Deutsche Telekom Q3 2024 results

November 14, 2024

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#DT24Q3

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This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels.

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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, Core EBITDA, adjusted EBIT, adjusted net income, free cash flow, free cash flow after leases, gross debt, net debt after leases and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

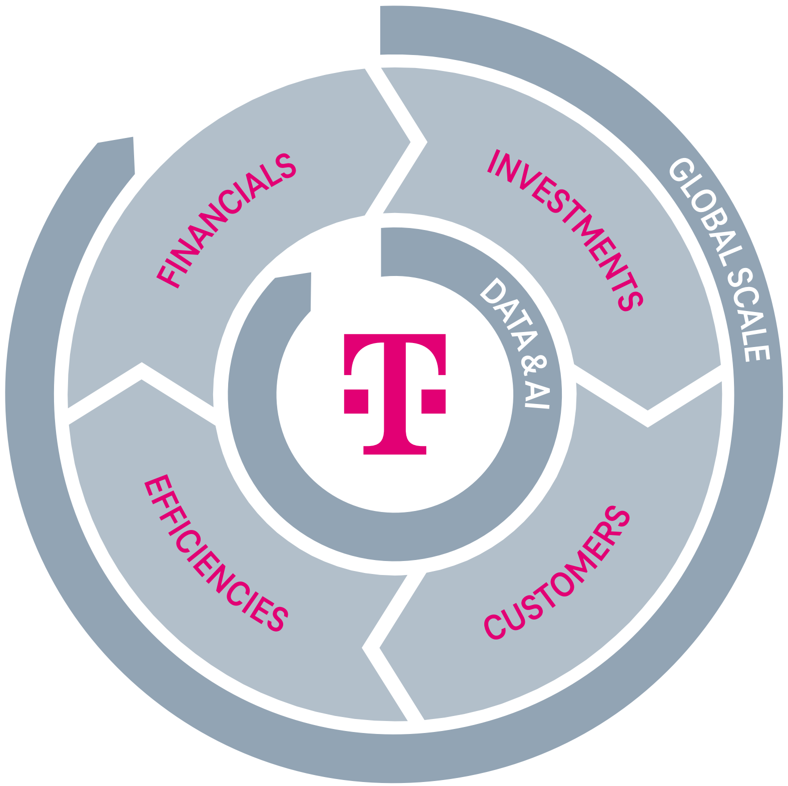
9M 2024 results

Group

9M/24
consistent reliable growth

9M/2024 Highlights

- Market leading customer and financial growth continues: YTD organic service revenues +4.0%, adj. EBITDA AL +6.3%, FCF AL +28.3%[1], adj. EPS +16.0%[1]
- EU segment with 8.4% organic adj. EBITDA AL growth YTD
- FY24 guidance raised again. On both sides of the Atlantic
- DT CMD outlines strategic and financial targets through 2027 including ~4% service revenues and 4 – 6% adj. EBITDA AL CAGR 2023-27e, ~€21 bn FCF AL and ~€2.5 adj. EPS in 2027e
- Germany on track for >10 m fiber homes passed and ~450k fiber net adds in 2024
- Leverage including leases at 2.64x, below guardrail. Moody's puts DT on positive outlook
- Proposed 2025[2] shareholder returns of a €90 c dividend plus up to €2 bn DT SBB



[1] FCF AL and adj. EPS growth rate as reported. [2] Subject to necessary approvals.

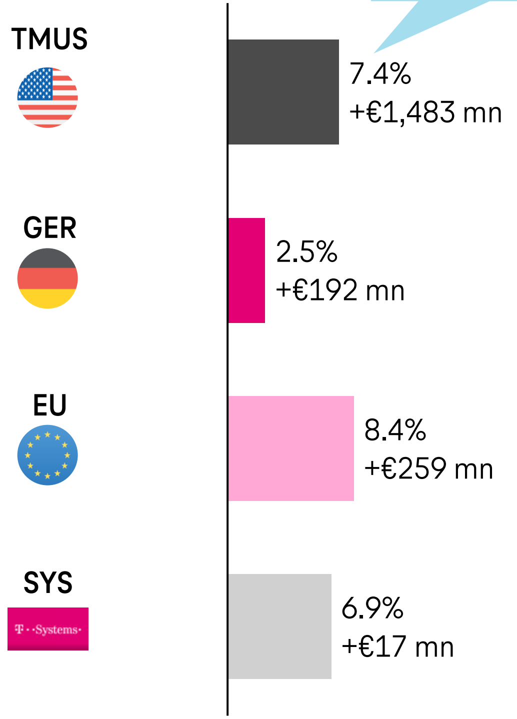
Financials 9M/24 organic

strong organic growth

9M/24 Adj. EBITDA AL

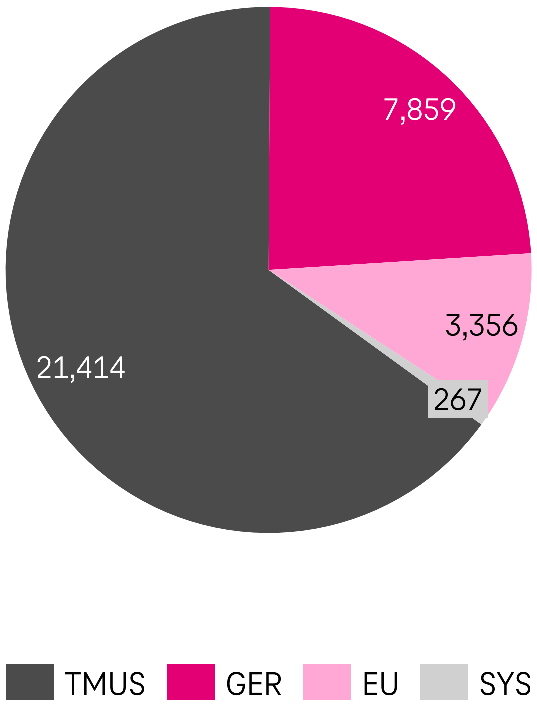
growth yoy, organic

Adj. Core EBITDA AL growth of 8.4%[1]



