. And our cash CapEx, our future, our long-term should stay at an investment rate in the European footprint of 21% CapEx to sales ratio, which gives us always a leeway to be leading in the categories of the infrastructure, which is important.

Free cash flow should rise up to EUR21 billion in 2027. And we are increasing our ROCE commitment from 6.5% or up to 6.5% to 9% in 2027. And we keep this company in the kind of very solid refinancing capability of 2.75, which was always, let's say, the guarded or the protection for us to be without any kind of capital market exposures in the future.

If we do this and if we bring all this kind of things together, based on our strong foundation, accelerating with AI and with scale. On top of that, with the way of executing along the line, the terminal value, the NPV of our company is EUR60 billion higher than today. There is a big step coming

out of the growth. 5% service revenue growth in the US. This is a growth company and stays a growth company, 2.5% to 3% service revenue growth here in Europe, which is, by the way, best in class if you compare us to the other leaders here in the market.

There is a package coming from the improvement of productivity, 4% to 6% growth on the EBITDA AL, and at least EUR1 billion of savings coming from data and AI scale and productivity. And on top of that, we see upside with new services beyond core, leveraging the global scale of this group, having portfolio decisions, which we haven't, let's say, include our plan yet. For instance, all the acquisitions the US has announced recently are not part of the business case yet. We have just put the debt on our shoulders, but not the benefits out of these transactions.

And on top of that, the surplus investments, which I mentioned being it, let's say, the EUR20 billion in US or being at the EUR15 billion, which we have here in the European footprint. So this is giving us an upside to significantly increase and double down, Deutsche Telekom again in the future. These are our commitments for the midterm and for the upcoming future. And now we will deep dive in every single element of the strategy. Thank you very much.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Thank you. Very good. Thank you, Tim. That was to the force. I hope you got a good impression of how we intend to maintain the pace and even accelerate the pace going forward. And you will, of course, get a lot of detail and support for these messages later on today and tomorrow.

QUESTIONS AND ANSWERS

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

So with that, we can start the Q&A. And I see Polo has a question, and many people have a question, but he raised his hand first. Okay. Start with you, Polo. (Event Instructions)

Polo Tang - UBS Investment Bank - Analyst

So my question really as beyond 2025, is increasing your stake in team US (technical difficulty) a higher priority at where do what you say team US (technical difficulty) stock.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Shall I repeat the question?

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

Yeah, I got the question. Look, to be honest, I cannot answer the question right away. That is depending on the situation, depending on the share price of the US, it's depending on our view of how we're looking on the situation. There is no must to increase the share price of the US. That is a question about the internal rate of return and the way how we're looking on this investment.

Now we have now said we're going to start with the share buyback this year, and we extend that for another EUR2 billion next year. This commitment is already giving for the share buyback of Deutsche Telekom stock. And that is at see what -- how we are pursuing now. Look, the answer on the US is, there is no need for us or must have to go into a significantly higher shareholding.

High 50% shareholding would be sufficient for us. So this is a commercial decision which we can take aside of that one. And that is how we are looking at it at the end of the day, comparing, let's say, the optionalties and the internal rate of returns of these investments.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Good. Let's continue with David. David Wright.

David Wright - BofA Securities Inc - Analyst

Thank you very much. I think another Churchill quote was, if you mean to profit, learn to please. So I congratulate you on an absolute focus on your customer experience. I do have an AI question, but I think I'm going to hold it to the session tomorrow. Maybe one of the -- you talked about acceleration. You've accelerated so many of these targets.

What is fundamental to this industry is always the infrastructure or you haven't accelerated is your fiber build, at 2.5 million lines per year? And you are as a company, as a country lagging so much of Europe now with your fiber coverage. And it would also seem to that fiber is not necessarily about getting more revenues from the consumer. It's about switching off that legacy very aged copper.

And there is no obvious target given by you on this, whereas all the telcos are even doing it this year. So I guess my question is, within all of this, why no decision to accelerate the most important fixed investment to all.

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

Look, by the way, there [Celine] tomorrow on stage on this subject here today. So we should deep dive with him. But my general answer on this one is it's interesting where you're coming from because a lot of, let's say, companies and investors are running away from the German market.

The second one, you can argue, by the way, it's getting more costly. The build-out, the bureaucracy is quite painful. And on top of that, the take-up rate of German customers is low as well. So why to invest now too much. Now we have taken a decision that we keep the pace of 2.5 million households. And by the way, this is already to the limits of what we are able to do these days.

If we learn that we can do it with better profitability and if we can do it with more speed, I'm the first one being open to think about whether we should do more. But today, I would say the 2.5 is already a challenge for us from the executional perspective. And you should know what we are doing today is building more than 70% of the infrastructure share in Germany.

So we have significantly increased already the amount of our infrastructure share in the way how we are building because a lot of, let's say, alternative networks are disappearing. So therefore, I think we are in a good way of executing along the principles of our strategy. I think we are not stopping now because everybody is getting nervous about the German market. I think we have to learn and to create productivity to reduce the costs for the build-out.

And don't forget, we have a super, super strong copper network. Yes, Germany is lagging behind when it comes to fiber, but Germany is one of the leading nations in Europe when it comes to average data throughput for customers because of vectoring and super vectoring. And therefore, we have to adapt as well customer needs. And I would say they're coming a little bit later when you really need the bandwidth.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Okay. With that, we go to Ottavio over there please?

Ottavio Adoriso - *Sanford C. Bernstein & Co - Analyst*

So Tim, you highlight the successful strategy and a lot of data points to support that. But the fact that you run an incumbent -- very successful incumbent strategy in Europe and a very successful challenger strategy in the US. What I want to ask you, I'm sure that you look a lot on your competition. What if the competition can take a leaf out of your books and turn it around.

And in fact, I'm talking about FWA, has been at -- 5G has been a successful business model for the US because also FWA and recently, they actually upgrade their number of customers they want to achieve on that one is very profitable because you use per capacity. What if someone else across Europe, Germany or any other country across Europe would do the same to you? What your could be your reactions and that could be done?

And talking about the other way around, the US. In the US, basically, what you do in Europe, it's -- you build infrastructure to protect your market share, at least in line with the market shares. Now TMUS is basically entering market share was someone else in fiber because effectively start from 0. So what if the someone be incumbent could be the AT&T of this world, could be the cables overbuild over where TMUS is building, probably not today, but in the future. So what will be the competitive advantage of TMUS, aside from the fact the brand that you know how to sell it. But what about it will come down to pricing? So how are you going to react? Thanks.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Look, okay. Committing suicide. I know, kidding. By the way, you're creating this worst, worst case scenario, by the way, why haven't you know AT&T and Verizon not challenge the T-Mobile networks, when we started our build out of 4G. Why haven't they found an answer on challenging us on the -- after the -- in the face where we were very much focused internally on getting this company integrated. So I can tell you it's -- you can announce that, but it's very dependent on the execution and the way how you execute on things, the acuity on the way how you do things, the way of how -- whether you are really a challenger or whether you want to stay to be a challenger.

So therefore, I think we are always more agile in the way how we are acting on different market scenarios. But look, maybe you should discuss that with Mike later on in the Q&A. But I'm -- look, there are always threats, big threats. Is [Inson] Germany now the biggest threat for our mobile network? Look, at the end of the day, he came up with a flat rate. By the way, it's not a true flat rate, but he's there. Announcing something big. Is this now the end of the mobile market in Germany because we only have a price competition. I can tell you no.

And we have answers on the way how we are reacting on this one. We were the ones then finding convergence as one of the answers in the European or German markets. So therefore, I think the question is the agility to adapt on things is the first thing. The second, I would say, look, this combination having a challenger in the US helped us a lot to adapt. We have the family plans. We have a lot of, let's say, learn from our US side.

And we are trying to bring always this mentality not protecting something. I think I would not call us an incumbent who is protecting his position. I would call us a challenger who is constantly striving for getting better, to getting market share, to gaining, to be better than the others. And if you have this mentality, so whether it's -- you're not in this kind of defense. You're more in an agile going forward.

So let's discuss that later on in detail for each of the business. But look, we are leading the pack in 5G, no question. By the way, I'm not talking only US now, I'm talking Europe. We are now leading the pack on fiber. I remember discussion with you guys, we said, oh, you're falling back, you will never make it against these yes.

Now we are, by far, the leader on fiber in Germany already. We are gaining market share in all the European markets where we're operating today. So I think the combination of service, brand, high investments and being very disciplined on even your productivity, I think this is giving us the best protection against any kind of attempts from outside.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Okay. Thanks, Tim. And with that, we go to Robert.

Robert Grindle - Deutsche Bank AG - Analyst

Robert from Deutsche Bank. Tim, you mentioned GD and CEE Towers as Kingmaker assets. you're now used to a more arm's length relationship with towers. Have you moved to a position where you no longer need to co-control and could sell more? Or is that a step too far given your current plans?

And just a point of clarification. Did you say you'd like to get to the high 50s in T-Mobile with the flexibility of the EUR15 billion, but it depends on your own share price and the relative attraction of Deutsche Telekom buybacks. Is that how I could summarize it?

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

I would say yes. The last one, yes, that is how I meant it. And look, on the towers, you should talk to the Chairman of TowerCo, yes, who sits there, is And because -- so that's the way. I can tell you I talked to our partners, Bruce and David, recently and the feedback which we are getting is excellent. Same fantastic collaboration. The business plan is ahead of what we had in mind. We are on a good track. We want to do more. Everybody is in this kind of mode in this tower market that the multiples are from our competitors, very low.

So there is this kind of moratorium. So that everybody is focusing on this business. But this is only, I would say, a break. It's only a temporary issue. There will something happen in this market. It needs consolidation. There will more to come, and we are in a perfect spot to do this. And operationally, Thorsten is presenting later. You should ask him about, let's say, the day-to-day interaction the way how the business case is doing.

But I can tell you there's no need, we get nice dividends, which are paid out of this company into our direction. The company is delivering, which is the most important for me on the tower deployment. And you have seen that in Germany, our tower deployment is almost 3x or 4x higher than from our competition. So the company is delivering operational execution and the financials are good.

So therefore, for me, from a Chairmanship, looking on this entity, I would say, this is all going in direction. And prospectively, I believe we can do something on the portfolio management side by integrating our European assets into it. That is at least our ambition, monetizing that. And I believe that we can play a pivotal role in the consolidation of this market at one point in time. But more to come from Thorsten on this subject.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Excellent. Let's continue with -- so I'm going to -- this time around, I keep it simple, I start front and go back and you...

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

Do me a favor, keep some questions for the others.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

We will have enough questions for Akhil, maybe next and then we go...

Akhil Dattani - JPMorgan Chase & Co - Analyst

It's Akhil Dattani from JPMorgan. Tim, you talked a lot about the brand value you've created over the last 2-, 5 years. and about the importance of being customer-centric, versus the sector, obviously, your trends look really good. But as you mentioned yourself, there's still room to go versus other industries. And so I guess I was trying to understand how you think about what's needed to bring churn rates and customer satisfaction rates to what best-in-class are because the brand is there, but those metrics aren't.

And I guess one of the things that's top of mind when I look to your slides, is when we look at the digitalization of your business like app penetration versus other leading brands in other industries, it screens lower. So I'm just wondering, is that one of the key themes or do you think there are the things we should be thinking about?

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

Look, following as well, by the way, we're very consistent in this regard as well here in the group. I followed Mike's discussion on the data-centric driven company and the digitization. First, we have the same discussion coming from Dominique later on the subject. I think the way how we serve a customer is a little bit old school. The way of -- by the way, the identification of clients in the line, the way how we serve customers in the shops, the way how we send out builds even in a digital format, the way how we are creating tariffs on a 24 months basis in a very old school.

So I think if you look to the digital world, they have much flex, more flexible, more customer-oriented, more simpler version of serving their customers. And this is something which we really have to learn and to take -- to embrace that into us. This Magenta advantage idea, the idea for instance, to integrate in our app advantage for our customers.

We have more than 10 million active customers using it. We have benefits we can share. We share that on this platform. And the customer beyond his connectivity, he gets something which is value money. And being, let's say, a free promotion of perplexity or being it, let's say, Disney for free or being at tickets for the Formula 1 or the being a ticket for the European Championship. People stay active in their communication with us.

And yes, you're right, we are -- we have to catch up. But I think we are not so far away. And we have a lot of credibility for a lot of, let's say, for trust and the brand -- for the brand, which we are running. So therefore, yes, this is the way simplifying our customers' life, following the way how customers are using services in the digital world, creating systems which are not overburdened by proxy, doing automated services in a way that customer can easily without interaction experience the T brand. This is the way how we are driving it. And that -- by the way, I think it will be -- if we meet in 4 years again, you will see hindsight this huge transformation.

For me, being so long with the company, it's amazing to look back how this company was 20 years ago and where we are today. It's unbelievable. And that is -- by the way, we get a lot of feedback for that. And that is, I think, the next step up which we have to do. So more to come from the presentations later on as well.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Great. Absolutely next three and then Cloud day tomorrow, et cetera. So it's very well and will hopefully address a lot of it. Emmet maybe next.

Emmet Kelly - Morgan Stanley - Analyst

Yes. It's Emmet Kelly, Morgan Stanley. Just one quick question, please, on the guidance out of '27 compared to the last guidance you gave. You presented the last time in 2021, as you mentioned, Hannes, we were all in lockdown and a lot of people thought that this might be as good as it gets for telco, everybody was using a lot of telco services.

And back then, you gave revenue growth guidance of about 1.5% per annum. going forward at the midpoint. But today, you're saying that revenue growth guidance is going to be 4% per annum is quite a difference. It's 10%, obviously, over 4 years, which is over EUR10 billion. Obviously, Mike and his team has already given their guidance. Can you say what's changed versus 2021? Is it really about market share gains? Is it you have pricing power? Are there markets more rational? What's different about the top line now compared to 3 years ago?

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

Look, to be very honest and radical transparency. The 1% to 2% were related to total revenues. Now we are talking about service revenues because we thought service revenue is a relevant number to talk about. So therefore, this is -- but you're right, our service revenue ambition is now higher than it was 4 years ago. Now I think there are a lot of elements. Nothing is one reason only.

The first thing is it didn't go work with the regulators. That is -- they really have changed. And we have less push. We have less interventions. We have less even some of the consolidations going back. These guys are -- if you read the in the latter page, if you have heard Mike and Scholz in Meselberg, talking about the telco industries and like we are now the opposite.

We need protection. And it's surprising to be so long with this industry and suddenly listening to politicians who wants us to create the single European telco market who wants us to protect the investments for the future. So therefore, I think something has changed there. Now is the impact already significant? I would say, no, but the trend is definitely there.

Second element, we were able to pass through price increases to our customers. To be honest, for me, it was always a problem personally to say I'm increasing my prices. I do not want to lose my customers. And for me, customers are always more important than prices. So therefore -- but it is working. We have more investments. We had higher costs. We had inflation. We had to do something about it, and we were able to do this. And by doing this, we were able to increase the ARPU and the revenues of our business.

The third thing is we are -- the more for more has worked pretty well. Our family packages and the like. We have taken, let's say, a lot of, let's say, the MVNO market, which was never a debt from us into our core proposition, and we were growing from this basis as well. So I would say the sentiment has improved for us, and the consolidation of the smaller place has taken -- has accelerated.

So therefore, I think it's a more reasonable industry, less interventions politically and even some moves which we haven't taken in the past to increase prices for the services which we're offering.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

And also tomorrow, we talk about the B2B that is an area where we expect acceleration generally. So maybe I'll follow up with Andre next.

Andrei Gragolici - Kepler Cheuvreux - Analyst

Andrei from Kepler. You've put AI at the center of your strategy, maybe ahead of many of your peers and even with in T-Mobile US Capital Markets Day. We can see the link between AI and operating efficiencies and cost level. But do you think the use cases for telecoms also to support the top line growth? And what kind of initiatives do you see on revenues growth over the with AI going forward? Thank you.

Timotheus Hoettges - Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer

To be honest, that's a good question. We had this kind of taker. We use AI models, which we have their available maker. We are shaping them and fine-tune them. And then we had even the idea of facilitator to say we are selling AI services to generate additional revenues. Now the demand out there for AI solutions is high. T systems, very can talk about that one. Everybody wants an AI solution. So there is an opportunity for us in the B2B sector to develop services.

Now what is the commitment? I would say, it is a triple million revenue potential, which we see here out of the T systems and the B2B area is not the billion business yet. So the low-hanging fruits for us are sitting in the own use of AI at that point in time. We have to work on this one, to make a service for our customers, especially in the B2B field, we see huge opportunities there. I mentioned some of them.

If I'm developing a bot, with prompted data from Deutsche Telekom, customer service and our product. And they do the same function but prompt the data with data from whatever mechanical engineer or another company. I can sell this kind of service to a B2B service, to B2B customer. So this is the way of how we are working on it. Digital was -- we had already some use cases in this regard. This is how we're looking at it. But to be honest, it's at the beginning. Give us a little more time to really elaborate the market potential here.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Yes. And there will be a lot about this in the coming sessions. So unfortunately, now can't take the questions anymore, but we'll have many, many more Q&A sessions, including one with Tim tomorrow. So we have time to get everyone to ask their questions. Now it's time for the break of 15 minutes. After the break, we reconvene. And here, Sridhar and Wolfgang talking about Germany. And of course, that's also an area of great interest, and he will answer some of the questions -- I think or address some of the questions you have just raised.

So will be around -- of course, of course. So thank you all and for being here, and I hope you can catch some rest now, and then we reconvene at the hour.

PRESENTATION

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Germany, Sridhar Gopalan, and he will come with his Head of Consumer, Wolfgang Metzger, who will talk, of course, about our B2C activities. So the team has delivered 31 consecutive quarters of EBITDA growth now. Q3 results are, of course, a secret, so we don't know what's going to happen then. But they have turned customers into fans. They have invested in fiber while increasing the ROCE. So good stuff. Let's see how they will continue this. Sridhar and Wolfgang, please come on stage.

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

Thank you. Good afternoon. It's a real pleasure to be doing this presentation, not just because it's in front of such a good-looking audience, but more importantly, I get to speak in English for the next 45 minutes, which has not been the story of my life for the last four years. But I'm delighted to talk to you today about Telekom Deutschland.

Starting with our performance to date. As all of you are aware, we've had an extremely strong performance between the period 2020 to 2023. But I want to highlight one thing that makes it special for me more than anything else. And it's this whole line of no trade-offs. We haven't made a trade-off between delivering in the short term and building the future.