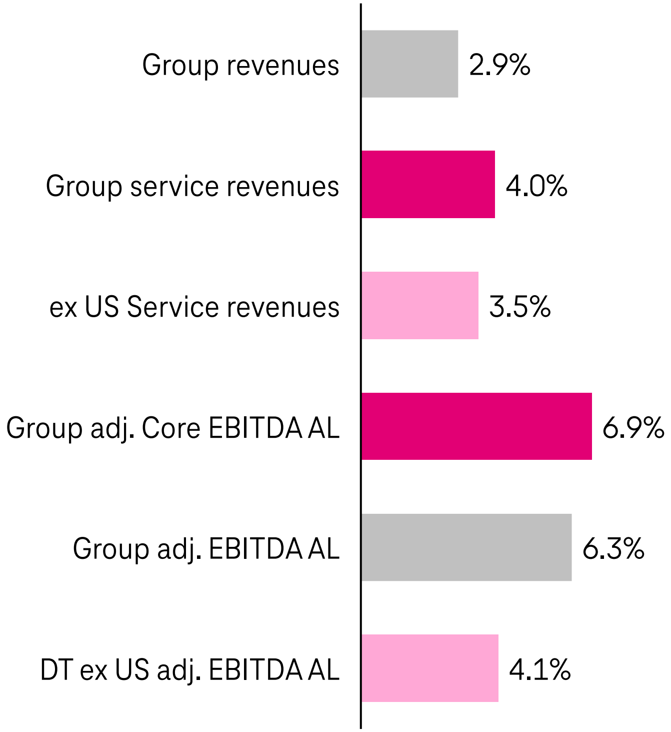
9M/24 Adj. EBITDA AL by segment[2]

€ mn



9M/24 Key Financials

% growth yoy, organic



[1] According to IFRS. US GAAP growth is 8.8%. Adj. Core EBITDA excludes decreasing handset leasing revenues (US$ -0.187 bn yoy). [2] Excl. GHS & GD (-503 mn €). Group EBITDA AL €32,389 mn.

In this presentation the Group in 9M/2023 is presented in accordance with the management view: certain key performance indicators like revenue and adj. EBITDA AL are presented as if GD Towers still would be fully consolidated.

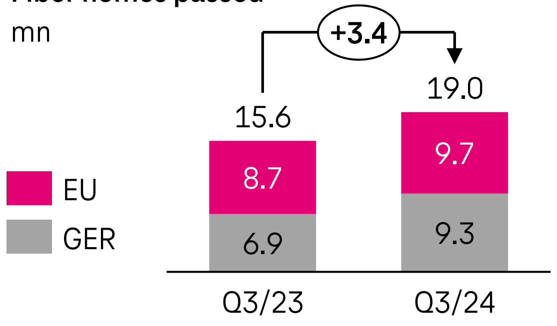
This view is different to the consolidated financial statements of DT where Group Development is treated as a discontinued operation. For more details, please refer to the back-up to this presentation, respectively the annual report of DT both available at www.telekom.com/en/investor-relations.

Networks
leading with 5G, FTTH on track

FTTH (1 Gbps)

Fiber homes passed

mn



GER

- Fiber: On track for >10mn HHs by YE
- DT tested as best nationwide fixed network by Connect

EU

- On track for >10 mn HHs with 1 Gbps by YE 2024. Coverage now at 37% of HHs

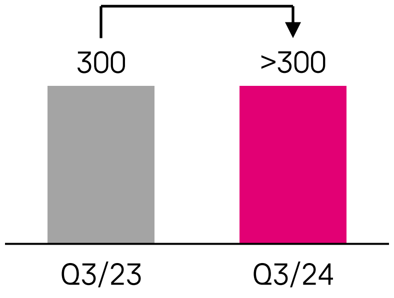
USA

- Fiber: Metronet & Lumos JVs cleared by DoJ

5G TMUS

Ultra capacity 5G[1]

mn POPs



Network Leader

- Largest VoNR (Voice over New Radio) coverage with more than 300mn Americans covered

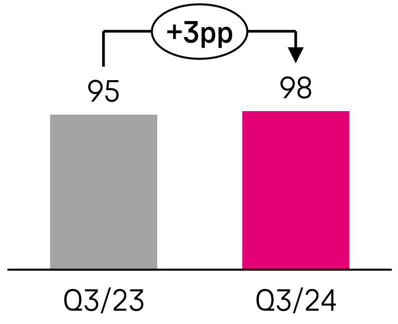
5G

- "Best 5G availability in the world" for the fourth year in a row and the only US operator to be a 5G global winner in the is category, according to Opensignal

5G DT ex US

Germany

% of POPs



GER

- Telekom wins Chip magazine German mobile network test: 5G DL speed of 374Mbit/s at DT vs. 206/190 Mbit/s in the two competing nationwide networks

EU

- Roll-out of 5G coverage: 72% POP coverage end of Q3/24. Up 10 pp since Q3/23

DT ex US

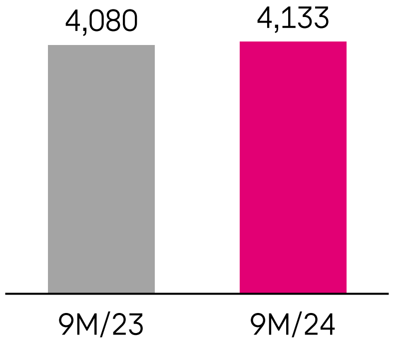
- OpenSignal: DT No. 1 in 7 out of 10 markets in Europe for consistent quality

[1] Ultra capacity on mid band spectrum.

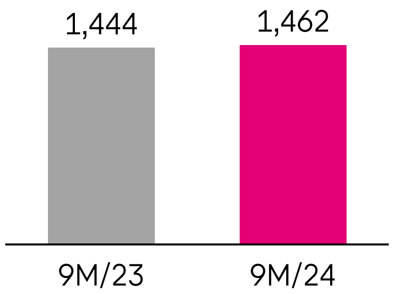
Customers
growing strongly

Mobile net adds
000

US (postpaid)

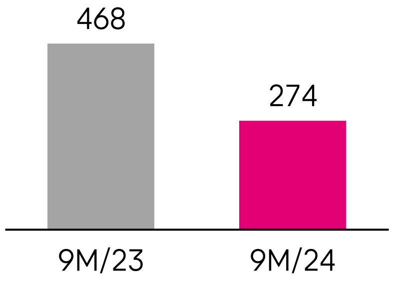


Ex US (contract)[1]

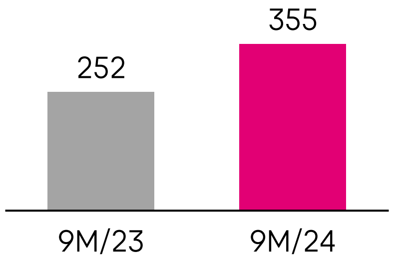


Fixed line net adds[2]
000

Broadband



TV



[1] GER + EU. GER: own brand only. [2] GER + EU

Society and Environment
CMD shows progress with ESG ambitions

Environment

- Group energy consumption -3% yoy in 9M/24 and CO_2 emissions (Scope 1&2) -5%
- CMD 51% of DT Group Purchase Order Volume SBTi-aligned[1]

Society

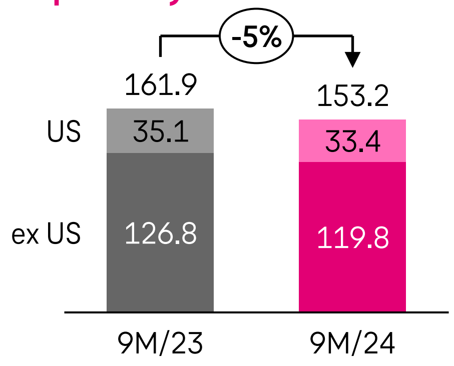
- CMD Ambition > 80 mn digital inclusion beneficiaries until 2027[2]
- TMUS 10mn project: over 6 mn students already connected

Governance

- ESG at CMD consistently integrated into board presentations
- Ready for 1st time CSRD compliant year end reporting

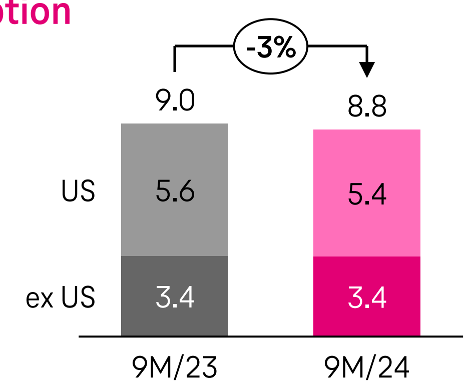
CO_2e emissions (scope 1+2)