Our ROCE, which was about -- in the ZIP code of 5%, today is in the ZIP code of 8%, which is significantly higher than our WACC, which means we've created economic value every year. And at the same point, we've built more than 10 million homes of fiber -- will have built more than 10 million homes of fiber by the end of '24. I think there's no debate that a business with fiber rather than copper has higher terminal value.

So we've achieved something reasonably unique for a telco. And I'm sure all of you are used to arguments with telcos, which largely involve a trade-off between, I can give you cash tomorrow or I can build the infrastructure for a day after tomorrow.

What we've done is straddle the two things of creating value, driving ROCE higher than our weighted average cost of capital, and at the same time, driven terminal value of the business with fiber. That's the thing that makes me most proud of our performance.

And jumping straight to the future, that is the core of our promise for the next period as well. There are no trade-offs at Telekom Deutschland.

I'll run quickly through the key highlights of our performance. Really happy with the way revenue has gone, mobile service revenue and broadband ahead of the top end of our predictions and clearly gaining share. EBITDA above our guidance and CapEx at EUR500 million, pretty much bang on where we said it would be.

All of this powering, this ability to do two things at the same time, ROCE going from 5% to 8%, at the same time, building 10 million homes. The reason the fiber number is an amber is, in all honesty, we've said 10 million homes without Glasfaser Plus. We built about -- we will build about 9.5 million homes without glasfaser plus, including glasfaser plus, that would take us to order of magnitude 10.3 million homes. So we've done both those things.

Again, in the spirit of radical transparency, have we delivered on each one of our key metrics? No, we've missed them a couple. Cost being the most significant given the Russian war and everything that happened and the inflation around it. We finished up in a place where we delivered a 400 basis points improved -- a 500 basis points improvement in our IDC as percentage sales.

That was about EUR300 million, which was less than the EUR700 million. We made progress, but a lot of that got eaten away by the spike in inflation.

The other place, which has been a disappointment, is B2B. Now some of you might look at this and go 1.4% revenue growth, a percentage growth in profitability, CAGR doesn't look that bad when we compare ourselves to some of our European peers, but good is not leading.

We are disappointed by this more because we believe there was a significantly bigger opportunity. And Klaus and I will dwell a little more on this, on the size of the opportunity, why we believe we should not be satisfied with this performance, why we believe there is more possible.

Now that's a lot of the numbers. And we're often by you described as a strong performing or the strongest performing incumbent. I particularly dislike the word incumbent. It got used earlier today as well, so much so that I went up and looked at the roots of the word incumbent. The Latin root of the word incumbent is to sleep or lie on something to protect it.

Do we look like the kind of people who are sleeping and lying on something to protect it, right? That's the reason the word does wind me up. But let me try and give you a picture of why I don't see Telecom Deutschland as an incumbent. And what I believe truly drives the engine room, what creates these results that you're seeing.

The first part of what drives this is our brand. Uli will talk a lot more about this. But look, the brand today is the most valuable brand in Europe, the most valuable German brand, and that includes brands like Mercedes. You don't get there by being an incumbent. We've gotten there because we've been able to capture the Zeitgeist. We've been able to capture what society cares about, like our campaign against hate speech, and we're able to tell that story in an edgy manner.

Not a safe -- not a neutral manner, but a manner that cuts through the clutter. Combine that with the delivery of quality and what you have is truly something special. A brand that speaks to society, that speaks to it in a tone that cuts through, and accompanies that with quality delivery. That makes a huge difference to who we are.

The second piece that everyone says this, people. But let me share a story like a lot of you, I had my misconceptions on day one at Telekom Deutschland. I thought where am I now? I've got this large group of unionized workforce. I'm sure they're clock watching. I'm sure this is going to be hard and efficiency is going to be hard.

And then the gentleman on that screen Terence, changed my view of Telekom Deutschland forever. So Terence is our field technical agent. My first day at Telekom Deutschland, I spent with him. We started at 8:00 work through till 5:00. It was a Friday. That point, it was all very efficient. It was very German. And at 5:00, I was expecting them to say, okay, we're done.

We went to our last call, lovely old lady, 70 years old, runs a little shop in Battersburg, not right? We fixed her telecom issue really quickly, but then she was nearly in tears. The conversation was a why. Saturday was our next day. 60% of our business is on Saturday, and her credit card machine

was broken. Terence then spent the next 2.5 hours, and I kid kid you not, 7:30 PM on a Friday evening, going to various Internet forum to figure out how to solve a problem, and he did.

That is the spirit -- that is the essence of our front line. Turning customers into fans one customer at a time. That's the reason I'm proud to lead this company. And the number that blows my mind away that I'm extremely proud of is 91% of people in my company perceive their work as meaningful. That doesn't mean they're satisfied, they're engaged, they're happy, et cetera, et cetera.

They find purpose in their work. That is a rare, rare thing. And that's why I truly believe a big part of our secret sauce is our people. And that's not all. You've got a unique brand, unique people, and there's something about how we go to market.

Look, again, if you go back to sleeping on something to protect it. We've got lots of market share, right? One attitude of an incumbent is to say, let's sleep on it and let's protect it. Let's make sure we have enough sleepers in our customers. Let's not reprice the base, right?

Our attitude is different. We absolutely respect market structure, but we believe if we truly focus on customers. There are enough underrepresented segments. There are enough places where customer needs are unmet for us to still grow ahead of the market. I'll give you a couple of examples. Congstar, there's a big need in the mobile market for a brand that's seen as fair, not necessarily cheap.

Congstar has nailed that niche, and it's today a scale brand. Give you another example, Magenta TV, with the plethora of streaming services, customers are looking for a simple aggregator. Magenta TV has filled that need, which is why it's one of our fastest-growing categories right now. The family plans, but I won't steal Wolfgang's thunder, I'll let him talk you through the story of family plans.

Now it's this combination of things, our brand, the uniqueness of having the Zeitgeist, communicating in edgy manner, our people and their purpose and our go-to-market, which is respect market structure, but still expect to grow. All of that put together is what makes us special.

And in fact, if I was American, I'd probably call ourselves the unincumbent. So that's the story of the machine that has really helped deliver. I'm not going to spend any time on this. You guys have already seen the numbers, really strong delivery in the last period.

Let me move on to talk about 2023 to 2027. Now Tim's already talked about our flywheel. Investments, driving customers, which in turn drives efficiency, which in turn drives financials. I'm going to focus on why. I passionately believe data and AI can accelerate this. Now there's a lot of talk of AI. The reality at Telekom Deutschland is we have 500 projects running today, which aim to take our processes and make them better.

Better for the sake of the customer, better for the sake of our people and better for the sake of efficiencies. These are not pilots. They are no longer pilots. These are actually scale rollouts. And these are attacking at least 500 different processes. Let me give you an example, and no presentation of mine is complete without a long German word.

So I'm going to give you the example of something called the APL process. which is the Anslonklinian technic process. Now where does this process kick in, right? Now this process to date till about six months ago, wasn't digitized. Where does this kick in? Now when we roll out fiber, there's a lot of customers who buy at the same point we roll out through the premarketing.

But obviously, there's a fairly large number, already, it's about 5,000 a month, who six months later put up their hand and say, I'd like to have fiber. So you need to go connect that individual house. Now comes the joy of building fiber in Germany. When you connect that individual house, what you need to do is three things: make sure you've got the landlords permission, make sure that you've contacted the right subcontractor to roll out. And then the third one, which is another lovely long German word, make sure you've got the ganemigoom, which is the permission from the municipality to allow you to roll out.

Now those three things, again, seems simple. But if you look at the plethora of systems that we have today, this is what happens. An agent has to copy paste data from one system to another, transfer that across, then go check who the subcontractor is, then go across and check if the landlord permission is there, then move across and check if there are permissions.

This is obviously a fast-forwarded version of this. That takes 3 minutes 34 seconds today. And I've taken a simple case where, in this case, the permission to rollout actually already existed. If that didn't exist, the agent would need to fill a minimum of six more forms. Now what we've done in the last four years, and AI doesn't happen overnight.

You don't suddenly get ChatGPT and build model. What we've done in the last four years is opened out the APIs to all our legacy systems. We've moved all of our data to one single place, which allows now this process to be automated. But that's taken four years of blood, sweat and tears, opening out APIs and all the legacy systems, pulling all the data together, and now we can take this process and make it a single click process where all the agent does, picks the customer, and we address everything else is automated and we're done.

Now that is the comparison. 3 minutes, 34 seconds, 9 seconds. Now the reality, this is not fiction. This is not science fiction. This is now live. 100% of our 5,000 orders every month are now processed with the new way. This is why I'm incredibly passionate that AI will change the world. AI and data will change the way we work forever. And this is not just AI, it's also robotic process automation.

It's a bunch of digitization tools. I don't care what tool it is as long as it lands up giving us that output. So if you look at what this has done, what it's taken to get here, this hasn't happened overnight. It's been a four-year effort across Europe, across our NatCos as well as Germany to move data to one place, to open up APIs, to make our legacy systems digitizable. That's the heart of why I'm convinced that this stuff will accelerate our journey.

Let me get back to the flywheel now. We started with investment at the top of the flywheel, and that flywheel gets accelerated by AI and data. So I'll go back to the top of the flywheel and investment. Obviously, our biggest single source of investment is fiber. Now we've been at a run rate of 2.5 million fiber homes per year, and we will hold that run rate.

That run rate gives us about 2/3 to 70% infrastructure share of all the fiber that's being built in Germany. Now what will 2.5 million give us in the next four years? It depends a bit on the altnets. And to some extent, given all the press, you all know how much trouble they're in. But our commitment is to continue driving 2.5 million homes. I know there were a couple of analyst reports about inflation on the back of some commentary, et cetera, et cetera.

We had inflation in '23. Now we were more protected because our scale and long-term contracts. But what we're seeing now is some easing off of those trends, I'm happy to talk about it in more detail. From a CapEx perspective, what we're assuming is a 20% CapEx to sales ratio. Christian tomorrow will pull that together to what it means for ex US CapEx as a whole.

But this is a fundamental commitment to building out fiber in Germany. And I know there were some questions on can we go faster? Can we go slower, happy to pick that up when we get into Q&A again. But fiber is one significant leg of our infrastructure. It's not the only one.

Our mobile network, clearly the best mobile network in Germany by any metric, call drop, data throughput, whatever you want to look at. But we won't stop. We are in the process of overhauling our entire network. We have 36,000 sites. By '27, we'll have 40,000 sites. We will build Germany's first ultra capacity network in the next period.

What does that mean? Why do I call it ultra capacity? It starts with our ability to use frequencies. Now thanks to the big upgrade we've seen in radio and antenna technology, we can now use low-band, wide band and mid-band -- wide band, mid-band. What does that mean?

Historically, if you wanted 700, 800, 900 in one site, you needed more than one antenna because you couldn't -- you didn't have the radio technology to make it happen. Now we can bring 700, 800, 900 on to one site. We can bring 1500, 1800 and 2100 megahertz on to one site. What does all of that mean? Historically, between 10% to 20% of our sites had all three low bands.

Historically, between 10% to 20% of our sites had all three mid-bands. By the time we're done with this, 100% of our sites will have all the low band. 90% of our sites will have all the mid-band. And we will use 3.x where needed in traffic hotspots. It's not just that.

Backhaul, especially in a data-intensive world is a big deal. Our -- today, 80% of our sites are fiberized. About 50% of them with more than 10 GBPS. When we're done with this little thing here, 85% of our sites will have more than 10 GBPS.

In addition to that, obviously, all of this will be 5G spectrum, which we'll migrate with time depending on devices. What does all of that mean for the customer? What do I mean by ultra capacity? We will double the capacity of our network. And that's a huge deal. 90% of our sites will be capable of greater than 1 GBPS download.

Our indoor experience will obviously improve because you'll have 700, 800, 900 in all your sites. So you'll see shift right on your indoor experience. And we understand that the experience is critical to customers, not only where they work in or stay, but also where they travel. So we will add 400 sites onto the Autobarn.

We will improve our coverage on Deutsche Bahn working with them. All of that together is what will give us the ultra capacity network. So from an infrastructure perspective, big investments, continued investments in fiber, continuing to drive our mobile network to get true leadership in Germany. Now that's the infrastructure story. I'll hand it over now to Wolfgang to talk about how we monetize all of this with customers. Wolfgang?

Wolfgang Metzke - Deutsche Telekom AG - Managing Director of Private Customers

Thank you, Srini, and good afternoon. I would say let's directly jump into the B2C business, and I will drive you through all five segments of that business. But let me first start with our philosophy, how we convert the investments Srini showed you into customer and revenue growth with a combined profitability. Our philosophy is clear, and we have heard that many times today. We turn customers into fans.

And this is not a happy-clappy mindset, what we are talking about or just like a buzzword. It's our daily business, especially when it comes to decisions and more important when it comes to execution. It's a very much data-based approach because we measure everything in detail. And then based on that data, we drive our KPIs rigorously.

Every action we take is based on that philosophy. We focus really on the needs of our customers and this is paying off because you can see on this slide that satisfied customers in Germany spent 9% more and they stay longer with us. We see a churn reduction up to 50% in that segment. So that means customer delight is a key driver for our insight-driven growth and the great financial investment.

Then let me give you and show you two examples how we do that, how we turn customer into fans. And I brought the loyalty program, Tim mentioned many times, Magenta Moments with me. Because we engage through our app, through our loyalty program, Magenta Moments very deep with our customers, and that leads to 4 times higher NPS.

The other example I brought is our personalized data snacks, what we give to our mobile customers every month. What you can see here also is it leads to a twice as high NPS. And the good news also is it increased our app penetration and also our digital sales and service contracts. So that means we are the first choice when it comes to cross and upselling opportunities. And I want to show you more about that one.

Having talked about the philosophy, let's now talk about the broadband business. Let me start first with the market. And you can see on this slide, the reality is Germany has a significant growth potential. We see a hunger for bandwidth in nearly all countries around us. I give you two examples.

As you can see, Germany has today the same data consumption than France, Spain and the UK has four years ago. If we look at devices, we see nearly the same picture because the average device per household in France and Spain is -- in Germany is today lower compared to four years ago in Spain and France.

So what does that mean for us? For us, it means a great opportunity to grow for the next years. And that hunger for bandwidth, combined with our ability to upsell our customer base together with our fiber rollout will lead us to a broadband revenue growth of 3% to 4% during the next four years. And this is based -- this growth is based on two factors. The first factor is volume and the second factor is, of course, value.

Let me start with volume. You can see on the slide that we have grown our broadband customer base between 2020 and 2023 by around 1 million net adds, but we won't stop, we will grow further our customer base with a net add share of above 40% every year.

The second factor is, of course, value. And you can see on the slide, we have proved in the last years that we are able to continuously upsell our customer base, and this has led to an ARPU increase from EUR33.5 above EUR36.

By the way, using European standards, this is still quite low. And with our growing fiber rollout of around 2.5 million homes passed every year, we are able to constantly upsell our customer base to a bandwidth of 1 gig and above. As you can see, fiber is a very important step and a very important piece in our strategy. Let me give you some more insights how we will manage our fiber business here.

I will show you now how we will substantially scale our fiber net adds to around 1 million fiber net adds in 2027. The truth is, in Germany, fiber is a very complex business. Fiber is a long-term business. And by the way, fiber is a really regional business. The truth is also, fiber is today, fiber is now. And there are two factors from my perspective, what is needed to build fiber in Germany.

The first thing is, Srinu has mentioned that already, we need scaling the permissions to build, especially in the MDU segment. The segment of multi-dwelling units, it's a key success factor. And we have already gotten more than 5 million -- the permission to deploy for more than 5 million homes in that segment. And on top, we have signed an agreement with the Federal Association of German Housing and Real Estate companies. And based on that, we are able to scale.

The second factor is, and I mentioned that fiber in Germany is the regional business. And we have an organization at Deutsche Telekom that can handle the specifics of each area in Germany effectively and efficiently.

If you ask me, we are the only operator in Germany, I see that is -- has a regional structure. We are operating our fiber business in 5 regions with 35 regional teams and local teams, thousands of colleagues are running regional projects every single day to build fiber and bring fiber to our customers.

And honestly, it was not easy, and it took us a while to build that machinery, but now our machinery is oiled and running and we will see that that we deliver this year around 450,000 new fiber net adds. And this is almost doubling our fiber customer base if you compare that with the beginning of 2023.

Selling fiber needs a great portfolio, and we have introduced a new portfolio in July this year. And with this portfolio, we simplify it and we differentiate it. What does that mean? The customers on our new fiber infrastructure, feel the better experience with this portfolio from day one onwards. And with that, we have laid the foundation for our customers to actively choose our fiber product.

We win with that new customers, and we migrate our VDSL customers and upsell the customers to our fiber products. This is very important for us to deliver our broadband revenue growth of 3% to 4% during the next four years.

Having talked about fiber, I would now talk about TV. And TV is a business that we will grow, and we are confident to grow by 20% until 2027. The question is, why are we so confident? And why is this so important for our strategy. The answer is we picked that segment because we are underrepresented, and we have a clear right to win with 13% market share.

We are the attacker in Germany in that segment. We are using the trust in our brand, our world-class sales and service force and our digital skills to scale. And the customer really loves it. You can see it on the slide. The NPS of the TV customers is 25%. But we won't stop, we are never satisfied.

Therefore, we introduced this year a new TV platform with world-class new features. And can you imagine the NPS on this platform with our customers is above 30%, that means we are playing here in the league of OTT players. And it's no matter if you watch TV through broadband at home or while watching it on the go, we are our best 5G network. It's always the same experience.

Moving from TV to 5G. Srinu has already mentioned that we in Germany have the only outstanding network. And thanks to [Apdo] and his technology team, we have a great advantage here. And I will tell you now how we will turn this advantage into further growth.

With our family plans, we have eliminated the trade-off between value and network quality for German families. That means there is no reason anymore for any family member in Germany not to use the best 5G network. With just a few clicks, you can add a new family member via the app, purely digital to the family plan. And with that, you can see on the slide, we are winning big shares from the MVNOs, and this is a great success.

Let me zoom more into the numbers and into the financial impact of this strategy. Since we have launched this proposition, we have increased our family cards by plus 150%. The mobile number portability share increased from 6% in 2021 to 35% this year. That means in a highly competitive market, we are able to win big shares from the MVNOs, as you can see on this slide. And what you also can see is, and we are proud to say that, we are the incumbent on our way to have an OTT-like NPS.