kt



Energy consumption

mn MWh

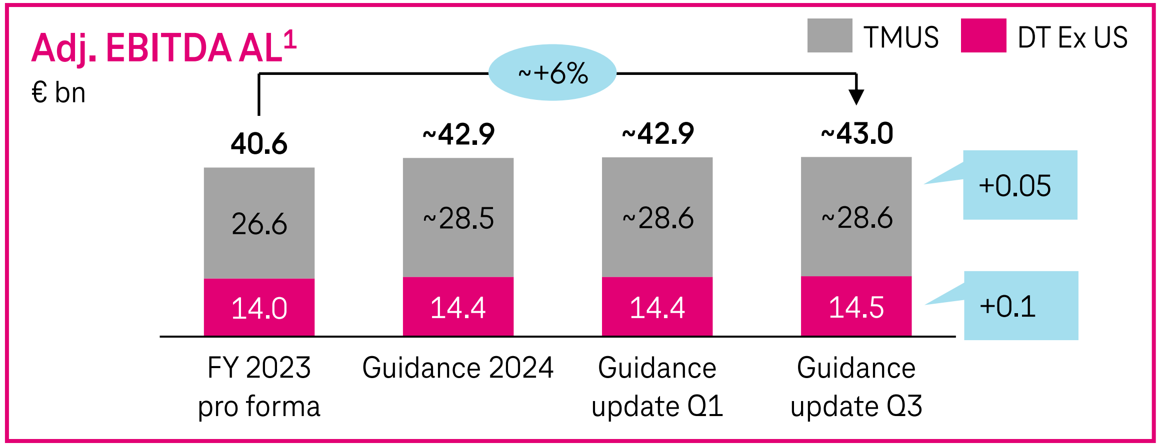


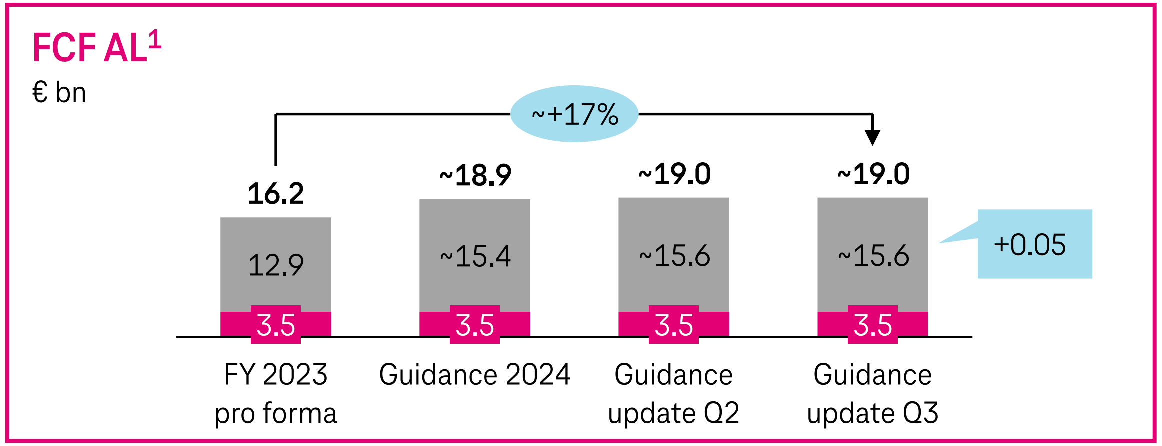
[1] Purchase Order Volume with suppliers that have a corporate climate target approved by SBTi (Science Based Targets initiative).

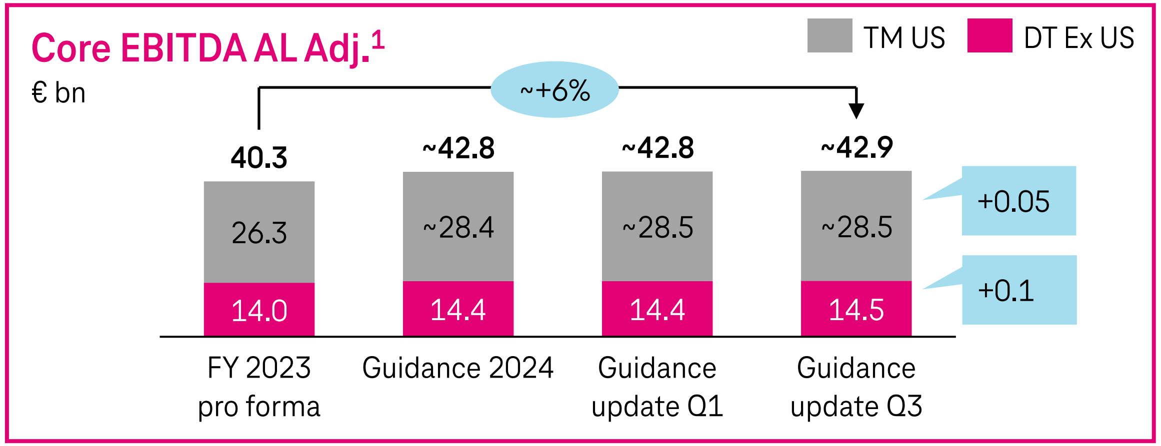
[2] 2024-2027, without "crisis mitigation" & "low carbon & circular society"