The good news is there is still a long runway ahead for us. Currently, we have only 27% penetration of family cards within our customer base. And Tim already mentioned that telecom is for every one in Germany. And therefore, we have a clear multi-brand strategy.

In order to maximize our growth, we have a clear positioning of our brands, Magenta, Congstar and Frank. And Frank, for example, we launched Frank as a purely digital brand for the segment of discount shoppers. The customer can only use it digital and buy digital.

And Congstar, our biggest sub-brand is well positioned and very successful in the segment of smart shoppers. And at Gamescom this year, we decided to launch Congstar at home to increase the broadband penetration also in that segment.

What you also can see is on the last topic on the maps that we have regional imbalances. What does that mean? We are leading, we have the best network, but there are areas where we have a [zim] share below 20%. I cannot accept that anymore.

Therefore, we took and take clear action, and we analyze we correlate customer data with the network data and with our NPS data. And this is a fundamental at the basis for an intense discussion with every individual region. Then we add the sales channel structure in that area on top.

We look at the competitive landscape, and then we create measures to better respond to the customer needs in all that areas to improve our net add share above 20%. And the outcome is very promising. After implementing that in some regions, we see a sales uptake of about 22% in main cards in the regions where we started using that approach compared to the regions where we haven't started yet.

To sum it up, with our multi-brand strategy and our scalable regional approach, we will grow our service revenues by 2% to 2.5% until 2027. And of course, we will strengthen our lead further. So from my perspective and our perspective, we are very successful in our core business. But as Tim also mentioned, we will build new revenue pools, and we will also, on top grow beyond core.

And for us, it's really a great opportunity to engage deeper with our customers and also to engage deeper with our partners and using our partner ecosystem to create a better bonding for our long-term financial success. Whether it's personalized TV advertising or using the strengths of our app gateway, Magenta moments, we will grow beyond core.

We are still in the early stages, but we have already had over 6 million active users and more than 22 million engagements with that strategy. So that means we are on the road to monetize and to grow. You will hear more from Magenta moments and all this from Dominique and Melinda later on stage.

Let me wrap up my presentation here, and let me give you my five main key takeaways. Number one, we see growing hunger for bandwidth and our ability to upsell our customer base, we will grow our broadband revenues by 3% to 4%.

Number two, fiber is a very complex business in Germany, but we have built our machinery to scale fiber to around 1 million new fiber net adds in 2027. Number three, we have eliminated the trade-off between value and network quality for German families and we have a clear multi-brand strategy to grow our service revenues by 2% to 2.5%.

TV is an important piece in our strategy and key to emotionalize our best infrastructures, and we are the attacker in the TV market and we will grow by 20% until 2027. And number five, last but not least, we will grow beyond core, and this is the cherry on top.

I will end my presentation like I began it with our philosophy. Our customers are obsession. We will turn customers into fans. And with our leading mindset, we will be the incumbent with an OTT-like NPS. And with that, I will hand over back to Srimi. Thank you very much, see you later in the Q&A.

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

Thank you, Wolfgang, for that passionate deep dive into B2C. I'll kick on with B2B. I said earlier that I wasn't happy with our B2B performance, and this is our opportunity to set that right, not just on revenues, but also on margins. Five reasons to believe our B2B revenue growth story, and [Klaus] will talk a lot more about this tomorrow.

Number one, underrepresented segments, public. We have high shares at the federal level, but our shares at the municipality level are low. Underrepresented segment, two. We're very strong with connectivity in the Mittelstand. But in the enterprise segment because we fell behind on (technical difficulty), our shares are 20% to 30%.

So you take the top 4,000 enterprises in Germany, and our fixed line shares are 20% to 30%, which is just not good enough given the infrastructure we have. On the Mittelstand, there's a big opportunity here for us to work with them to digitize them. A large number of them really haven't digitized this yet.

Number four, in the small SOHO businesses, our fiber, truth be told, has been very focused on homes, on consumers. Big opportunity here to drive fiber there. And last but not least, we've got a collection of businesses, which are all showing double-digit growth that we call T Digital. This is IoT, cybersecurity, especially network security and our Mittelstand systems integrator. All of that will drive our growth to the 2% ballpark on service revenue.

But it's not just service revenue growth. There's also a big margin opportunity in B2B, which will come from a restructuring of our go-to-market, which Klaus will talk about tomorrow, as well as our delivery, which is complex and the new technology gives us a great ability to streamline that, but also changing our product mix. And again, this is not jammed tomorrow.

Just in 2024, we will see close to a \$50 million improvement by changing our product mix and focusing on higher margin products, which is why our commitment is to grow our profitability in B2B ahead of our revenue growth.

So just coming back to the flywheel. We've talked investments, we've talked to customers. I'm going to move on to talk about efficiency. Now in the period that we're staring into, there's one big difference from a cost perspective. We are in a tariff agreement which is more in the 3.5% to 4% per year tariff increase versus in the old world, which is more 2% to 2.5%.

So we do have a headwind. But we will commit to a very similar level of efficiency. We are saying we will have a greater than 4% improvement in our efficiency ratio, which is our IDC as percentage sales. Where does that come from? A big part of that is we really believe that we are ready to make the jump into digitizing our processes across sales and service and in technology.

And we believe we will see a gross efficiency of 20% to 30% on the overall cost base in sales and service and technology by deploying these. And it's not that we're deploying these in 2026, a large number of them have already been deployed. There's a large stream of projects which will go live in the next 12 months, and that's because we've done the hard yards. We've done the hard yards of getting our APIs open. We've done the hard yards of moving all the data to one place.

Let me dive a little deeper into sales and service. The core of our strategy is prevent, automate, enhance. Prevent, that's pretty obvious. No one calls a telco to have a cozy chat, right? You call because you have a problem. And how do we prevent those problems from happening? How do we proactively reach out to customers? Automate, again, something we've done for a while, but the new tools give us all sorts of options. For example, using WhatsApp naturally as a natural chat feature.

But the thing I want to talk about a bit is when someone does speak to us, how do we enhance the agent and customer experience. And I think Akhil and Tim had an interaction earlier. I can look at this and go, this looks like most telcos, takes us about 480 seconds to handle the call. And then post the call, it takes another 300 seconds to wrap it up.

That slide there on the right-hand side is what we call the anatomy of a call, right? You look at it another way around and say, that's just ridiculous in 2024. 60 seconds of our time goes to find out who you are, right? Then we have 390 seconds to process your issue. What does that mean?

You call and say, "I have a problem with my router", I ask you for the router number. Then I go search up in my 19 different systems where do I get the manual for this router, that comes up, then I go search up and try and find out what I'm troubleshooting. Now that's how calls work today.

And then after all that, I have to document it and take whatever action. If you've changed address, then I need to send you a change of address form. Now that is very, very old fashioned. Our new technology and the fact that we have APIs and the fact that we have data in one place and Jonathan Abrahamson will show you a couple of fascinating videos about this tomorrow, gives us the opportunity to change this.

By the end of '24, we will have 100% automated welcome and identification. That's 60 seconds off this. As we go through '25, we're using natural language search, we're using LLMs, which actually give the agent on screen, the route -- the modem that they were looking for and the manual as well as the specific question real time as you're talking to the customer. And this is not science fiction. We'll see this rolled out in our estate in '25.

And then documentation, that's the easiest thing to automate. Now you pull all of this together, there is a huge opportunity, not just for cost efficiency, but for a significantly better customer experience and a significantly better agent experience. And all of this is possible because we've trained for this for the last four years. You can't run a marathon without training. You can't let build AI and data and use it as a turbocharger without the APIs and the data. And we're in the fortunate position of having built that.

In technology, I talked a lot about the APL process, but there is more to that we can automate. We've got T-Car driving around Germany, which will automate our planning and scheduling. One of the biggest things we do is we use subcontractors to do construction of fiber. Today, we have to take random samples to go check if the construction was proper or -- and sometimes we also have to know what the construction was like to pay them.

Tomorrow, and in fact, this is done for 60% of Germany today already updo. You have -- the subcontractor has to take a smartphone video what they finished building, uploaded. We've got AI tools which check it, automatically generate the bill, but also say here are the faults, which someone can check. Again, this will make a massive difference to our customer experience and our agent experience and, of course, drive efficiency.

Now none of the flywheel is complete without talking about sustainability, and we have a predictable view on sustainability. There are no trade-offs here either. We believe we can run a better and more profitable business when we truly invest in sustainability, whether that's in terms of improving our energy efficiency, whether that's in terms of driving greater circularity, or that's in terms of with our brand truly engaging from a social perspective. We see no trade-offs here. We haven't in the past, we don't in the future, and we will continue driving this forward.

So let me pull this together then in terms of what the total picture looks like. So the total picture, 2.5% to 3% EBITDA growth, which is exactly what our guidance was last time. Service revenue of 2% to 2.5%, which is slightly higher than where it was. And IDC efficiency very similar to last time of greater than 4%.

ROCE increase upwards from 8%, which we're already at and 2.5 million fiber homes a year with the service revenue growth being driven by growth in share across the categories we're in. And all of that continues our no trade-off story. Our ROCE will be strongly higher than WACC. We will create economic value every year. And at the same point in time, we will have built 2.5 million homes a year driving up our terminal value.

I want to just pause for a second and pull right back, right? Because we can get into these different isolated periods. You take the period 2020 to 2027. In that period, Telecom Deutschland will double its ROCE and will move from hardly any fiber to close to 40% of the country being fiberized. There are no trade-offs at the unencumbered. Thank you.

QUESTIONS AND ANSWERS

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Excellent. Thank you very much, and very confident inspiring, at least to me. So now we have -- I'm no former analyst like those guys. So -- okay, so we take some that haven't had a chance yet. So Andrew, please?

Andrew Lee - Goldman Sachs Group, Inc - Analyst

It's Andrew Lee from Goldman Sachs. I guess telco investors have a hard time believing it will be different this time, a healthy skepticism. So I just wanted to draw a pullout on two things that you've talked about within the flywheel and it pertains to Germany, could equally pertain to the rest of the group.

So one of them is B2B growth. So in the past, we haven't seen the growth that you're guiding to. And the reason for that has been competitors with low marginal costs, and the growth area has been low margin. So what's different this time that means you can really grow B2B?

And then the second question is just on efficiencies. Same thing really. We've seen efficiencies in the past, but telcos have never really held on to the benefit because everyone has delivered those efficiencies. So what's going to see Deutsche Telekom actually hold on to those efficiencies within the margin?

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

So two things. On B2B, why believe it this time? So I think a couple of reasons, right? I showed you that our enterprise share had gone down substantially. One of the reasons our enterprise share had gone down substantially is I do think we behave like an incumbent defending NPLS.

I do think what we did was we slept on past successes, which is why our enterprise share eroded from the high 50s to the 20s. The good news is we are the challenger right now. The incumbents actually are a bunch of other people who are sitting on the SD-WAN product that they moved to.

We have very little margin to lose right now that is structurally very different from the place we were in, which is, should I fish or cut bait right, and stuck in the middle and not managing our way through our NPLS migration well. right? Now what was bad news in the last period turns out to be good news now. We've got an SD-WAN product. We've got a flexible product, which works. We can scale and drive that.

The other piece, and so this comes back to this underrepresented segments thing. I think the second piece is, we've got a new leadership team in, which truly believes in setting the right incentive structure, and that's a net margin or a margin-based incentive structure versus a gross sales incentive structure. And I've already seen the result of that in '24, right?

We've seen something like \$50 million additional margin purely with that happening. So a combination of moving from incumbent to challenger, which can be a blessing in disguise once it's done. And the fact that you have a leadership team now which is very focused on driving margin.

One of the reasons -- one of the big problems with this gross sales view of the world is then you compensate high telco margin with low ICT margin, right, which doesn't work is the core of what you are as a telco. So it's been a painful journey. That's why I'm unsatisfied with where we are, but we've got the ingredients to change that.

On efficiencies, I beg to differ on -- this has been a story of eroding efficiencies. Look, Telecom Deutschland 2016 to 2020, grew EBITDA by 1.5% a year, all of it was efficiency. In 2020 to 2024 grew EBITDA 3.2%, but half of it is efficiency, right? So we've steadily demonstrated our ability to drive at least 1% to 2% EBITDA growth with efficiency. This time, it's not going to be different.

Andrew Lee - Goldman Sachs Group, Inc - Analyst

I mean, since you mentioned a low bar, we're actually improving B2B against a not too bad bar right, because we did grow in B2B in Germany. We grew not only revenues but also profitability. And for many years, this was actually a differentiator when you compare it to our peer group. So we want to get better than that going forward tomorrow. There's the B2B session so we can also dive a bit deeper into this. So next question I'll take from Steve.

Stephen Malcolm - Redburn Atlantic - Analyst

Just a couple kind of following up really from Andrew's questions. Understandably, you didn't talk much about the economy. Read headlines, the German economy is not in great shape at the moment. So when you look out for the next three years, is your guidance kind of in any imaginable economic scenario, give or take sort of two or three points of GDP growth?

Are you assuming that unemployment stays broadly the same, kind of 6% where it's been for the last seven or eight years, so that's just -- and how do you accelerate B2B growth in a worse economy. And then secondly, just on the competitive landscape, your undoubted success is obviously reflected in the lack of success of your competitors?

I mean do you ever worry at all that they're doing so badly. And then [Vodafone] is going to see service revenue declines of 5% or 6% this quarter. That, that will, at some point, [invoke] a response, your aims of getting more than 40% broadband share is great, but that doesn't leave much for everyone else. So just interested in your thinking around that and how do you kind of get the balance around or it does it not even bother you?

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

So look, let me deal with the economy one. First, look, the way we've looked at these scenarios is pretty much a continuation of the current economic climate. I'll give you a couple of places in general, as an industry, I think we've been reasonably resilient to recessions and changes in the economic conditions. But does it have an impact?

It does on some pieces like broadband growth, right, volume growth? What lands up happening in a tighter the economy is significantly less household formation. You look at household formation 2016 to 2020 in Germany, it was 3.5% a year. Projected household formation going forward is 0.5% a year, right? It's just too expensive for kids to move out of home, and I should know, right?

But -- so that's -- it just makes life significantly harder for people and that slows down things like broadband growth, right? Now we have -- is that built in? Yes, that's built in on the volume growth side of what we're talking about. But as an industry as a whole, we're not hugely subject to it. B2B, for example, survived the entire corona crisis which was a much more brutal impact on especially small businesses fairly well from a telco perspective.

Competitive landscape, look, I think what we've tried to do very hard is stick to our principles of being driven by insight and being driven by underrepresented segments. Now we've had an environment for a while, for example, in broadband, where some of our competitors had one gig for EUR40, right?

Now we've stayed very focused on what makes sense from a consumer perspective and a lot of our growth plans, that's why we've been paying to highlight things like TV, where we have 12% share where we have an underrepresented segment or the point Wolfgang made, which is we are sitting at 27% penetration of our second and third SIMs. How do we drive that harder. So a lot of our growth thinking has been based on how do we shelter ourselves from whatever happens in the competitive environment, right? And that's what this plan is based on.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Okay. Next question is from Usman, please.

Usman Ghazi - Joh. Berenberg, Gossler & Co. KG - Analyst

Usman from Berenberg. I got two questions, please. The first one was just on this recent press about this dispute with Meta on fair share, et cetera. And you seem to be adopting a more aggressive stance towards this whole debate. So I would be interested to hear how this affects your customers, how you -- whether you see any resolution, whether this is setting a precedent for issues in other markets. That's one question.

The other one was I guess I wanted to make this a bit broader. I mean from the first session and then now, it's pretty clear that as a group, you do not want to be seen as an incumbent, you don't see yourselves as an incumbent.

I guess the issue that creates is -- and I guess we can see this in Germany, the most is that you're not only not prepared to lose market share, you actually want to gain market share and you're getting well above your market share in a market that yourself saying is becoming saturated with the volume growth going down.

You're deploying network equipment that doubles your capacity, but that's not unique to you. Your competitors have access to the same equipment as well. So at what point do you say, this is too much market share, we need to give some space to others?

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

So here's the way I think of it, right? Look, I fundamentally respect market structure. I think it's the most powerful force that shapes our industry. That's a given in my mind. Now that said, the way I'd like to think about this is not at what point do I start giving up market share.

It is -- because that's a very average view of the world. right? I would rather say at what point do I believe there aren't underrepresented segments. At what point do I believe that I do not have anything unique from an insight perspective to create share without it being based on a price-volume relationship.

To me, market structure starts getting really impacted when you start saying, I will start using something to start playing a pure price volume relationship as long. As I can find opportunities like TV with 12% market share or I can find a segment like Congstar, which act or the family plan, I would argue what we've done with family plan improves market structure because what it does is it hurts the MVNOs most.

I would also argue what we've done with family plan increases market ARPU because people upgraded from a much cheaper plan to a more expensive, albeit cheaper than normal telecom plan.

So look, I completely believe in market structure is the most powerful force. But I think it's too simplistic to land up doing a linear read from respecting market structure to say, therefore, to use that phrase again, incumbents must decline, right? That's -- it is just too simplistic.

I would totally agree with you if I was rushing out there tomorrow and saying, "I have more capacity, I'm going to drop price, and then we'll see who responds. That's just dumb. And we don't do dumb things, right? We are very thoughtful about making sure that market structure gets respected as we drive, but we will not ignore underrepresented segments our insights that we believe genuinely help us grow differentially.

So I'll answer the question of when we start losing share, rather as when do I start running out of insights? And when do I start running out of under-representative segments. On the dispute with Meta, I think Tim has eloquently argued our position a few times on fair share. Now let me separate two things here.

One, we completely believe that we should -- that we need a fair share in terms of network contribution because you look at the amount of traffic that's coming in, that's a pure violation of the historic Tier 1 agreements, which was based on balanced traffic if you'll have it, symmetric traffic rather than asymmetric traffic.

The meta dispute itself is a bit more nuanced than that. We actually won a court ruling went in our favor in Cologne, which allowed us to charge for peering, right? So that's -- and I don't think we're adopting an aggressive stance here. We're simply adopting a stance consistent with what the court ruling told us, which is we can charge for peering.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

James, New Street.

James Ratzer - New Street Research LLP - Analyst

So two questions, please. I'd like to just dig in a bit more on your German fiber build-out plan. So I think at the beginning of this year, you said about 60% to 70% of the homes that you had passed were MDUs. And what I'd like to understand is, therefore, if the future targets you are giving the EUR17.5 million by 2027, what would be the mix between MDUs and SDUs? And then within that, how many of those would actually be marketable? Because my understanding is for a lot of the MDUs, it's harder to get in to do the level for wiring.

And then the second area was focused on more on the SDUs because I think there are about 7 million to 8 million premises in Germany that have been built out by other fiber challenges. And I think at the moment, your overbuild with them is close to zero.

Is it the intention in the plan that overbuild still remains close to zero and therefore, if that's the scenario, do you see an outcome where you could potentially become a wholesale customer on any of these fiber challenger networks?

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

Thanks, James. I read with interest to both your pieces on MDUs. So let me respond to the first one. Look, it's about 60% of the population, 55% of the population of Germany lives in MDUs. We will build across Germany. Therefore, in any period, it will roughly be in that -- we will build in line with the German population because that's what we're planning to do. I would like to debate and maybe we can do this over dinner. The assumption that somehow (technical difficulty) is undoable in an MDU.

Just to give you a sense, when you look at it at a cohort basis, which is the only sensible way to look at it, when we started, we got 60% of MDU permissions in four years. Right now with the stuff Wolfgang and the team are doing, we get 60% of MDU permissions to build within two years. which is part of this [5 million] build, right? So that's the -- so that's why the utilization piece, if you sum all of this up, and you try and triangulate it back we can't get to 1 million net adds if we're not confident that we will connect and build these households.

On the separate question, I don't particularly plan to be a whole buyer for a bunch of private equity-funded networks. Whether we will overbuild or not will depend on the economics of the specific area. Let's face it, people like Deutsche Glasfaser, you look at a vertical view of their penetration, they're getting to 28%.

Now that's still, in quite a lot of those areas, means there are 70% of my customers there. And in a lot of those areas, that's still viable to build. I wouldn't call that overbuild. I would call that serving my customers.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Good. We have time for one short question -- or one question, let's say. Short is also good. Adam?

Adam Fox-Rumley - HSBC - Analyst

I'll try and be quick. Can you tell me why people don't take DT at the moment? Are there areas where there's a mismatch between perception and reality from your perspective?

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

Is that on mobile or is that on fixed line?

Adam Fox-Rumley - HSBC - Analyst

I guess, I was thinking across the consumer portfolio, basically.

Srinivasan Gopalan - Deutsche Telekom AG - Member of the Management Board, Responsible for Germany

Look, I think like any brand, right, when you try and stretch the brand a bit too far, you will naturally get into segments that it doesn't work at, right? That, plus the fact that a pure price shopper is hard. Right now, it's one of the reasons why -- if you look at mobile, right, which is a more fragmented and segmented market, we have had more of a multi-brand approach to mobile.

It's because there are some segments which don't want to take DT either because of a perception on price or because it lands up catering to a very different segment, which is why you have things like Congstar, which work really well.

One of the reasons we're taking Congstar into fixed is as we think about scaling, there will be such similar segments, we think opening up and fixed as well. So there is an element of our strategy, which is multi-brand. But I want to be true to this, the heart of this company, the heart of who we are is still Magenta. That will still be the lead brand. That will still be everything we drive, right? We will then flank ourselves with the multi-brands.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Thank you, Srini, thank you, Wolfgang. Well done. And with that, we will get on to our next session, and it will be Dominique and Melinda Szabo. Melinda, as I said earlier, our Head of the Natco in Czech and Slovak and Dominique, who is our Head of the European business and well known to you. So please the two of you please come on the stage and tell us about the European business.

PRESENTATION

Yvette Dominique Leroy - Deutsche Telekom AG - Member of the Management Board, Responsible for Europe

So good afternoon. Very happy to be able to speak to you and certainly currently with the current Europe results that we have. It's a bit of a pleasure to stand here in front of you. So let me start with the key messages.

If you look at the European telco currently, I think we could say we are one of the fastest-growing telco in Europe. If we look at the year 2024, we have been growing on average with a revenue growth of 3.8% and on average, with an EBITDA growth of 4.5%, which I think is quite an impressive results.

If we now look forward on the key message, I think what we want to do is to continue to deliver superior financial results and to continue to give strong equity value. We will commit ourselves to an EBITDA growth of 4% to 5% for the coming years. And we want to improve ROCE, which is currently around 9%, 9.5% to a double-digit ROCE, which is quite impressive in the industry.

We want to do that by continuously growing both B2C and B2B. And B2B is more of acceleration than the turnaround in Europe and B2C is also more continuing what we have been achieving over the last year and accelerate that. We committed to a service revenue around 2.5% to 3% growth going forward.

Two elements that will be new. And that's very much in line with the wheel that we have been discussing about since now. The first one is the use of data and AI that we will really bring as a way to transform even faster or different countries in two domains, generate more customer experience and also generate more efficiency.

And with that, we just want to -- as an example, [Chat share], we want to get to 30% [Chat share], which is we have run a very important channel strategy throughout the whole of Europe. And in there, we want to accelerate a lot of digitization and 30% [chat share] is a nice measure that we put forward on how we want to use data and AI for the benefit of our customer. We also want to cloudify much more our network and our IT. We are currently around 40%, 45% of cloudification. We want to go to above 70%.

And the last element, which is for me very important, and that's something I have personally been working a lot on over my last four years that I am at DT running Europe is how can we scale more across our footprint. How can we scale more across the European footprint, but also European footprint and Germany and potentially even US.

Last time I talked to you about OneApp, OneShop, RDK for routers, TV platforms. Today, I will talk to you more about B2B competence center about common operation networks in the network area because I think we have found ways to really scale across our different countries.

But before going that, let me just take a bit the pleasure to show you our results over the last four years. This is the wheel, I will not go into there. You have all the numbers across the different segments. Let me go more already in the different sub area.

The first one, the invest. We have continuously invested in fiber and in 5G. Fiber is 1 million new house home passed per year. That's also what we want to continue to do, which give us today 10.3 million house home passed and a coverage of 40%, which is a nice coverage within Europe. Also quite nice is that we have been able to further increase utilization to 35%.

On the 5G, we currently have 78% of coverage. But I think what is also very important is that we have retired our 3G band in every single of our country, which has enabled us to provide even more capacity on our 4 and 5G in every country. And we have done that without any impact on our customers. So I think that is quite a very important realization from our different teams.

This is, for me, one probably of the most important slides and the one I'm probably most proud of. Because if you look at Europe footprint where we are over the last, let's say, two, three years, we have been working in a very difficult macroeconomical environment. If you look at the inflation curve here on the slide, the green line is the average of Europe, the Magenta line is the average of the footprint.

And if you look at a country like Hungary, we have had inflation rate up to 20%. So how do you manage that? You have your electricity costs that are tripling, you have salary increase of more than EUR100 million, and you need still to see how can I grow and deliver profitable growth. That's not an easy thing to do. I think we have been able, together with all the country to really take right decision and say, we still want to continue to grow by balancing volume growth and value growth.

We have had to do price increases. You cannot compensate 15%, 20% inflation with our price increases. But I think we have done that with a very good balance, volume and value continuously to grow our mobile footprint from pre to post, for more. We have used our fiber to bring higher speeds and higher ARPU in the market and everything around convergence, fixed and mobile has been one of the key driver for growth, bringing more people to fixed mobile convergence, but also increasing what we call deep sell and cross-sell.

We have done price increase, not in all countries. There were a country where we have not been able to do price increases, but we have done price increases in most of our country to compensate part of the very high inflation we were confronted with in our costs. But we have done that, I think, with good communications with clever way of doing it and without losing customers.

And that's what you see on the last part of the slides, where during this last four years, we have been able to increase our customer or subscriber in every single of our products. We currently have 28 million mobile subscriber on a contract basis. It's even more if we would take the prepaid.

We have 7.3 million broadband customer, 4.4 million TV customers, and you see as well the very strong acceleration of our fixed and mobile customer footprint. And if you look at the market share, I would say, on average, we still have a lot of room to increase because these are not market share where you would say I need to stop growing market share. By the way, something we don't want to do. We absolutely don't do, but still with 31%, 26% or 16% market share, there is still a lot of room to grow within the European footprint.

So next to that context of macroeconomics and growth, I think we have also been able to use digital solutions a lot for customer value, but also transformation. I will not go through all the slides. I think [Chat share] is currently already at 22%. We have the number of contacts per agent has gone down from [0.7 to 2.4], which means that we have less reasons for people to call.

So it means that we have done some good things in terms of preventive maintenance or the way we are running our network or delivering service to customer. And I think on the transformation, I told you already about cloudification. This is something I still believe we can go much further. And I think Claudia will talk about that as well tomorrow.

We are currently at 40% and 44%. We have retired 400 apps, many more to do, and we have also renewed our (technical difficulty) which is a very expensive part of our cost from 34, on average, per customers in 2020 to a healthy 23 in '24.

And last but not least, and these are for me, my very personal driver is -- and by the way, one of the segment of Europe are two hearts that we say we want to win the hearts of the customers, and we want to win the hearts of our employees. And this is something we relentlessly communicate to all the people internally and I think there as well, we have done quite a good job, eight of our countries are on the number one position in trim.

Only one country is on number two. In most of the country, let's say, six country out of nine, we have a brand preference which is higher than our market share. It's a good way to predict are you able to further grow market share or not.

If your brand preference is higher than your market share, normally, you should be able to further grow in the market, and we see that we are not there in every country. We still have some country where we need to build a stronger brand preference, but on average, six country on fixed and six country on mobile, where we are bigger than our market share.

And on the side of the people very important for us, a very high employee satisfaction, 82% and the element below is something we have put a lot of focus in because we wanted to motivate our employees and our manager to stay with us and one of the key way to do that is also to give them career opportunities. And today, 67% of our people say, "I am motivated by the career opportunities I see within my company.

So if you look at that, this translates in financial results, we are proud of, I said, 3.8% average total revenue 4.2% on B2C, but also a healthy 3.3% and B2B. On IDC, we didn't -- we were not able to reduce our IDC because of the whole inflation but all in all, we have been able to reduce the ratio of our IDC cost and service revenue, which I still think is important for us by 2-percentage-points.

We have been able to grow every single quarter. And you see there the difficult moment, second quarter to the end of '22, where we were confronted because our footprint is very close to Ukraine. We have four countries like Poland, Slovakia, Romania, that are very much on the border with Ukraine. So we have been confronted there firsthand with the very high inflation with high on security, but we have still been able to continue to show very steady quarterly growth every single quarter.

And that's where I told you already, our return on capital employed almost doubled over the last four years, and we are currently at around 9.5% at least that's the estimate we have in '24, mainly coming from the growth of EBITDA.

So this is what we promised or what I promised four years ago, I think we have, with the exception of IDC and a bit the same on CapEx. It's also a bit of the increase linked mainly to inflation where we are a bit short, but for the rest, I think we are very proud of what we have been delivering.

So that's for the past, so let's now move into the future because you start from a position of strength, but what's next? First, let me give you a bit of a highlight on the portfolio and where we are active. First of all, we are probably small within the big DT environment. But if you look at the figures of the European segment, apart from DT, we are a very big and fast-growing telco.

We have revenue of EUR11.8 billion, not so many telco in Europe are reaching EUR11.8 billion, EUR4.1 billion EBITDA and EUR2.3 billion cash contribution. So quite a strong ratio of conversion of EBITDA into cash. We are currently in 10 countries. We consider that the footprint where we are is a good footprint. We don't want to move out of countries with the exception of one, which is Romania.

We sold our fixed business in Romania in '21, and we are now on the process of selling our mobile business in Romania. If you look at our ambition, I already said it, 2.5% to 3% service revenue growth, 4% to 5% on the EBITDA and 4% to 5% on cash contribution.

Why do I believe we can continue to grow as much as the figures I just highlighted? First, I think, because we are working in an environment and a geographical environment that still has quite a lot of growth potential. The countries we are in are fast-growing countries. These are the prediction of the IMF, they foresee a GDP growth of 2.7% for the coming years. They also foresee spend on telco services, they have a growth of 2.1%. And we addressed 107.5 million population, which is quite a big number of people we address.

We are, and Srinivasan refer to market structure, I think it's a very important elements on how profitable and how much growth we can do. We are operated in markets where the structure in general, is a good structure on average, three MNOs.

I know we don't like the word incumbent, so the incumbent is on the slides here. So we have in countries where historically, we have always been the incumbent, even if there are still countries where we grow a lot but we also have three countries where we used to be mobile only. And in Poland, Czech and Austria. Those three countries, we still have a huge opportunity to grow in broadband, but also in B2B. And on the others, we still have a lot of opportunity to grow in value, certainly, an increase of value shares.

And I would say last but not least, we are in countries where digitization is not fully there yet, and we still have a lot of opportunity to grow and help the governments and the countries to digitize. And therefore, we are also quite lucky because we are in geographies where there is a lot of European money coming to the countries where EUR32 billion is available on a 10-year period for digitization, infrastructure and also a bit of research.

So that was the macroeconomic view on that. If I look now at more the internal view of our footprint, I would say I am very confident that we can continue to grow with this nice figures I showed you or at least I hope you find it nice because I find it nice, two pillars. The first one is the execution. And execution is based on five key elements.

We are in all our countries, relentlessly focus on our customer. We want to make our customers happy, and this is the key lever for growth. The second one is our growth mindset. We want to win in the market, we cannot lose market share. We want to grow market share in some country, perhaps more in volume and some others definitely more in value.

We have a very strong team, and we have also a very international team, bringing a lot of diversity and also a lot of opportunity to further grow with the career opportunities. We have strong transformation skills. I think if I showed you what type of environment we have been confronted with over the last two, three years, and we have been able to confirm that.

I think that's the best proof that we are able to adapt ourselves to adverse situations and that we have a very strong, not only resilience, but opportunity to adapt to the different market circumstances which are volatile and potentially uncertain. And the last one is our financial discipline. Within DT, a target is a target, whatever circumstance is people will do whatever they can to meet the target.

So these are very much -- I mean, talked about the importance of culture and values. These are for me within the European segment, the key element that makes us successful. The other one is the governance we have. And in that sense, governance is based on three pillars. The first one is the country.

We need to give enough accountability to the country that they feel responsible to deliver their own P&L. We also want to do that because the countries are the ones that are close to the market are the ones that are very close to the stakeholder in the market and very much close to customer. And that's what we do. The accountability for results delivery sits in the country.

On the EU segment, we have a small headquarter, 150 people so it's not a lot. But in that headquarter, everything we do is to say how can we drive more value for the countries. How do we do that? First of all, we define the resource allocations and we define the financial targets of the countries.

It's very important because it enabled us to really put money where we have the best return on investments. It's not always easy because we never have enough money to invest. So always people complaining, but that way of allocating the resources to the right countries and the right project is something we do with some very strong rigor.

The second one is that we have been building and over the last three, four years, I put a lot of effort in building communities across the different countries, we have a B2C community, a B2B community, the technology communities and others. And we have people reaching to each other to learn from each other.

To bring best practices from one country to another to enable us to test some new services or innovation in a country, see if it works, adapt it, stop it or scale it fast. We also, and we will comment later on that, we have also now a notion which are center of excellence. We don't necessarily have skills in all the countries, but we have some very good skills in some countries.

If something is working well, we provide money from the center to scale this center of excellence. And from there, we are able to serve all the countries. So in that sense, we also make successes travel very fast across the footprint. And the same is true on digital. And I would say on the group level, we also have a lot on the group.

First of all, the brand, the brand you will see later on. I mean, we use the strong T brand, which is a very strong value from the group, the financial strength of the group. The ecosystem, partner ecosystem, we can reach [out to] and not the [least, Claudia] and her team providing us superior technological insights that we can really be able to implement in all the countries.

The wheel, we don't want to change this. We just want to accelerate it. I will go fast now because I'm already over time. So on investments, the fiber remains prime focused. We will continue to invest to a level of 1 million households per year, and we want to reach 50% coverage by 2027.

We will continue to keep and to accelerate utilization. We are currently around 35% in 2023, we want to go beyond 35%. In the countries where we are not fixed native and we are more the mobile country, you see the three there in check what we do because we cannot build, we don't have a copper network there.

So we need to build broadband on a full country. It's very expensive. So what we do there, we have made a reciprocal agreement with [Satin] and Vodafone, so that we can use their network and they can use our network and then we built the whole fiber network in the country in a way where we avoid overbuild, and we give each other access to our footprint almost with owner economics.

In Austria, we have, of course, bought UPC in 2018. So we have a strong cable footprint, but we have created a joint venture with [Meridium] to further build fiber off balance sheet in more rural and semi rural area. And in Poland, we don't build fiber. There are a lot of players in Poland that are building fiber.

There is a lot of overbuilt in Poland. So we, as a whole, we have access to -- by the end of this year, we will have access to more than 10 million households making us one of the biggest fiber provider in Poland, reaching 70% of the market without having to invest in our fiber footprint.

What we then also do is, of course, on the CPE, we invest as well a lot to make sure that fiber investment is not only an investment in technology, but is also an investment in the home experience of our customer with the right WiFi, the right mesh and the right router.

On 5G, we want to go to 95% coverage. We have already retired 3G. We are starting to see how we can retire 2G. We made an agreement and an announcement in Hungary, where we want to retire 2G probably by end of '26, by roaming on Yettel, and therefore, utilizing spectrum even better for 4G and 5G.

And probably one element I want to highlight is our customer-driven network. We have built, and there, we have gained inspiration a lot from our US colleagues. We have now built, through data and AI, a way to really assess our network not only based on technology, but also based on a lot of customer data that we can get.

We put the two together, and we used that as our guide to see where do we want to invest. And in that sense, the investment we do are very much driven to provide better customer experience and potentially, with the same amount of money than competitors, we can provide a better network to our customers.

So now I come to B2C, and I'll hand over to Melinda in 1 second. I think on B2C, our objective is to grow 2.5%, 3% over the next years. And we do that on 4 pillars. We continue -- we want to continue to grow on mobile. We continue to enhance home experience and fixed mobile convergence.

We will use data and AI, and I will let Melinda, tell you how. And the last is very much engagement, where we have built this Magenta Moments platform. We started somewhere in our European footprint, and we really will go to the next step and next level of Magenta Moments, but more for Melinda to tell you.