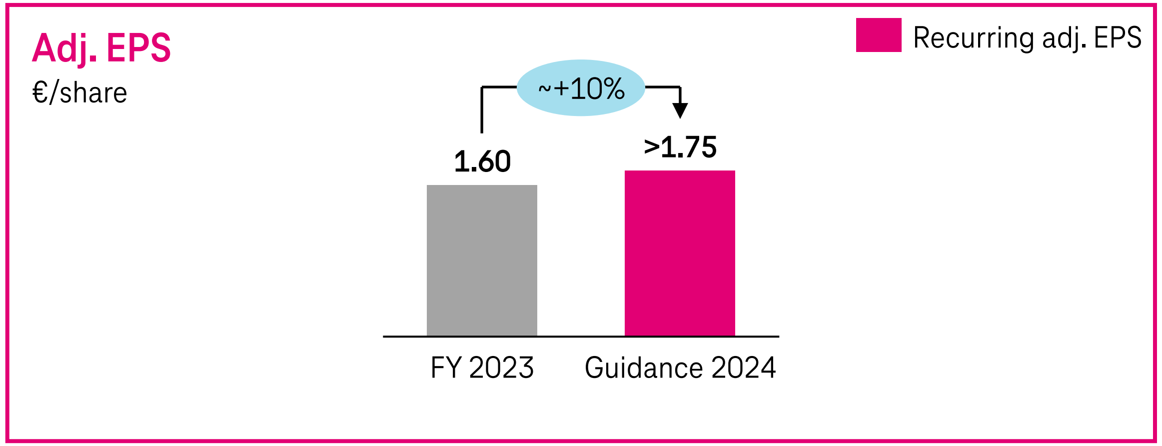
Guidance 2024

EBITDA AL outlook raised for TMUS, DT ex US and DT group









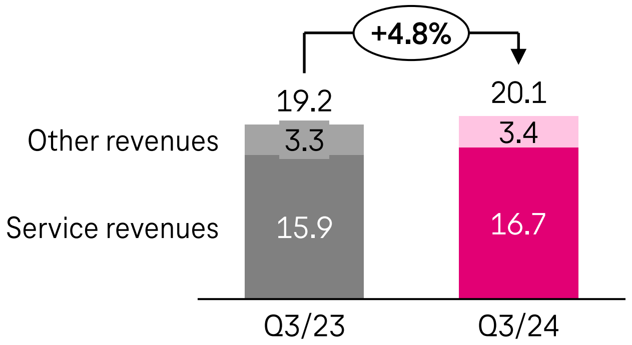
[1] TMUS guidance is based on midpoint of US GAAP guidance of US$31.7 – 31.9 bn adj. EBITDA; of US$31.6 – 31.8 bn Core adj. EBITDA and of US$16.7 – 17.0 bn FCF. Guidance assumes a negative bridge of US$-0.9 bn on adj. EBITDA and Core adj. EBITDA upon translation into IFRS. Based on 1€ = US$1.08. 2024 DT ex US FCF AL guidance includes €0.2 bn of cash returns related to tower transaction. 2023 pro forma includes 0.1 bn cash returns related to tower transaction. Both exclude TMUS dividend receipts.

Q3 2024 results

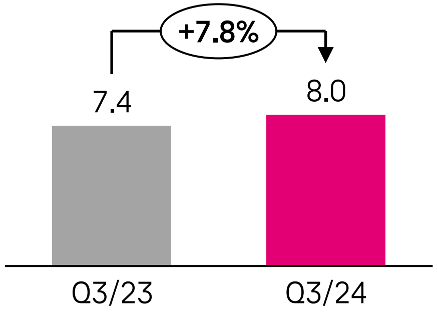
Review of segments and financials

T-Mobile US
industry leading financial growth

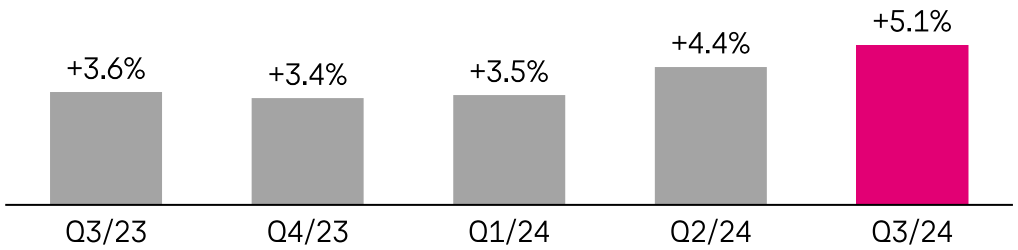
Revenues (IFRS)
US$ bn



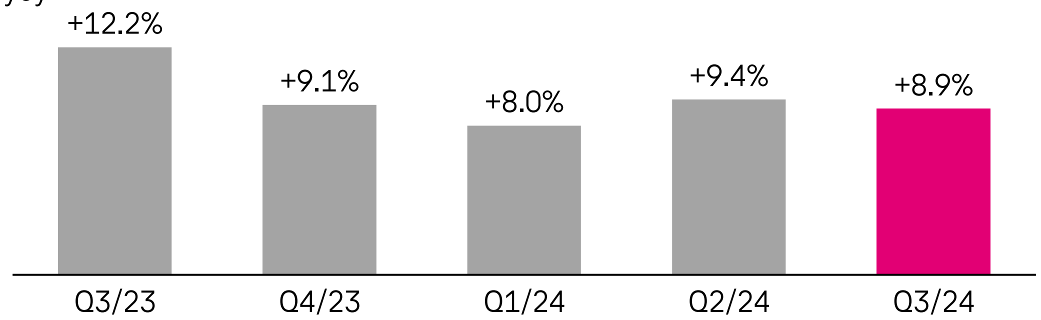
Adj. EBITDA AL (IFRS)[1]
US$ bn



Service revenue (US GAAP)
% yoy



Core adj. EBITDA (US GAAP)
% yoy

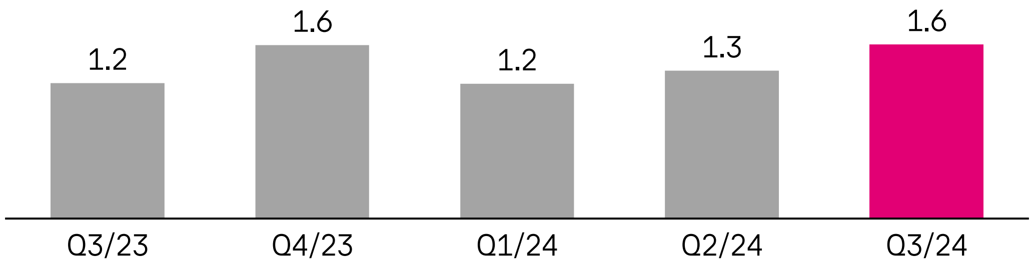


[1] For IFRS bridge please refer to appendix.