Melinda Szabo - Deutsche Telekom AG - Senior Vice President for B2C Commercial Growth in Europe

Thank you, Dominique. So the B2C Europe segment ambition is clear. We will grow service revenue with [2.5-percentage-point] to 3-percentage-point in the given period and reviving the heart of our customers. What makes me confident that we will do this one because we have done it in the past, we will do it in the future.

In the past, we grew faster than our competition, partially due to the effect of our market structure, but partially due to the fact that we brought the right product to the market. We unlock the unlimited data for our customers. Currently, 40% of our postpaid base is sitting on unlimited data packages.

It massively penetrated our fiber, currently 35% utilization rate on average in Europe. And we actually pushed our fixed mobile convergence, 55% of our fixed customer base actually using not only fixed, but also mobile services from us. But again, the secret sauce of our success was that, in the last couple of years, we actually developed and implemented fundamental execution capabilities.

Fundamental execution capabilities, which is digital capability, end-to-end digital journeys, implementing and penetrating Magenta app up to 70%, penetrating one shop, then massively decreasing our time to market, which allowed us basically to react faster to a customer need.

And last but not least, we started to measure ourselves on a daily basis based on customer feedback through our Medallia system to make sure whatever we do, we do it either to solve the customer pain point or make them happier. Now those capabilities will stay with us. And as Dominique mentioned, for the future, we have four strategic building blocks.

The first two, I would say, it's an evolution of our current strategy. And the last two, where we will give more data and AI into the system and also differentiate ourselves with our Magenta Moments platform, that is something which I would call a true differentiator versus the current situation.

Now let me walk you through on the four building blocks. How we will further monetize our mobile network superiority? We will continue the more for more. We will actually also adapt our propositions to customer needs because we see changing customer behavior. We see that subsegments, like influencer segment, is massively growing.

The self-generated content of our customers is actually getting a traction, and the competition and the raise for the attention is increasing. So the customers actually need the right speed to upload their content, and the customers need also the right slides to do that, the right timing to do that.

So with that subsegment and also the changing in-venue experience, the booming mobile gaming opportunities, I think this is something where we actually adapt our portfolios and generate more and more revenues. Next to this, we will continue our fixed wireless access in markets where we don't have fiber coverage, like in T-Mobile check, like in Poland, Austria, and that's how we monetize our network superiority.

Now the second pillar of the mobile network game is how we are going to unlock our digital capabilities. We do have already eSIM capability, whereas with flawless activation process, we can see more revenue streams coming, like we can participate in other markets. We did it in Croatia last year.

We tested it, and we provided unlimited data, with the combination of Uber services. And customers, travelers were reacting super nicely for that one. We can also enrich our portfolios with household subsidies. We can enrich our portfolios with variable solutions for kids, which we are actually already doing in Poland.

Now how can we more resonate to customer needs? Family propositions, I think we are well positioned there in the European market. We massively penetrated the families. So we are really having a strong position there. Where we will improve in the future is how we tackle the use segment.

With the Magenta app capabilities, we already have the solution and the capability within the app to start from the acquisition full digital and finish the whole process and the whole customer journey paying digital for us. The latest examples, which I really love, is coming from Slovakia, where we actually gave the full flexibility to our customers to sell out the data, the voice, text, in combination with third-party benefits like concert tickets and backstage experience.

So I think those are the ecosystem where we can really win the heart of the young customers or, for example, in Croatia, where we actually co-created our proposition with the youth segment. Now the next building block is how we further leverage our strong FMC position through the home experience.

Of course, we will push further our utilization on our fiber connection, in combination with a comprehensive device portfolio, and we will bring always the next-generation routers and mesh devices to our to make sure that they actually really can enjoy the speed, which we are offering up to the fullest, but also we would like to monetize those hardware as well.

On top, I think the upcoming two year focus that we really have to bring the capabilities which we already have in terms of home experience to really give the opportunity to the families to manage their home digitally and actually enjoy the peace of mind when they are at home.

Just checking, for example, the quality of the network, checking if all devices already connected, giving easy access to guest devices or managing time for the kids or just peace of mind with the embedded filtering solution in our routers. I think this is very important when we are actually unlocking the home experience.

But the real growth still will come from our fixed mobile convergence. On the left-hand side, you see a couple of numbers. I already mentioned 1% to 55% penetration of the fixed broadband base. But on average, the wholesale are using more than four services from us, and we delivered double-digit revenue growth in this area.

Now I'm often hearing the question and the statement, Because you were giving so much discount to the segment, so this is how you penetrated. But I have to tell you, this is not the case. There are three drivers for the success of our fixed mobile convergence. First one, in the very beginning, we stepped away from a discount logic.

So we brought value to our customers, like double data, like double top-up for the prepaid customers. The second was that we changed the mindset of our organization. It was a kind of a journey to bring to FMC first mindset. And the third pillar is that we actually massively supported our front people with data, be the next best offer with propensity models based on real customer usage data. That's the key for the past.

But what we'll change in the future? We will continue combining our core services, but we will bring more digital services, OTT solutions, like content. We will leverage not only the local content solutions, like in Slovakia, the Voyo, but also leverage the group, Netflix, which we had just closed year and already implemented a solution in 4 countries, Hungary, Greece, Croatia and Austria.

And then device services, like protection of the device, like device warranties and handset insurance and security services. There are countries like Greece, where we're experimenting even beyond core services, which we can bundle in the FMC proposition, like payment solution within the payment solution, cashback for the customers, which is pretty much appreciated.

Or in Hungary, we already tackled telemedicine solution, and we're tapping into the host area with our bundles. Now the question, how we will do this one? How we will avoid complexity? Because if we're widening our portfolio with just what I mentioned, this is a complex one. This brings me to our third, aboard, how we bring more data and AI into the system?

You already see that we decreased the non-sales context by 35%, and we have 22-percentage-point share. But what about the data and AI? Currently, we're collecting data from regular systems. In the future, we will increase the data collection from Magenta Moments from the routers, from the TV, from several areas based on customer consent, because we see that with a broader data set and massively computing it, then we actually could generate actionable insight.

As a consequence, we can actually tailor our propositions to a real customer needs and catch the customers and give this offer on the right time. With that, what we can achieve, customers will be happier because they will receive the service they really need. The conversion rate will be higher, which means we can generate more revenue. And in the end, we will have a higher customer satisfaction.

But again, the contextualization and gathering the information is not only helping to tackle the customers, but it will help our front people. Because we can bring this insight to our systems, we can provide 360 information about our customers to our front people as well. All in all, we actually, with data and AI, will change the way we interact with our customers.

On top, AI, as it was mentioned already by Srini and Dominique, will actually give us the power to further decrease nonvalue transactions because we will massively transform our simple transactions into the digital space. For example, there are countries already, Slovakia is one example, where the contract prolongation, 40% of it, happening actually through the application.

This is massive. So if we continue with this one, we can actually have the productivity of the channel to focus on more complex solutions. My last pillar, building block in this presentation, how we will improve and further accelerate our Magenta Moments program? We brought this program to the market to bring our brand closer to our customers and differentiate ourselves from the competition.

I am super excited and proud that this program is actually live already in eight countries on our footprint. And already, we have 4 million engaged customers. With 24 million transaction happened already within 12 months, that's massive. There are three countries, Hungary and also Poland and T-Mobile Check, where we have more than 1 million customers engaging with us through the Magenta Moments.

I can give you many of the numbers, maybe the most important one that MPS of those customers, 10% higher than the nonusers, and the churn is significantly lower with 40% than the non-users. So what is next in the Magenta Moments? The next step for Magenta Moments to actually start moving from collecting relevant proposition for our customers to a digital lifestyle platform.

This is a clear ambition for the future because then we can support our customers from the very beginning of the journey, just engaging with us, booking, for example, a travel ticket to the payment when they're actually having a nice dinner in the restaurant in the location that they are traveling.

We would like to increase the program and the top of mind to our customers that this is the top of mind digital lifestyle program for the future. Of course, we can unlock more revenues through the program, like unlocking subscription model, doing revenue share with third parties or basically having even campaign fees for our partners. Now this is the future of the Magenta Moments, which comes as an innovation.

In Europe currently, we're actually looking into three areas, the first one is how we can scale the instant payment solution, Payzy, which is already on the market in Greece for two years. So looking at other European countries, where this proposition would make a difference, the second insurance portfolio is because based on our market research and customer feedback, insurance is really something which they naturally would like to get as a service from us.

Currently, we have two models. One is the aggregation model in Greece. The other one is like a white fiber or reselling model in Hungary and in some other countries, with testing which of the solutions are actually more suitable for our market.

The last piece here is personally my favorite is the Wifi Sensing, whereas we actually try, with the help of team, to bring a product to the market where we can actually give further peace of mind of our customers when it comes to home security and also taking care of their elderly member of the families.

So rounding it up, I am super proud end-to-end of the result, and I see that B2C Europe will grow because we will unlock the digital capabilities. We actually will be more contextualized. We will use more data and AI and changing the way how we execute. So definitely, the growth is there for us. And because we are really super proud of our Magenta Moments program, we created a short film for you.

So please enjoy, and then the word back to Dominic. (video playing)

Yvette Dominique Leroy - Deutsche Telekom AG - Member of the Management Board, Responsible for Europe

So thank you, Melinda, for this compelling story of B2C. You will have more information on B2B tomorrow. So I will just go quickly through also what we do on B2B in Europe, but Elvira will bring you more information tomorrow. We want to continue to grow in B2B, with a service revenue of above 3%. We want to grow on all products. Of course, the most -- the biggest growth will come from IT and mobile, but also in fixed. We want to continue to grow in fixed.

How do we do that? By very much adapting our propositions towards a different customer segment, having a one-stop shop for SMB, having industry-specific for the enterprises, but not customer-specific. What we want to do is industry-specific and then have solution that we can scale across all verticals and across the countries. And last one, I already alluded to it, use the EU funds to help digitize the public sector.

Next to that, we are also expanding our portfolio. From the traditional core telco, we already have, for some years, in the market, and it is growing, Next-gen connectivity solution, SDX, SD1, in country where we don't have copper and don't have a lot of B2B business, these were the country where we were able to test those solutions relatively fast and see how we can grow with it.

The same is true on security, on cloud. We provide -- we have cloud infrastructure. We provide colocation, but we want more and more to go to Infrastructure as a Service, and we also use our 5G technology to offer new services with 5G slicing and also campus network.

B2B center of excellence, I think I explained it. We have several in different countries. Elvira will explain it tomorrow. Antibusiness, we have now put all our business in Germany, in Europe umbrella of the business, which enable us to have more visibility towards also all multinational customers.

On accelerating transformation via digitization and simplification, let me focus only on 2 points. The first one is simplification. This is something I am very pushy around because I still think, as telco, we are still too complex. So we need to make sure that we simplify our portfolio. We simplify our work and IT, and the way to do that is to cloudify and automate it.

And we also need to retire legacy, legacy IT, but also legacy network. You see here the figures up to more than 70% cloudifications of the workloads in network and IT going forward. The second pillar I want to highlight is digitization. We have done a strong study within Europe on channel strategy.

This is one of the way we want to push digitization in the call center, the shop and on digital, Still respecting, I think, our IT percentage of revenue, which is 4%. So we want to make sure that we invest more in new generation IT and less in legacy IT by maintaining the budget constants. And as I said, we want to decrease IDC on service revenue by 2-percentage-points to 3-percentage-points.

On AI, a lot has been said on the B2C. We use data and AI to provide next best offer, which are personalized and contextualized for our customer. We use data and AI to provide better customer service by bot, text bot, voice bot and also smart copilot for our agents. In B2B, we will use data and AI more and more for the customer value management.

This is an area where we are not that good at, and there is still a lot of opportunity to create the main for more strategy that we are very well able to do in B2C to bring it to B2C, thanks to this data. And the second element on B2B is that we are starting to really bring new products on the market based on AI.

One example is IDAs, intelligent digital assistant, that we have created in Hungary, where we have now built a competence center and that we are now selling in other countries, where our business customer can really use an AI platform for their own services and their own purposes.

Another example is what we did in Greece, where we helped the government with an AI platform for citizens to get contact with the government, get the documents and all the elements. This is what we have done in Greece, but we could also potentially extend it, but more to come tomorrow.

On the network, we used data and AI in a way to really improve of network operations and in that sense, have more predictive maintenance, reduce faults in networks and have predictive NPS, so reduce issue with customer. The second part is everything around energy. I told you that we had a huge cost increase of energy in Europe.

So we have already massively used data and AI to decrease our energy consumptions, but we want to go further, mainly by using AI and customer-based AI to further reduce energy. On the synergies, a lot has been said. I want to focus on one element, which is what we internally called common operating network or common operating networks across EU.

So if you look at the network today, you have the different elements of the network, everything which is around planning and design of the network is done once centrally, with the team of Claudia and some teams within the European headquarter. But when it is about implementation, we implement it in every single country on their own, which means that something that should be 100% the same ends up to be 94%, 95% the same.

And we cannot really work across countries and we lose synergies and potentially, we also lose savings from procurements. We have been working the last six to eight months with every single CTIO in the country to say, How can we work differently? And it is very much a cultural change and an organizational change because it means tomorrow that the CTIO in this country will be responsible end-to-end for his network in the country, but will also be responsible for a part of the network, let's say, the core or the SD-Voice or the data across the 10 country of Europe.

And that will enable us to go faster with implementation, but also to have absolutely the same implementation across the 10 countries. And so we then have market-agnostic network platform. And we do that together with cloudification, same solution, faster go-to, less mistakes, better talent. So the whole purpose is, of course, to reduce cost. We will have between 8% to 12% gross cost reduction by doing that, but we want to be faster to market.

We want to have -- also to retain and attract more talent because a person that works on this part can be in a country, but will also work for 10 countries, and that's also a way for us to make sure that talent is attracted -- are attracted to work for our countries. So an important project. We are in the beginning, but I must say so far very good traction, very good addition of all the country to get there. So it's not about centralizing, it's about building common market-agnostic network platform.

ESG, we have it in all the presentation. I don't think there is anything specific for Europe. We are also working very much on decreasing energy consumptions, reducing our CO2 emissions, circularity, both on fixed and on mobile, beneficiaries. Perhaps one word, we have had a lot of climate issue recently.

Also, recently floods in Europe, in Austria, Czech, Poland. We are always there to support our customers, but also population during crisis. This is very important for us, and we have also a solidarity within the different countries to do that. Next to that, one of the key themes that we will really continue to roll out in Europe is how can we protect youth against hate speech and discrimination on social media?

This is something which has started in Germany, but we are now very much focused on that in all the European country to make sure that we can help youth to be more equipped to resist on what sometimes happens on social media.

So as a conclusion, and I probably recuperated the time I lost on the first part, we have strong foundation with brands, with our people, with the market we are in. We have proven that we are able to really have superior execution. And I think the best proof is the growth we have been able to do over the last four years.

The new elements where we will accelerate with everything we have been talking about, about synergies and about data and AI, and with all that, we are confident that we will be able on segment Europe to deliver 2.5% to 3% revenue growth, reduce our IDC on service revenue by 2-percentage-points to 3-percentage-points, have an EBITDA growth of 4% to 5% over the period and have a return on capital employed, which will be double digit.

All that by staying close to customers, measured by number one in TRIM and staying close to our people by still being on the top 5 to 10 employer of choice in every single country. And this is then how we put it into midterm commitments, but I don't think I need to go that. And I would like to leave you some time for questions. Thank you.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Thank you, guys. Thank you, Melinda. Thank you, Dominique. I mean it's interesting to see how a lot of the innovation in Deutsche Telekom is actually driven by the European segment. And because you have the opportunity to test things and innovate and without just being, let's say, putting the whole group at risk, right?

QUESTIONS AND ANSWERS

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

So that's good. So do we have -- let's have some questions from the audience, please. We have about 10 minutes for Q&A now. Okay. Well, I had both of you before. So anyone who has not yet. Okay,

Unidentified Participant

Thank you very much for the presentation. And I have two questions, please. The first one is on operation. And I think you gave a very good example in terms of the balance of centrally designed network is an implication in the local market.

Just wondering if you can talk through your thoughts around product design and the go-to-market strategy. Because same sounds like some products, steel product locally and you look at the opportunity to roll out, whether you see opportunity to strike different balance on that?

And the second question I have is on your financial targets. I think your target is probably a little bit lower, but it's probably similar top line growth. But obviously, the current environment is -- has a low inflation. Just want to understand what is the mix now, always come to your current guidance? Thank you.

Yvette Dominique Leroy - Deutsche Telekom AG - Member of the Management Board, Responsible for Europe

So let me start with the second one because I think in terms of going forward, it's true that we have not foreseen a lot of CPI going forward because inflation has come down. I can just give you one figure for this year, that the growth we have this year is 60% coming from volume and normal, more for more strategy and only 40% from CPI.

So I think that's why I say the balancing on volume and value is quite healthy. This is the proportion for this year in 2024. On the products, I think you will hear more from Elvira tomorrow on the B2B area, where we are really there European partnership with some key suppliers to bring solutions to the market that we can then scale, where we can use our scale to negotiate better tariff, but also to negotiate presence in all the countries because some of our suppliers are not present in all the countries.

So by using our strength and our center of competence, we are able to design product in a way that we are able to roll them out in all the country, even in geographies where sometimes these players are not present. So I think that's one of the elements. I don't know, Melinda, if you want to say anything on the B2C side?

Melinda Szabo - Deutsche Telekom AG - Senior Vice President for B2C Commercial Growth in Europe

I would give you two examples for co-creation of the product design. One is the Magenta Moments program, which is actually, in a sense, a product, which was cocreated with local teams and with the central teams. And this product is actually, in a sense, a platform go-to-market strategy.

Communication was totally the same in each and every country. But if you check on the vendors and the third-party solution, this is local partially. And then we also used the benefits on a global solution, which is bookline and other centrally-driven solutions. So this is one example for that.

The other example, which we used and I have a privilege to do it, I mean, to give you this example, not only being as the head of B2C segment of Europe but also as a receiver from the country, Czech, Slovak, today, for example, our FMC convergence proposition, the design is something which we generate as a blueprint for the entire region.

And this blueprint is something which we use in each and every country to actually then tailor it to the country's specificity and make a success on the country level and moving forward.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Great. Okay. So next question is then I'll take Steve.