T-Mobile US
industry leading customer growth

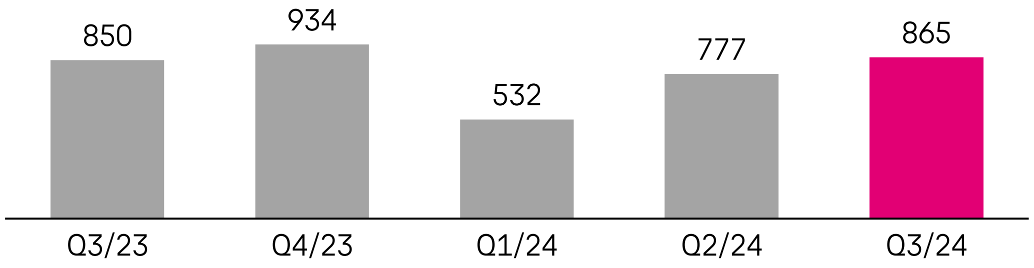
Total postpaid net additions
mn

Industry leading



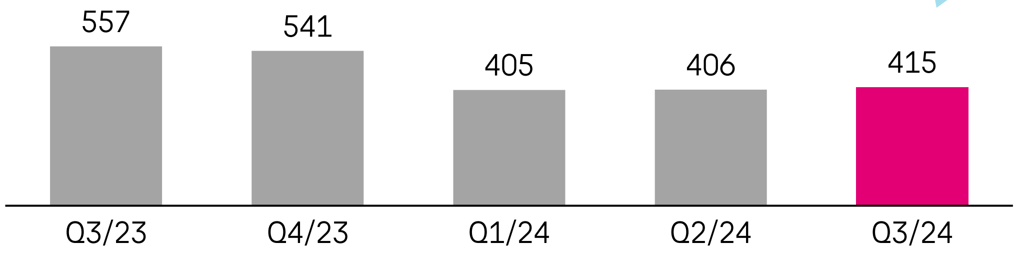
Postpaid phone net additions
000

Industry leading



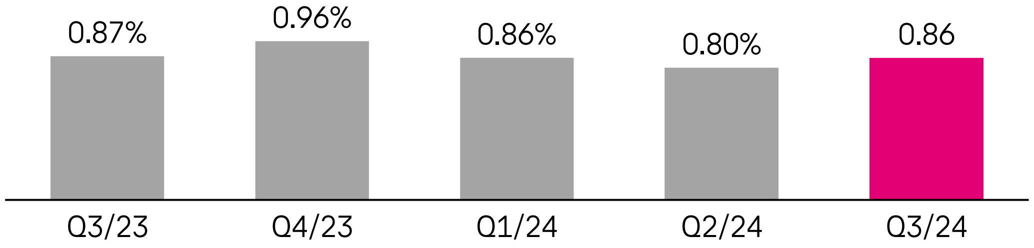
High Speed Internet net additions[1]
000

Industry leading, total customer base at 6.0 mn



Postpaid phone churn
%

Record low Q3 churn



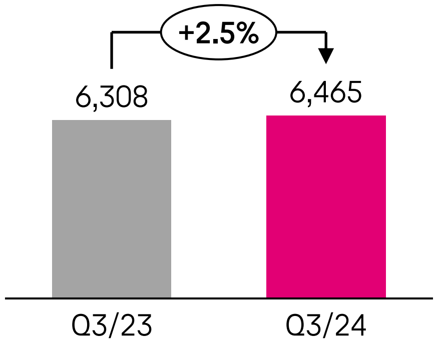
[1] Postpaid + Prepaid

Germany

32nd consecutive quarter of EBITDA growth

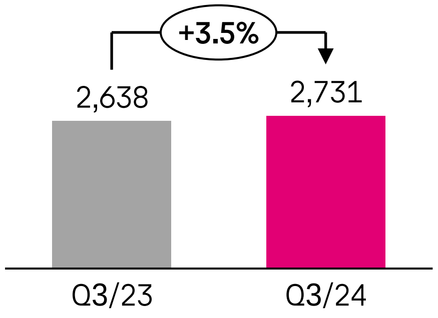
Revenues (reported)

€ mn



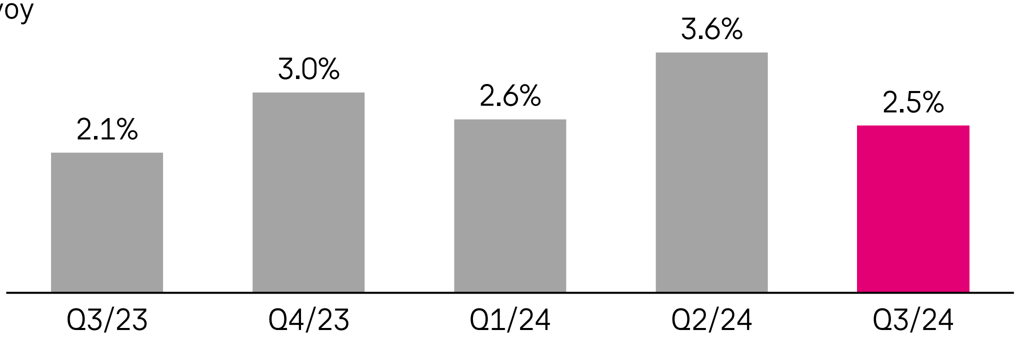
Adj. EBITDA AL (reported)

€ mn



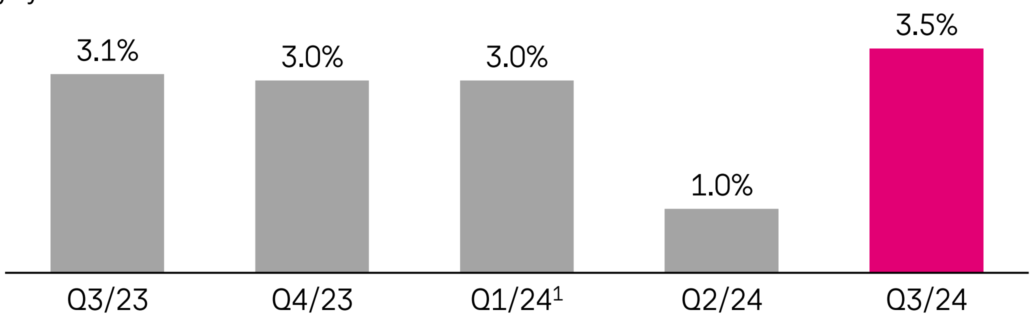
Revenue growth (organic)