Stephen Malcolm - Redburn Atlantic - Analyst

Steve Malcom for Redburn Atlantic. I'm just sort of curious, a slightly more granular country by country sort of outlook. Because I think if you look at the last four years, there's been a kind of free-cash contribution from Hungary. I mean when I do the math, I think Hungary is growing service revenue sort of 6%, 7% compound, EBITDA 9%, 10% compound.

And without that, I don't know what you had in the start of the plan for Hungary, but I suspect it wasn't quite that much growth because of the sort of peculiarity of that market. And without that, it would have been kind of low end of the service revenue and the EBITDA guidance. So as you go forward, I presume you're expecting a less free cash contribution from Hungary.

So maybe that means other countries have to do better. So maybe you could give us an idea of which countries, in particular, you think can kind of pick up the slack as maybe Hungary doesn't do 9% EBITDA growth or 50% in the last two years? That would be super helpful.

Yvette Dominique Leroy - Deutsche Telekom AG - Member of the Management Board, Responsible for Europe

That's a very correct observation. I think Hungary, with very high inflations and also some taxes that have been first imposed in Hungary, but are now more and more -- I three from Hungary. We have had very good results in Hungary. But I must also say that every single country, with the exception of Romania, has got substantial service revenue and EBITDA growth.

So it's not that there is one country which is declining. Every single country is growing and have very decent growth. I think if I look at the portfolio going forward, one of the country that should contribute probably more proportionately than in the past is definitely Poland. Poland is a big country.

We had to turn around the business very long ago. I think now we are in a position where we are substantially growing in Poland, and we have now all the opportunity to leverage on all the wholebuy agreement we have done on B2B and further grow on broadband, on TV, on FMC and also in the B2B area where we are very much recognized by the government in Poland as a key provider also on security services. So I think that's definitely one of the country which would help us, but all the country are foreseen to grow substantially over the next four years.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Okay. Any more questions on the European segment at this point? I think. Okay.

Usman Ghazi - Joh. Berenberg, Gossler & Co. KG - Analyst

Hi, thank you. Usman from Berenberg. The fiber paybacks that you highlighted 10 to 15 years, that would imply a post-tax return on capital of, I don't know, 5% to 7% or something, right? But your return on capital that you're targeting with the group is going from 9.5% to double digits.

So as you deploy more fiber, as fiber becomes more a bigger portion of the capital employed base, and that's generating single-digit -- low single-digit, I'm just wondering, is mobile the real contributor here? Just any color there.

Yvette Dominique Leroy - Deutsche Telekom AG - Member of the Management Board, Responsible for Europe

I think it's true if you look at the portfolio within Europe, two-third of our portfolio is mobile and only one-third is fixed. So in that sense, the longer payback of broadband or fiber is having less of an impact than, for instance, in Germany, where it's the reverse. You have two-third on broadband, I think, and around one-third on mobile.

Still, we have high utilizations. And depending on the country, the 10% to 15% are very much an average. I think we are not going to countries like Hungary and others, where sometimes the payback is low. And we manage the different payback in functions of the budget and return on investment.

So the 10% ROCE is something which is in our plan based on very much growth of EBITDA and some lower reductions, but for most of the cases, it is based on EBITDA. And fiber is relatively less important as it is a small part of our global footprint in Europe.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Let's say, like this, the EBITDA CAGR is 4% to 5%, and the CapEx is growing with revenues in the plan. So that, like in other areas of Deutsche Telekom, that drives the ROCE improvement across the board.

Yvette Dominique Leroy - Deutsche Telekom AG - Member of the Management Board, Responsible for Europe

Our capital sales will stay around 18% to 19% for Europe.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Excellent. So next up is T-Mobile. But before we have another short break, I would say we reconvene about 20 paths. So we are almost on track. But thanks all very much, and see you in a moment. (break)

PRESENTATION

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Here we go. Now with T-Mobile, and that's very exciting. So obviously, Mike and Peter, we welcome them today. We are grateful for them to come for this occasion. And we're obviously very grateful also to them what they are contributing to the success of Deutsche Telekom.

And you've heard them at their Capital Markets Day about one month ago, great messages today because they have already had their Capital Markets Day, we want to give more room to Q&A. So their presentation will be compact and a bit tighter, but I'm sure that's in your interest.

So with that, I welcome Mike and Peter. Great to have you here.

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

Okay. Well, Peter and I are well aware that we're what stands between you and your and beer or whatever it is that is going to go down in the after party later that Hannes has prepared for us. It's an honor to be invited here to participate in DT Capital Markets Day. And let me just start by asking a question to pick up on something Hannes said.

How many of you viewed at least part of the TM US. Capital Markets Day, just a show of hands. Okay. right, nearly everyone. So what I thought would be the best use of time is just to slowly clear every slide and say the exact same things over again. No, in fact, what I thought we would do is slide over some of the key messages.

And as said, Peter and I just want to get to your questions and really have a discussion, there were probably things that were left unsaid you'd like to get to. But I do want to start with just a reiteration of the key messages that we communicated three weeks ago. And it really starts with this one number five. We aspire in our Challenger to Champion business plan to outgrow everyone. But we aspire to do that now as a scaled operator, one of the biggest and most successful in the world.

And that's the trick. How do you outgrow everyone when you're already big because that's different from the prior eras where we were a challenger punching up at the mouths of giants. And so that's what this plan is about. It's about double-clicking on the things that are working, but also further extending our lead in things like network and technology.

And it's about adding a new layer to our customer-first ethos that has always made the Un-carrier special. In this era of AI, customer love at scale looks different. And we spent a lot of our time really focusing on how T-Mobile is transforming left to right into a deeply data-informed, AI-enabled, digital-first company so that we can demonstrate what the Un-carrier customer love looks like at scale by creating bespoke experiences for every customer.

And that's a huge part of our future. Outsized growth runway. When we laid out our Capital Markets Day aspirations a few years ago, we talked about underpenetrated segments, but there was no evidence for you that we could do it. Now three years later, we've got the points on the

scoreboard. So we can drag write these strategies with underpenetrated segments now with the backing of the evidence behind us that our strategies work.

Technology leadership. We intend to not just defend our world-leading 5G network and our advantage versus competitors in the US. We intend to further extend it, and we'll talk to you about that today. And hopefully, what you'll take away and hopefully, what you took away from our Capital Markets Day is one of the reasons we can do this is our team and our culture and our focus on reliable performance for you quarter after quarter, year after year.

Now if you look back at the 2021 commitments that we made in the very beginning of 2021, just as we were beginning our integration work for the historic merger of T-Mobile and Sprint that created this version of our company. We said then when there wasn't a lot of evidence that we could do it, that we would build the world's best 5G network, that we would leapfrog everyone from dead last in the 4G LTE era to first and best in the 5G era and translate that into commercial success. And I'm pleased to say we've done it.

Second, we said that we would establish. Thanks to that leading 5G broadband, that leading broadband. 5G network, we would establish a leading broadband business with millions of customers at a time when we had approximately zero 5G home broadband customers. Now approximately 6 million customers and recently extended our goal to 12 million customers.

We said we'd get after smaller markets in rural areas where T-Mobile has never effectively competed and as well as enterprise customers and other important underpenetrated segments, and we've done it. the evidence is in. We've not only done those things, but translated them into outsized growth with 2020 to 2023 EBITDA growth, 32%, 4 times our nearest competitor.

So the flywheel for us looks pretty simple. Investments at TM US are about investments in customers, putting them first, treating them right, changing the rules of the industry in their favor as the Un-carrier, but also investments in a truly differentiated network because the success we've created with this network is the realization of an ambition that we could become the first company ever in the history of our industry to simultaneously be able to offer the best value and the best network. That's never been done before. And that results in outsized customer growth. The customers come to us, 12 million customers on postpaid phones during this planning time horizon.

And if we run the company well, that translates into outsized financial performance, some of which we do what with, we plow right back into the customer differentiation that got us here in the first place. As it relates to 2024, we remain on track for all of the ambitions that we expressed to you after beating the high end of our guidance for 2023.

And I think if you look at U.S. competitors, we're the only ones still talking about and being willing to be held accountable in 2024 to 2021 Capital Markets Day aspirations. So let's look forward. As I mentioned, we call this next business plan Challenger to Champion. And the reason we do that is because, as I said, our aspiration is to outgrow everyone.

By being the customer champion, but we understand that the circumstances of that have changed. What challengers do is change the rules made by other people. What challengers do is disrupt other people's businesses to try and gain. We understand that now with our scale in order to continue outperforming everyone, we have to be willing to disrupt our own.

And in this era of data and AI, we have the perfect tools in our hands to be able to do that faster and better than our competitors. And one of the principal places we expect to do that is in further extending our network lead, the source of so much of our success.

Now we continue to have the best assets in the space, and that's very important, not only the most and the best 5G spectrum dedicated to 5G nationwide, but also the densest grid on which that spectrum is deployed as well as the only true multilayer 5G spectrum strategy in the country.

We also, at pace, roll out new technologies faster than our competitors, implementing advanced things like nationwide stand-alone 5G core, which allows multiple carrier aggregation, massive MIMO, the kinds of things, nationwide 5G new radio, voice over new radio technologies. Those are the kinds of things that allow us essentially to squeeze more performance out of every band of spectrum and out of every capital dollar.

And we align with the industry's leaders as to where the technology is going. We've called the ball correctly on how 5G would unfold. And because of that, we're farther and farther ahead of our competitors. People wondered when Verizon and AT&T, after being sort of forced to spend so much on C-band to catch up with us, once they rolled out that C-band, would we lose our advantage.

And in fact, now that they've rolled it all out, our advantage is further ahead than it's ever been. In fact, the 2.5 times performance relative to them that the average T-Mobile customer experiences nationwide is the widest margin of performance superiority we've ever had versus our benchmark competitors, even though they've rolled out their spectrum nationally.

And then finally, purpose-built for customers. And this is one of the areas where data and AI is a difference maker for us. At our Capital Markets Day, I unveiled to you what customer-driven coverage is all about. We've been talking about it for over a year, but we unveiled what it is, which is an advanced AI algorithm that for the first time at scale allows our teams and our engineers to simultaneously train AI on network data and customer data. to be able to maximize the performance for customers.

And this informs now the capital choices that we make to build new network, to upgrade the network so that we can understand how every action we take affects customer success. Now I give you an example of this. This is just about long-term builds. We're just in the hurricane season. As you saw, Helene came through a couple of weeks ago. Right now, as we speak, Milton is raging across Florida.

In North Carolina, in the immediate aftermath of Helene, we had about 4% of our towers out of commission after rushing in with 1,000 generators and getting it down to 4%. And during that time, those remaining 4%, just unreachable by roads, knocked out bridges, building tops, can't take generators, other issues that take a little longer to resolve.

During that time, only 1% of our customers didn't have good signal, but 4% of our towers were out. Because, again, customer-driven coverage, looking at these 165-meter wide hex bins in real time allows us the telemetry to see who's connected and who's not. And our advanced self-configuring network capabilities allow us to do automated tilting and automated powering up of low-band capabilities from further away towers to reach each customer with lighter signal than they would have had without the storm, but with signal.

So they can get those essential messages out, receive the phone calls, tell their loved ones they're okay or get help if they're not. That's the kind of thing that customer-driven coverage and the era of AI can accomplish. Now this is also about building a digital relationship because creating customer love at scale means graduating from the era of the Un-carrier that was all about treating everybody the same.

Because now there's so much that we have to offer. We've delivered 25 or so Un-carrier moves over the past 12 years. There's so much that differentiates T-Mobile. And our job is to make sure to connect every customer with the exact success journey that will maximize their happiness with T-Mobile service.

And the centerpiece of this is TLife, our new flagship app that will eventually replace every single consumer-facing app we have. It will reach 40 million active users this calendar year. It's currently well past 30 million and it allows us to do so much more than simply serve their account needs.

TLife is becoming a lifestyle brand for people to manage their Magenta status benefits to check in on their T-Mobile Tuesdays to track their family and be able to keep their kids safe to prevent scams and unwanted spam calls and so many other things that make digital life better. And we're seeing already the results of this having TLI in customers' hands.

We expressed at Capital Markets Day an aspiration that we would achieve 100% of customer upgrades digitally in this planning horizon as well as the majority of activations coming in digitally. Now earlier, somebody asked, aren't we as an industry laggards in this space? And the answer, as Tim said, is yes, we are.

And you should view that as the good news. There's a tailwind on our business that when we lead this industry worldwide in digital adoption, we'll only be doing some things that other industries have already done. And there's a reason for our laggardness. It's not that we haven't paid attention to this. It's that there's aspects of our offers that are too in the opinion of customers that are too complicated for digital.

And that's why the era of AI makes a difference. If there's one thing that AI is great at, as we all know, it's making the complicated simple and helping you understand vast amounts of complicated information, putting it right in front of you in three or four bullet points.

This is a catalyst for us to be able to use tea Life with customer-facing AI tools to unlock digital transactions, starting with 100% of upgrades and an aspiration for half or more of all activations. Now we also expressed an aspiration for you that we would reduce human-to-human customer service interactions in our retail stores and our customer experience centers, by 75% from 2022 through our planning period.

We're well on our way, by the way. And this is, again, not by just putting bots up to solve problems and take away your interaction with people, but to prevent your problems in the first place, to use real-time AI-driven data to make sure that those problems don't happen, a huge part of customer-driven coverage is to figure out what problems might happen and to prevent them so to that network or if network issue do crop up to be able to give you real time information about why so that you go away happy.

I mean if the government tears out your street and gives you and it's pot hole filled street and it's got no curbs. And the new one is shiny, beautiful and it has curbs. That's a good deal for you. but not if they forgot to tell you it was going to happen and you can't get home for while they're working on it.

And so a big piece of this is just arming our people to give the right information to customers. They call and say, look, my signals weaken, you'd be strong, what's going on? And we can, in real time, interrogate the network with advanced AI capabilities and say, what's happening is you're served by three sites. One of them is undergoing an upgrade, that will be done a week from Thursday.

And when it's done, only will your service be as strong as before, will be much higher capacity, week from Thursday. Any other questions? No. No. That customer will go away happy because of the AI tools that have transformed how we interact. Now A huge piece of this plan is not only taking these AI tools to make our network more advanced as well as to transform how we deliver customer love at scale, but it's also help us continue to double down on the advantages that have gotten us this far, best network, best value and the best customer experience so that we can drag right the growth in all of these underpenetrated segments. And that's what Peter will talk about.

Peter Osvaldik - T-Mobile US Inc - Chief Financial Officer, Executive Vice President

All right. Thank you so much, Mike. Thank you for the time and allowing us to speak here today. So let me just recap for you what we spoke about at our Capital Markets Day and how we plan to sustain what we've delivered to date in industry-leading postpaid customer growth every year during the pendency of this plan and it begins with our focus on switching.

And not on coincidentally, if you look at the vast majority of things that drive customer switching in the US market our network, value and experiences. And this just happens to coincide with our unique and differentiated strategy of delivering the best network, the best experience and the best value.

And there's been a lot of question around, hey, 2021 was a peak year for industry postpaid phone net adds in the US, and it's moderated every year since then. But for these highest value switching accounts in postpaid, the inverse is true. They've actually increased every year since that peak of total net adds and have now are 8% higher in '23 than they were in '21 and continue to grow.

These are the highest value customers. You attract the account and then you expand that relationship via ARPA growth as the relationship grows, it drives significant value. And of course, we're applying this best network, best experience and best value approach, as Mike said, to our segments. And you've heard us speak a lot about in the consumer segment, really initially in our 2021 Capital Markets Day we were focused on smaller markets and rural areas. It was a strategic idea that has now been transformed into a tailwind of durable growth.

And in fact, in Q2 2024, just this last completed quarter was our highest win share to date, significantly above our market share while at the same time, also we've grown our Net Promoter Score and are significantly above the competition. So this formula continues to drive durable growth and a long run opportunity there.

One thing we didn't talk about in 2021 was our top 100 markets. We had a long established footholds in top 100 markets based primarily on our value leadership. And if you double-click and we gave a little bit more detail into those top 100 markets, and there's durable growth across all three of them.

Beginning with our 40% of the top 100 markets where we actually are number one in terms of share of households built on value leadership, but we've now seen with the network. And what's happened with the network and the subsequent change in consumer network equities, that is continuing to fuel growth even in those areas.

Going down to the bottom 30% of these top 100 markets where we're actually number three, they tend to behave very much like those smaller markets and rural areas. And that same investment in network, distribution and the brand is fueling growth there. So we see both of these categories now as long-run sustainable growth areas in the consumer space.

Similarly, in T-Mobile for Business, where this was an idea and has also grown into a durable source of growth across large enterprises across government and across SMB and this is driven not only by, again, this best network, best value formula, particularly in the smaller side of SMB, but in what we previewed, which is this move from Sims to solutions, what it's really about taking this network advantage and unique capabilities that we have and unique partnerships that we have.

And not going into large enterprises and government and saying, hey, I'm trying to get your phone connectivity and I'll just beat the procurement office price of whoever else you got. But as Tim spoke earlier today, actually solving problems for them. whether that was unique things like [TIOT] actually a partnership with DT to provide unique multinational solutions around IoT products.

Multiline, which is an offering that we put out there to solve regulatory issues, primarily in the financial space or where we've recently commercialized slicing, network slicing abled by that 5G core including just announced at Capital Markets Day around key priority for first responders.

And when you become a trusted solutions provider, that tailwind brings you to a traditional postpaid business in that growth that we've seen. And this is an area we believe we'll continue to have double-digit service revenue CAGRs for us.

But it's not all about mobile, of course, three weeks ago at CMD, we talked about now growing our 5G home broadband base to 12 million customers by 2028. And that's fueled primarily by these four elements here, advanced network technologies, which Mike spoke about, our ongoing 5G spectrum deployment, including the ability to put quickly to work things like the incremental 2.5 gigahertz that we received in Auction 108.

Precision marketing, continuing to evolve being data-driven and targeting eligible customers under this fallow capacity model to drive incremental conversion of those eligible customers into subscribers. And we spoke about CPE advancements like DRx routers, which not only drive more speed but also better capacity and better performance as you get further from the cell yet the cost curves on those have come to the point where they're equal to our prior [gen routers] so driving more incremental capacity there. I think what's very interesting about this space is just what you've seen. There were questions around is this a durable product? Well, I can answer that for you. Absolutely.

Customers can answer that for you via NPS scores and what you've seen happen in terms of the actual performance of the product. Our 5G network download speeds are very similar to average cable wire speeds. Since we launched this 5G home broadband product, speeds on it have increased 3 times.