% yoy



Adj. EBITDA AL (organic)

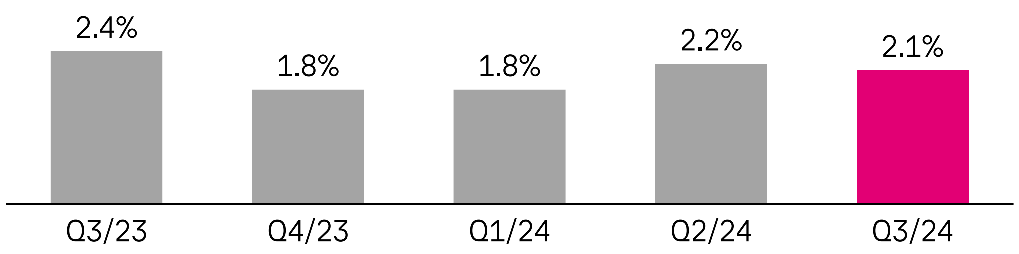
% yoy



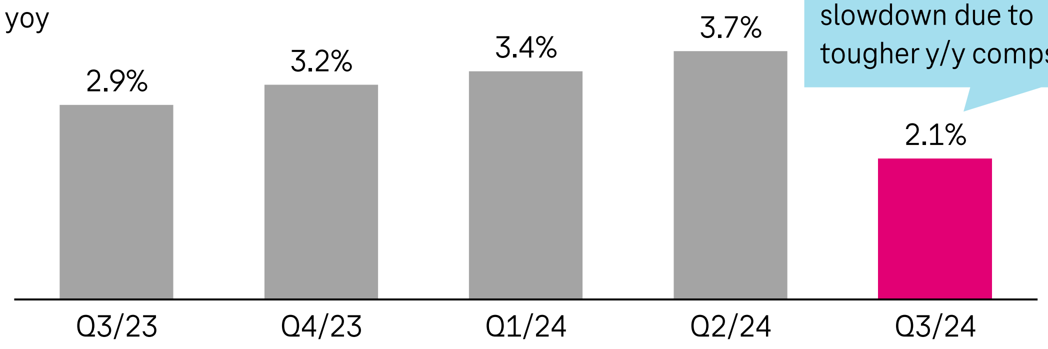
[1] Organic growth rate in Q1/24 assumes that the tower transaction did close on Jan 1st 2023, whereas the close actually happened on Feb 1st. So, the reported EBITDA AL growth rate benefitted from 1 month of higher leasing opex in Q1/23.

Germany
total service revenues: steady growth

Total service revenue growth (organic)
% yoy



Mobile service revenue growth (organic)
% yoy

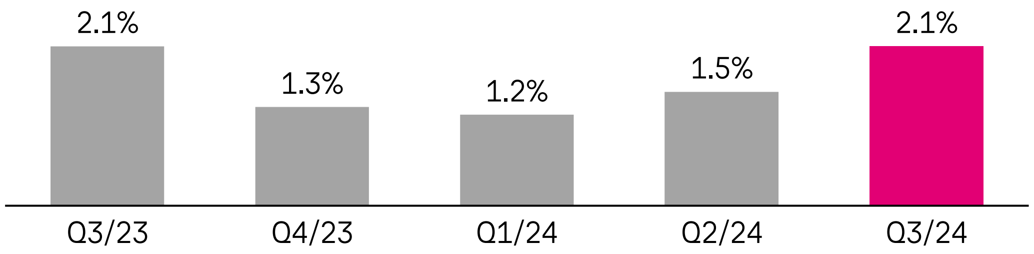


Sequential slowdown due to tougher y/y comps

Revenue growth (reported)
% yoy

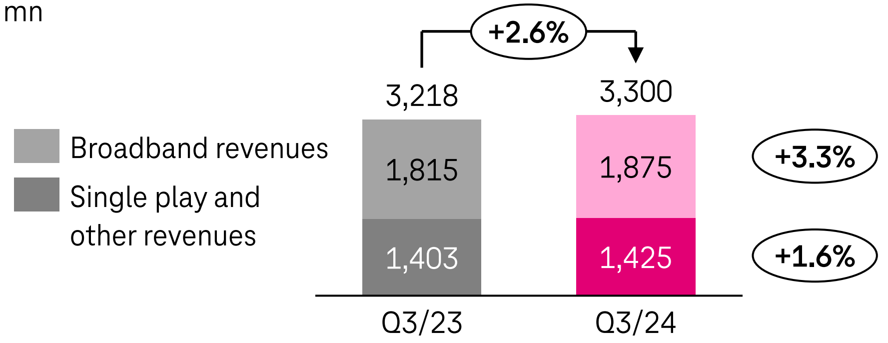
- Reported total service revenue growth +2.1%
- Reported fixed service revenue growth +2.1%
- Reported mobile service revenue growth +2.1%