Even as you heard Mike say, usage is 500 gigs a month and growing 10%, much like we predicted. And while simultaneously, you increase speeds there, you saw mobile speeds increase significantly, including, most recently, about 2.5 times the download speeds of our competitors.

All right. And you know, of course, that we also supplement that with our ambitions around fiber, including our recently announced JVs to acquire Lumos and Metronet. And it's really a few fundamental beliefs here. We can put a great product out there to customers that's very complementary to our 5G home broadband product.

We can do it in a very profitable way as we target passing 12 million to 15 million homes by 2030. And we can do it in a way that drives returns that are incremental above what a pure financial investor can do because of the embedded unique advantages that we have, including the brand our customer relationships and the 5G home broadband business itself, that as Mike said, is now over 6 million customers and has over 1 million customers on a waiting list.

It's a phenomenal win-win, that we believe will generate IRRs of 20% or above. And all of this taken together, of course, results in very exciting to me, outsized financial growth. We spoke about service revenues and are now ambition to actually accelerate service revenue growth from 4% to 5% CAGRs through 2027, including continued strong postpaid growth of 6%.

Our core EBITDA growth CAGR of 7% even as we move past merger synergies. Those are also created by, obviously, the incremental service revenue growth on your fixed cost base, the marginal benefit of that as well as tremendous efficiencies, both in the network as well as through customer experience changes, as Mike spoke about in digitalization.

And when you couple that profitability growth with core EBITDA with our CapEx of \$9 billion to \$10 billion, we foresee an adjusted free cash flow in 2027 of now between \$18 billion to \$19 billion, including the fact that in '27, we will be a full cash taxpayer, so in that \$18 billion to \$19 billion, you have \$5 billion of projected cash federal income taxes that are absorbed in there.

And that generates a free cash flow margin of 25% far and away, the best in the industry, and that is the true measure of value creation, your ability to convert service revenue dollars, take out all the notes between competitors of CapEx, OpEx and to true free cash flow.

And what are we going to do with all of that? Free cash flow creates a compelling envelope. And I think the most important message here is that we're going to approach the allocation like we have very consistently with our capital allocation methodology. We maintain a leverage ratio of around 2.5 times net debt core adjusted EBITDA, US. GAAP with the flexibility to deliver.

We're going to continue to invest fully in the core business to drive and fuel this outsized growth will opportunistically invest in spectrum or accretive M&A, much like we have done in the past and will return the balance to stockholders via a balanced approach of dividends and share buybacks.

And we spoke about what our initial allocation view of this \$80 billion envelope is, is \$10 billion to fund announced strategic investments, inclusive of Spectrum, Lumos, Metronet up to \$50 billion in stockholder returns.

That's in addition to the [25.1] that we had done through the date of Capital Markets Day, incremental to that amount. And smartly retaining flexibility in the form of \$20 billion to apply anywhere in the capital allocation framework. Looking, of course, first, for potential value-creating investments in the form of spectrum or M&A, potential delivering or potentially additional stockholder returns.

I couldn't be honestly more excited about what this plan, what this team creates how we're able to translate these strategies into actual results quarter-by-quarter and what that unlocks for us and you as the shareholders.

And so with that, let me turn it back over to Mike to wrap this up.

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

Okay. So as you heard from Peter, the promises of challenger to champion are that we will outgrow everyone every year, that we will accelerate service revenue growth to 5%. Postpaid service revenue growth will continue to be 6%, meaning more nominal growth than ever before on a higher base.

EBITDA growth, 7%, cash flow growth, 8%, all by dragging right proven strategies but adding to it advanced technology capabilities that we've demonstrated, we can move faster and better on of course, transforming our customer experience, what it means to be the Un-carrier, what it

means to deliver customer love at scale in the era of AI and digitalization. That's the plan. We're confident in it. We're excited about it. and hopefully, you are, too. And Hannes, we'd love to take questions.

QUESTIONS AND ANSWERS

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Great Amazing story, amazing ambition. So it's very exciting. So obviously, we have now half an hour for M&A -- Q&A. No intentions here, no intentions. Okay. So can everybody just please do one question, the first round. And then if we have time, we do another one. So --

Matthew Robilliard - Barclays Bank PLC - Analyst

Yeah. Mathieu Robilliard from Barclays. Actually, I wanted to dive in on something on AI since I assume that in the US, you're probably ahead of us in terms of the development usage, et cetera. You flagged the impact of AI in terms of improving the network efficiency and also improving the customer experience. It's something we never heard, at least in Europe, is whether AI could drive traffic growth because obviously, that could be something that benefits your industry for the core product. I'm not talking about selling other services related to AI. Are you already seeing some of that at this stage or do you expect it to happen in the next few years?

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

It's a great question. And it's a big piece of it. You saw Peter very quickly talk about something we call precision marketing. And this is really about applying the most advanced capabilities we know how to do to take our digital marketing to the next level.

We're so excited about this area that we're actually turning it into a business. So not only do we see the opportunity to apply advanced AI models to meet customers right where they want to be met with the right message to be able to get their upgrade or their sale, this is about customer journey optimization the power of the vast amount of data that we have. Remember, most of our marketing is to our existing customers.

But in addition, we see an opportunity to use that same capability to grow a new business serving marketers. We disclosed at Capital Markets Day, we have a \$1 billion business right now in serving marketers and called T-Ads and associated businesses within our company. And we see an opportunity for significant growth there.

This morning, we were reminded that this brand is one of the most respected in the world. In the US, this marketing team is one of the most respected in the country. And we're one of the biggest top five marketer in many categories, top 20 overall. And so when we're able to apply these capabilities and some of the ways you saw us talk about in our keynote with some of the world's best thinkers, we not only can do a better job marketing and therefore, drive the top line, we can actually create associated business lines as well. That's all in the aspiration set.

Now one thing I want to remind you about the aspiration set, there's a mismatch between the goals we've given you and the key indicators we've given you to make sure you understand that. So in other words, when we grow our T-Ads business by a lot or when we achieved 75% reduction in customer service, person-to-person interactions or when we achieve 100% upgrades of the majority of activations in digital and the associated changes in the retail footprint size, some amount of that would be incremental to the financial KPIs that we gave you of 5% acceleration in service revenue CAGR, 6% postpaid, 7% core adjusted EBITDA growth, et cetera.

Matthew Robilliard - Barclays Bank PLC - Analyst

Sorry, if I can just follow up. The question is also, do you see traffic in your network, you see that AI will drive more usage of mobile data (multiple speakers)

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

I misunderstood that part. Absolutely. And here's why? Every major -- think about this, every major innovation we've ever been through has started with text, right? Do you remember, how many of you were around when the Internet started? You had a 300 baud modem and you could see the text flying across your -- no one. Okay. Yeah, I'm feeling kind of old.

You could see the text flying across your screen at the beginning of the Internet. You could -- so much of telephony began with simple T9 texting as we moved into the data era in mobile phones. AI is the same. I mean ChatGPT came out in 2022 and blew all of our minds, but it's basically text. And text isn't a big payload on the network.

What's happening in AI is the same thing that's happened to all the rest of the big discontinuous innovations that have come, which is it's transforming itself into deeply immersive experience. And as it does that, the potential for network payloads are enormous.

And so I think a world where we carry technology with us that's actively monitoring the world around us and helping us navigate that world in real time with AI processing, that's a powerful world that is going to require massive payload of traffic on our network.

What I would like is somebody walks up to me for it to remind me your name and how we know each other. I would love it. Just whispers in my ear, I would love that. But think about the power of the network payloads that would be required with an always-on world perceiving uplink to the Internet that's being processed in real-time.

One of the things that we disclosed at our Capital Markets Day in my chat with Jensen Huang is that we are investing in AI-RAN. And one of the reasons why we're doing that is that we see this payload coming. And not only do we think there's an opportunity for traffic on our network, we actually think there's an opportunity for data processing near the customers.

We think AI will unfold such that there will be a useful middle point between AI that gets processed and inferences that get processed on your device which is going to be the best for real time, but more limited in capability because of the finite data set you can carry with you. And cloud computing of AI, which is the kind that you became familiar with before in ChatGPT. So real-time processing of near to the customer cloud AI workloads, the kind that you could take advantage of if you've built an AI-RAN infrastructure could be a future business for us beyond the planning horizon.

Josh Mills - BNP Paribas - Analyst

This is Josh Mills here from BNP Paribas. So you created your brand and a huge amount of value by being a disruptor. But as you've kind of walked us through as you go from being a challenger to a champion, the risk of being disrupted in turn is going to go up as well.

So I wanted to ask where do you think the biggest risk of being disrupted in the US market comes from today? Is it convergence taking off, cable cutting prices on MVNO services or maybe fiber expansion potentially eating into your 12 million FWA target customer base?

And if any of those risks were to materialize, do you think your current business plan has enough fiber-to-the-home in it to use the technology as a defensive measure as well as an offensive one as it's being used today?

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

Yeah. That's a great question. I would say, it's pretty clear from our business plan that our bet is that convergence as people understand it in some markets like Europe will happen differently in the US. And I want to just sort of share some stats.

First of all, convergence has happened in the US and is in the run rate. And that's not something a lot of investors have really stopped to think about, has happened. In fact, 85% of American consumers today have the choice of getting their mobile phone service from the same provider as their home broadband service, 85%. And that was also true five years ago. So it's fully in the run rate.

And our bet because of lots of factors around how hard it is to cover the US with mobile service that there is no path for anyone to have nationwide home broadband service, these kinds of factors make mobile a highly considered sale against the backdrop of a European market where for a lot of consumers, any SIM will be fine.

That has never been, and I don't predict it will be a core consumer behavior in the US. It really matters. It's a considered sale, who is your wireless provider? And you can see that in the low, low churn rates that happened in the US.

Structurally, years ago, the US carriers decided to roll phone service in with the phones. And that means that your mobile service also includes a multiyear contract to pay for your phone. These kinds of things create sort of structural barriers to switching.

What we know is that when you have several services, churn is lower. That's always been true. And broadband is just one of many services that can have that dynamic. Just having a family plan versus a single line can have that dynamic. Having a tablet in addition to your single line can have that dynamic or a device for your car or an additional software service from us, all of which can have that dynamic.

Similarly, the people who see convergence rolling out and having sort of structural advantages for those offering the converged services are kind of missing, I think, a kind of causality versus correlation observation.

Like, for example, I recently heard one of my benchmark competitors say that their churn for mobile service is lower in the places where they have fiber. And we looked at it and said, but our churn is also lower in the places where they have fiber. So in other words, like, be cynical about the causality of some of these statistics. The market is very, very different in the US.

Why we're interested in fiber is because we think we can build a great product and generate a superior return by virtue of the things, the capability and the know-how and the embedded investments we've spent years building, to give us a leg up on a purely disinterested financial investor.

So we think we can generate a superior turn, 20% or better, as Peter disclosed to you again a few minutes ago. Because we've got that great brand, and that distribution, the capabilities, the know-how, a scaled 5G broadband operation we can piggyback on top of, et cetera. We are not doing fiber to defend our mobile business.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Okay. So next, let's have Akhil, please.

Akhil Dattani - JPMorgan Chase & Co - Analyst

It's Akhil from JPMorgan. Mike, maybe if I can follow up on the comments you just gave on fiber. I think you've been pretty clear on it not being a defensive requirement. You've been pretty clear on your view on convergence. But you've also been pretty clear on the return opportunity, which at 20% is obviously very attractive.

So I guess I just wanted to challenge what would it take for you to want to scale that bigger? Because it's a very large TAM. There's a very big opportunity potentially. What are the measures, metrics, things we should think about as we think about your journey into the fiber market? And I guess the question is, what would make you want to bigger?

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

Yeah. And I want to bring my friend, Peter, into the conversation here because I think it's important to understand some of the drivers. But I'll just kind of start it by repeating something we've said publicly before, which is we're open to more but I don't see anything imminent. We're not working on anything right now that we judge to be high likelihood.

We're patient. Patient so far has proven to be a great strategy for us because the deals that came out with a we're extremely proud of, win-wins for everybody involved. So I wouldn't be counting on something from us soon. But we're open-minded about it. And we've already shown our hand a little bit as to the kinds of things that we prefer.

Peter Osvaldik - T-Mobile US Inc - Chief Financial Officer, Executive Vice President

Yeah, exactly. I mean you've seen us really focus on, number one, pure-play fiber, a simple, elegant complement to the pure-play mobile side of the house. We look at what are the management teams doing, how capable are they of scaling, growing? Do they fit into the culture of this champion era as we move to the champion era. And also the economics have to work, right? So I mean, fundamentally, that's kind of where it starts. But it's those kind of three core elements that we're looking to, in addition to other things as well that really will drive as we continue to look across the space does something makes sense or not.

And I'd add probably one more thing to the last category that you spoke about, Mike, which is very interesting. Since convergence has been here in the US for five years, you might ask yourself, well, how have you performed in those markets? And what's interesting is we have deeper penetration. Our account share of households is actually higher in areas where there is fiber versus where there isn't fiber.

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

And faster growing.

Peter Osvaldik - T-Mobile US Inc - Chief Financial Officer, Executive Vice President

And faster growing.

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

We're doing better in mobile where the other guys have fiber. By the way, that reminds me that the -- I really like the structure of these transactions as well. Not that it's a requirement. But you look at something like Metronet where we're with KKR or Lumos where we're with EQT, \$1 of equity from us is matched by \$1 of equity from them, but then you can expect leverage of about three additional dollars.

So in other words, we're getting \$5 of firepower to rapidly build out for every dollar we put in and yet we get 100% of the branded opportunity, right? So T-Fiber is the brand we'll be going to market with across all of the footprint of these partnerships. And so this is a great way for us to add ourselves to the equation, help partners be successful but also get way more firepower for every dollar of our capital.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Okay. Robert?

Robert Grindle - Deutsche Bank AG - Analyst

Robert from Deutsche Bank. One -- there's another question on fiber actually, sorry for that. But one other way of addressing the fiber opportunity could be you parlay your 10 million to 15 million home coverage into a bilateral deal with other fiber providers. Is that interesting to you? Or do you see it where you have fiber you want to dominate rather than sharing economics but also expanding your footprint with others?

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

Well, there's a lot to that question. I would say -- it wouldn't be that productive to get into hypotheticals, but we're pretty open-minded as to how to think about this. Within that context, I know you're not asking about this, but we're less excited about models where we're not the go-to-market brand. So we really want T-Fiber to be the go-to-market brand. So sort of sharing that with lots of others in an open model, I just think makes it a lot harder to be able to build a scaled operation. We're open to that, but it's less attractive to us. As it relates to kind of go-to-market partnerships and things like that, I'd never say never.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Steve?

Stephen Malcolm - Redburn Atlantic - Analyst

Yeah, Steve Malcolm from Redburn Atlantic. I probably guess the answer to this is optimistic Americans versus a pessimistic [scope]. But the complexity is kind of a double edge sword I always think in telco is that in some ways, it's defensive because customers end up paying for stuff they don't necessarily need and it maybe stop new entrants coming in.

So the comments you make on AI, I find kind of interesting. Are there any areas where it concerns you at all that customers have better information that they may end up paying for stuff that they don't need. They may upgrade more quickly because maybe they qualify for phones, they weren't aware they qualify for a new phone. The upgrade cycle has obviously been very low in the states for two or three years now. So everyone is obviously very excited. Are there any risks at all that better information damages part of your business? Or you kind of feel that you've got all the safeguards and in place to deal with that?

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

The thing about -- you're getting at a really important point. And the thing about, for example, our partnership with OpenAI to create IntentCX is that we, for the first time, can deeply train models not just on the dataset that we have, but the specific objectives we're trying to accomplish. And that's a bit of a breakthrough.

So if we're able to train it on what we're trying to accomplish and show its success models then it's less likely to be able to steer customers down a path that's contrary to their success or to our objectives. But that's something we've got to really have our eyes open to for sure.

Peter Osvaldik - T-Mobile US Inc - Chief Financial Officer, Executive Vice President

We love transparency. I mean one of the things we do now, in fact, we're very excited about educating customers more about the value actually packed into our plans. And one of the ways we've grown -- differentially than others, the way we've grown ARPA is actually customer self-selecting up the rate plan because they more and more understand all the incremental value beyond just the core connectivity.

What is the device upgrade benefit? What are streaming benefits that we provide, connectivity in the sky, so to speak? And so as we've been able to educate consumers even more, that's how we continue to see this approximately 60% uptake on our top tier plans with new accounts coming in. So that's -- I think transparency for us has always been a ticket to actually showing customers they get more value.

Stephen Malcolm - *Redburn Atlantic - Analyst*

Is it possible that could sort of increase the upgrade cycle? And would that be something that worried? Or are you happy with the sort of slightly faster upgrade cycle because you can maybe win share from your competitors more quickly in that environment?

G. Michael Sievert - *T-Mobile US Inc - President, Chief Executive Officer, Director*

It depends on how well placed it is for the customer. And this is where bespoke treatment has the potential to be so much more powerful than one size fits all. For some customers, we want you to upgrade soon because for a variety of reasons, we believe if we don't put a great phone in your hand, you're leaving.

And for other customers, they -- look, they don't -- they just -- they don't want it. And right now, we pay extremely motivated human beings to sell you an upgrade if you show up in our retail store. Let's say, you come in for one, but you're a family of four, like the incentives are there to try to put four in your hand. Well, you might be actually pretty happy with three of those. You could stretch that out till next year.

AI knows these things and it's harder to choreograph something like that with people. Now on the other hand, it's easier to choreograph with people the idea of getting 60% on our best plans. So we have to digital powered by AI has to meet that and then exceed that threshold, and that will take some doing.

Polo Tang - *UBS Investment Bank - Analyst*

It's Polo Tang from UBS. I just had a question in terms of the \$20 billion of free cash flow headroom. So how should we think about the order of priority in terms of use of that headroom. So does the \$20 billion assume you'll acquire more spectrum? Or does it relate to the cost of buying out partners in your fiber JV? So can you maybe just give us some color in terms of use of that cash Or headroom?

Peter Osvaldik - *T-Mobile US Inc - Chief Financial Officer, Executive Vice President*

Yeah, it's hard to answer because we didn't create an order, and I didn't mean to imply one with the way the bullets were ordered on the slide either. It's going to be reactive. We don't know what opportunity could come our way. I mean, one of the things we saw as we looked back, what sort of informed this \$20 billion is looking back and saying, look at the opportunities that came to us vis-a-vis spectrum, whether that was auctions or private transactions like we've done with Columbia Capital and recently closed on a portion of that or what we've done with Mint and Ultra and bringing them into the family, creating long-term value.

With respect to whether we would use it for delevering, that's going to be very much dependent on what is the external economic environment look like to us. Looking like it's getting better at the moment, that's fine. So it really is strategic flexibility, not any sort of order in mind of, yeah, we're going to look for this. And if that doesn't exist, then we'll hold on to it.

Adam Fox-Rumley - *HSBC - Analyst*

It's Adam Fox-Rumley from HSBC. I wanted to ask you a question about the share buyback, please. You were buying your stock back at [140]. Right now, you're at [212]. So is there any framework through which you're assessing the attractiveness of buying your own shares?

Peter Osvaldik - *T-Mobile US Inc - Chief Financial Officer, Executive Vice President*

Yeah, absolutely. We, as a management team and as a Board, absolutely look at what do we believe the intrinsic value of this company is. And those are things that inform what the share buyback looks like. I'm not going to get -- can't get into details, obviously, in terms of how we structure it specifically, but it's absolutely something we look at as a team and the Board looks at in making the decisions around shareholder returns. And we are actively in the marketplace as to your point, buying back shares.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

David?

David Wright - *BofA Securities Inc - Analyst*

I hope this works. It's David from Bank of America. It's another one on AI, but you guys have really focused in on this and as has the rest of the presentation today, I think. And I guess we're still in -- when we talk about AI, there is still this differentiation. Quite a lot of it is still algorithmic for sure. And then you've got the whole Gen AI dynamic.

And it seems to me that although it's the latest paradigm of computing, it still relies on the original paradigm, which is the kind of garbage in, garbage out. What you need to make Gen AI work best and train it best is clean data, ideally cloud-based.

And I guess my question to you is, I see T-Mobile US, you did the massive deal with Sprint. You've acquired Mint, a couple of other transactions. How clean is the data set? Because it seems to me -- and I say this with all due respect, but there's a lot of companies saying, we'll improve customer service with AI. But the ones who are going to win are probably the guys who've got the cleanest dataset. So can you give us any indication on that?

G. Michael Sievert - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Spot on. It's a great observation. I can tell you that it took us almost two years to unveil our Challenger to Champion business plan to you after beginning our transformation. And the reason is when we began our transformation at the very beginning of 2023, late 2022, our data state was a mess.

And so what we had to do first was put our heads down -- before running our mouths about a new business plan that was based on digitalization was to put our heads down and quietly think through how we change our infrastructure and our entire way of thinking.

Our data had never met our other data. So in other words, like we have incredible network data, but it had never met our customer data. So you could see what was happening in the network, but not to who. And then you couldn't correlate that to the customer's subsequent success or not with T-Mobile or correlated to billing data as to whether or not they're retrenching from their plans, deleting things, adding things, slowing down on payments or, in fact, churning away.

And so now we can train all that stuff is in one place at Microsoft Azure. We're able to train AI looking left to right across the data pools and we're gaining insights for the first time that we were never able to gain. And customer-driven coverage is an example of that, that I reminded us about today where we're able to see in tiny 165-meter hex pins, not just everything that the network -- that happened in the network, but to who and what happened to those people as a function of those specific network experiences in that tiny location. It's incredibly powerful. And we weren't ready to talk about it before because we just had -- our data state was a mess.

Now I'm not going to declare it's like done. Like there's a lot of work left to do. But we waited until we had line of sight to be able to execute on these strategies to bring you a Capital Markets Day that we're willing to sign up for that we can go do.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Andrew?

Andrew Beale - Arete Research - Analyst

Andrew Beale from Arete Research. Just wanted to come back to that convergent causality debate, if you don't mind. I mean, I guess you're saying you have a lower churn where they have fiber, which is interesting. I mean, is that typically because these are metro areas where your network has been good for a while and the network perception lag is caught up? Is it because Verizon's built fiber and has taken that share from AT&T and vice versa? Is it because the demographics are different because they're better markets for fiber builds? I mean what does the data actually tell you?

And when you look at the AT&T claims about the 500 basis points of higher share in the in the conversion markets and fiber markets, what does that tell you about the performance elsewhere? And does that give you any concerns about market stability?

G. Michael Sievert - T-Mobile US Inc - President, Chief Executive Officer, Director

Well, first of all, I believe the claims are -- I've heard from our competitors. I don't have any reason to believe that they're trying to deceive anybody. And so if they're seeing 500 bps higher share where they have fiber, all I'm saying is it's not coming from us. And this is a very dynamic and competitive place. And so perhaps the other guy has significantly lower share, and those two have historically traded versus each other. We kind of have operated for this last decade in a bit of a class of our own. And that's increasingly true as we're able to offer people value and network.

And there's big tailwinds in our business on this network piece because most Americans, if asked, quick, who's the best network in the country, wouldn't yet say T-Mobile. But most rigorous analysts that look at the actual quantitative network facts would say, in fact, virtually everyone would say we do have the best network. And so this is a brand reputation opportunity and tailwind ongoing growth in the top 100 markets.

Now Peter rightly said, we didn't actually talk a lot about the top 100 markets before. But a lot of those were number one, but growing. So what's interesting is we are not just sitting around trying to defend our castle, we're growing in the places of our historic strength. Why? Because in those places, we got to that leadership position without most people believing we were the best network. We got there for other reasons, value and customer experience as the Un-carrier. But now we have a new tailwind in that people are waking up to the fact that we have the strongest network.

And some of these, to your point about the selection, the audience selection, some of these are places where people care the most about that and they overlap with people who buy fiber. See what I mean. And so that's a great thing for our story because the same people that are willing to go through the hassle of disconnecting another service to get fiber are the people who want the best mobile network, which we increasingly are gaining fame for. And so that's a tailwind in our business that has nothing to do with convergence and they will make most of the time, in fact, right now, 95% of the time, each of these decisions independently.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

James?

James Ratzer - New Street Research LLP - Analyst

Yeah, James Ratzer from New Street Research. So we've heard quite a bit of discussion today about fiber assets, but what I'd love to get your views on is the kind of long-term viability of cable as a fixed line infrastructure. And in particular, over the three-year business plan you've set out, do you see any scenario in which buying cable assets could enhance your fixed strategy?

G. Michael Sievert - *T-Mobile US Inc - President, Chief Executive Officer, Director*

Well, it wouldn't be appropriate to speculate on a hypothetical like that. But I -- when I look at cable, I think two things. One, they have the most scale and reach by a lot in the US. They claim that they have reasonably cost-effective ways to continue to get better and better service as the years unfold. And three, they're getting squeezed. And they're getting squeezed by fiber from the top and by fixed wireless principally from T-Mobile from the other direction. And that's put a little pressure on this question.

How it will all unfold? I don't want to speculate on it. But some people question, over the long haul as fiber becomes more pervasive as it becomes more normalized across every neighborhood and market in town in this country, that it will continue to gain popularity. And then they'll be faced with a question on whether or not to kind of rethink the CapEx envelope entirely.

When 5G came, you saw our principal wireless competitors, I mean, they really did have to throw up their hands and say, all right, we got to do a do over on the spectrum thing and spent just tens of billions of dollars to try to catch us because we called the ball correctly on 5G. And we don't know what will unfold in cable. But I wouldn't be surprised if at some point there was a capital surprise.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Ottavio?

Ottavio Adoriso - *Sanford C. Bernstein & Co - Analyst*

Unfortunately, I have to go back to the fiber questions. And talking about the numbers, you effectively project this 20%. Just a clarification is for the equity investment, not for the underlying business is just for your investments?

Peter Osvaldik - *T-Mobile US Inc - Chief Financial Officer, Executive Vice President*

It's for our investment, inclusive of the retail co. Remember, we get all of the retail subscribers and the go-to-market strategy as well as our returns on the JV itself.

Ottavio Adoriso - *Sanford C. Bernstein & Co - Analyst*

Second one pretty straightforward. On the Metronet, you -- at closing, you put \$4.9 billion, a significant portion will be for the retail customers. But as Mike has clarified, that is a multiple effect because you got your equity partner put in another much newer equity injection, another 6% from the debt.

For a business plan that's going to be rolled out for six years, why you put all this cash right away? Why don't wait and to put in installments? I think it's -- you're pretty good on investing in cash, while you locked into a JV, and it will be deployed over six years' time?

Peter Osvaldik - *T-Mobile US Inc - Chief Financial Officer, Executive Vice President*

Well, the beauty of the structure was, to your point, it includes a number of things, including investment into the JV, the InfraCo itself, buying the customers and there's a significant portion of customers, it's not appropriate to comment on them until we close as well as some prefunding, but not fully prefunding the plan, but allowing them to continue has been the most successful private fiber build engine in the US and not starve them for cash.

It's not as if we had thought about, let's tail this out over a period, what we didn't want to do is slow down that machine. And in fact, during this period, we actually believe according to the plan, we may choose to do something different with it, that we would have over \$1 billion in dividends

coming back to us little bit later in the period as we get towards that 6.5 million households passed in 2030. So it really is funding what is a significant engine build right now and they need it now as well as funding, of course, the customer purchase.

G. Michael Sievert - *T-Mobile US Inc - President, Chief Executive Officer, Director*

You make a good point though. I wouldn't fight you on the point that that would be preferable. We love this deal and sometimes in a deal, you meet the partner where they are. And net-net, we're really happy with how this landed. But I hear your point on that very much so.

By the way, a piece of news on Metronet I recently heard earlier this week is that we've cleared the DOJ hurdle with no second letter request. So that's nice to see. You can add that to Lumos, which received that milestone before. So it gives us -- there's more to accomplish on getting these closes, but it gives us nice confidence. We remain very much on track for the closing that we had talked about previously.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Excellent. Congratulations. And thank you so much and thank you all for the good questions and good answers. And with that, I think we come to the end of your session. Thanks so much for coming. .

G. Michael Sievert - *T-Mobile US Inc - President, Chief Executive Officer, Director*

After the marketing piece, Enjoy your bratwurst in beer, you guys.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

We have one more hurdle to clear. So you weren't actually the one between us and the -- no, there's one more.

PRESENTATION

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Okay. So now it's been a long day, I know, but we have a special treat for you. And you will be rewarded with good food later or at least the variant food. But the special treat is Uli is over there. He's our brand chief. He will talk about our brand success. It's -- I would call it our special treat for you today. But obvious Amazing story, amazing ambition. Given the season of the year, the question is, is our brand a trick or a treat? So Uli, please.

Ulrich Klenke - *Deutsche Telekom AG - Analyst*

Good evening. Hello. My name is Ulrich Klenke, and I professionally prepare films for presentations, especially for today. You can relax now because like I just like brought four movies, and we can watch them together. And afterwards, you can tell me how you liked it or not.

But like I like provocations. I love them. And for that reason, I brought a chart I really love, not necessarily my commercial colleagues, they hate it. But it's like we are not a business running a brand. We are a brand running a business. So this is my dream. This is my vision. And whenever I talk to them about it, they say, you know what, yes, but we are here for the economics. I say, yes, but we are here for the purpose as well and the purpose makes us stronger.

So it's just a symbol, this discussion internally of how important brand is for us and how seriously we are taking the brand. If you could ask anybody in every net go from the US to North Macedonia, do we need a brand? Is a brand really like necessary? And everybody would say, yes, of course, because like it's giving orientation and differentiation. This is the basic function of a brand.

So tell the people what we are standing for and give them orientation, everybody in the organization from the inside and the outside, and differentiation, so what we are not -- what we are against like the others are and where we are.

So this is the reason why, well, we take the brands very seriously, and there's an economic reason for it because like it drives demand. If you got a strong brand, it gives you pricing power. Of course, if you like -- if you have a differentiated brand, if you have a strong brand like you have more loyal customers with a higher NPS. And at the very end of the day, [Kantar] says like that strong brands contribute to the higher stock price. Of course, it does.

So -- and this is the reason why we are taking brands so very seriously, and we are quite good at it. So yes, fortunately, we have a very strong brand. And what you see here is like it's the essence of the brand. It's the T itself. We got the rights on the T here in Europe. And the magenta color, which is ours as well on the entire planet and it's easily recognized, even in the countries where we do not do business.

So everybody knows it in Asia, in Africa, in Europe and especially in the US. And it's a little bit differently shaped, like it's a little bit more light-hearted, a little bit more loud and aggressive in the US. It's the love brand we are representing here in Europe, in most of the countries, which is a little bit deeper, a little bit more serious, but be loved by the people because it has a great heritage.

And so the T brand is doing its function every net go. So I'm standing here for all my very talented colleagues in the [Netcost], and we're working together in trying to shape the brand on a common level, like as an umbrella for all our operations, working on this orientation and differentiation. But like having -- like an individual translation on what the market needs in every country we are in.

So -- and we are not bad at it. So here you're seeing the results. So like we are -- since 2024, first time in history, AAA- rated. We are the most valuable telco brand on the planet right now. Tim has been talking about it.

Our creative work, and this is what I especially stand for like is recognized in the marketplace. So we came home from the advertising awards with five lines this year, made us very proud. And we are like another top 10 global brands in terms of value talking about the brand, the brand finance results. And the brand value has been rising 84% in the last four years.

And the brand value is like you see here, the development in the last four years is now USD73.3 billion. This is a huge amount of money. So some people say this is a silly number. But especially in court, when you're defending your brand and you're talking about USD73.3 billion, now you got like really something in your heads against the competition.

And it's really -- well, you see like that -- like we are ahead of [Verizon]. First time in 2024, we were able to overtake these guys. And then you see AT&T and then you see the rest of the pack here in Europe, brand value-wise. And this is really something we are really proud of, and this is an achievement of everybody around the globe, especially the brand, like the brand folks, and I'm really proud of like we have a really good relationship in every country, and we're really working together on that brand.

So [Christine] just joined the operations in the US, and we got a very strong setup here in Europe. So we're doing the things together. And the work I'm showing you now is prepared by these guys together. So we got some movies from Germany. We got some from Slovakia, from the US. So it's all like -- or because we are building this great brand together.

So what is our strength? Our strength is that we have an attitude. So like the 4 layers of marketing. So you talk about reputation, you talk about image, about product and offering. And we are consequently working on that reputation and image thing.

So -- and we are doing this by showing our social responsibility and by showing what we are standing for and that we are against. And we are against hate -- and this is our most successful campaign, the hate speech -- anti-hate speech campaign. And the next film I'm going to show you now is like we prepared that in February this year. We brought it into the places into our markets, and it talks about hate.

So when Sridhar, in February, brought together all the shop people from our frontline organization here in this room, there were around about 800 people here from our shops in Germany, and like, I would say, by more than half of them, they have migration background. And like they were

standing up and cheering and applauding for five minutes. And it just showed us that like advertising is doing something with the internal feeling and philosophy as well. So it's speaking for our culture.

And now being so successful, what is the next step? So where can we develop to? And we are not comparing ourselves with our industry anymore. We're looking at all the big brands like the big global brands, most of them are American. But this is our peer group. So we are trying to behave like them, to actually become even stronger and more relevant to the people.

And we've been asking ourselves that what are the engines -- the growth engines for the future. And there's three fields, three topics, three ballparks: relevance, trust and differentiation. And these -- like these elements fit into each other and belong to each other. So the first one is relevance. We want to be a relevant player in people's lives. In the past, like telcos were not that important, not that relevant. But with the COVID situation, we became suddenly well, very, very important.

And in these days, with digitization and like a digital life, we are getting more and more relevant. And we are not just [pink air from bond], we have something which is really relevant to the people and like with the best network, with the best product and with the best services, we really make a difference in people's lives. So this is in B2C and in B2B because digitization is driving our brand relevance.

And especially like we try to be relevant for younger targets, young target groups. It's very important for us because telco is deciding, like our telco market is deciding in between the age of like 15 and 22. Young targets are very important to us and how we tackle the market is like we go on eye level with them and we develop campaigns which are really relevant to them. And this is what we did in summer in Europe.

So the magic of young campaigns is that you're going out of the mainstream into subculture and you meet the people there. And suddenly, they got the feeling that you understand them and they want to be with you. And like the percentage of -- like of them staying with us and being loyal is far, far higher when they see that we know where they are.

So the next topic I want to talk about is trust. And it's really interesting, when you talk about your own values, you're getting trusted by the people because like they recognize that they were matching values, of course. And this is how we understand marketing and marketing communications. So there is things happening in the marketplace, and we are reacting to it.

So in this year, we saw that there were many elections taking place like in the US, in Europe, in Asia, and we wanted to do something against fake news because fake news are playing a huge role in all these elections. And this is the film we made. So taking over responsibility in the society is something which is really strongly working for our brand.

And we got like -- we have got an own strategy for this. We try to be actively inclusive and not passively exclusive. So we're taking the rims of the society, putting them into our middle, into our advertising and show, via this strategy, that we got a product for everybody, that we're here for everyone, that we are like a very, very -- like a societal brand.

So -- and like the last and most important thing is like a little sneak preview. I'm talking about differentiation and why we are different, and like one of the best things in advertising every year is the Christmas campaign, of course. So wherever you come from, most of the market is like that. So it's a battle about like the best Christmas movie and who does it and who is emotionally the best and so on.

This movie is -- was made by our Slovakian colleagues in Czech, three weeks ago like in the heavy rain. But like they delivered really big time, and now I'm showing you our Christmas movie this year. And this Christmas movie is about another societal piece. It's about our bubbles, about our digital bubbles we are living in and why not like breaking these bubbles and like connect with each other and like fulfilling the promise of the T brand being the strongest connection of people.

So this is our Christmas movie, and I hope you like it, and don't tell anybody that you've already seen it and what it's about. Thank you. And like I hope that I could convince you that like the emotions we -- like we build in advertising, have an economic impact. So we truly believe in brand, and we are not too bad at it. So I hope, like I made or I turned some analysts into brand lovers now. Thank you very much for your attention.

Hannes Wittig - Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)

Okay. Thank you, Uli. So okay, that was an unusual ending to a day one of our Capital Markets Day, but I hope you liked it. I hope you liked the presentations or found them, at least, informative. And now we have time -- or it's time for our evening event. Just a few notes, we reconvene tomorrow, 9:00 AM, German time, and we start with Claudia and her team who will dive deep into our networks and AI.

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