Fixed service revenue growth (organic)
% yoy

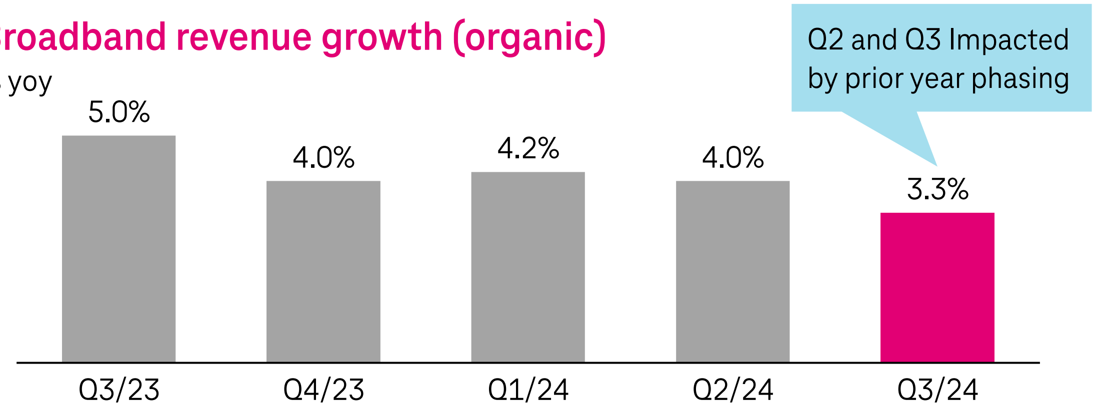


Germany
fixed revenues: improvement in retail and wholesale access

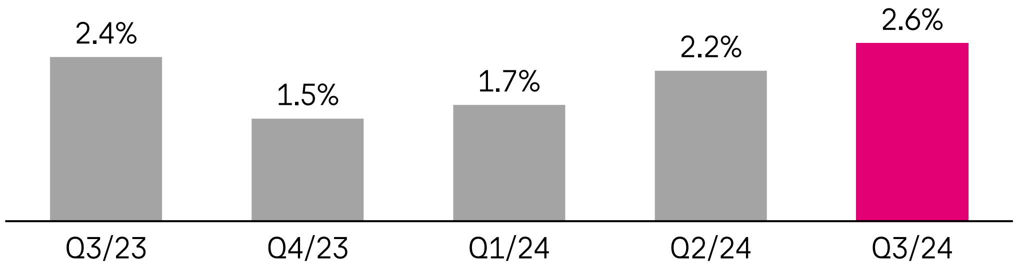
Retail fixed revenues (reported)
€ mn



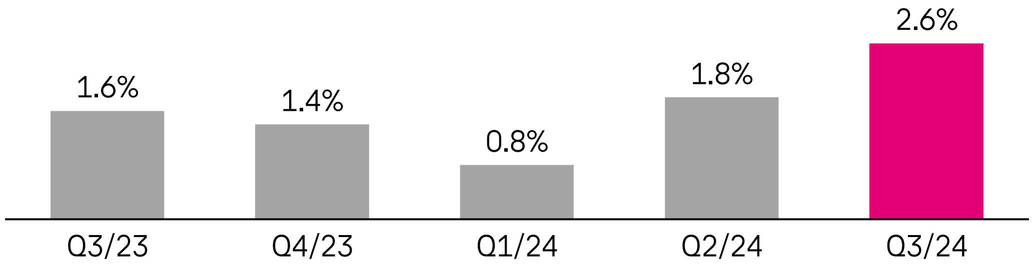
Broadband revenue growth (organic)
% yoy



Retail fixed revenue growth (organic)
% yoy

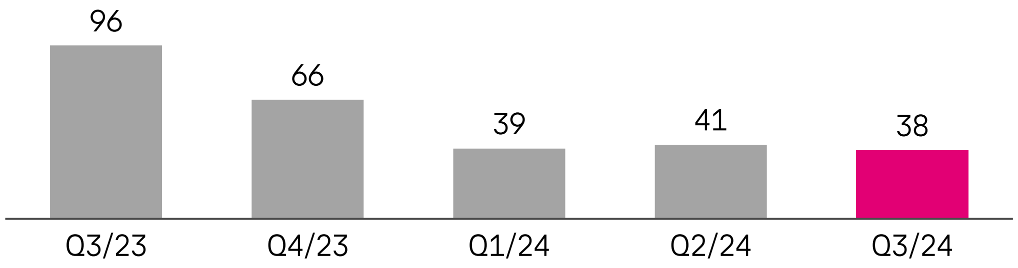


Wholesale access revenues (organic)
% yoy



Germany
fixed KPIs: broadband growth steady, TV and FTTH faster

Broadband net adds
000



TV net adds (ex OTT)
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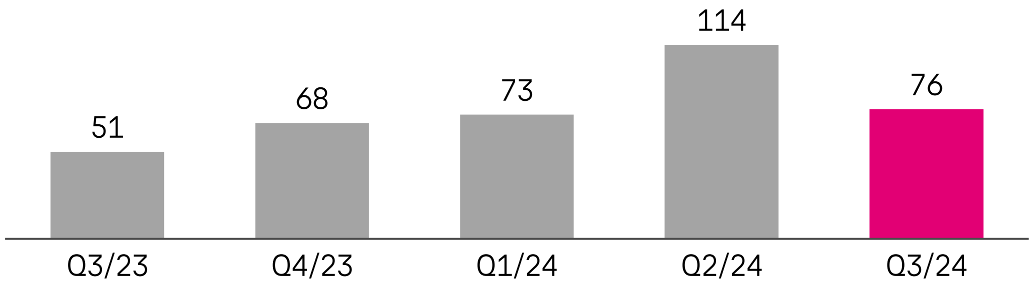
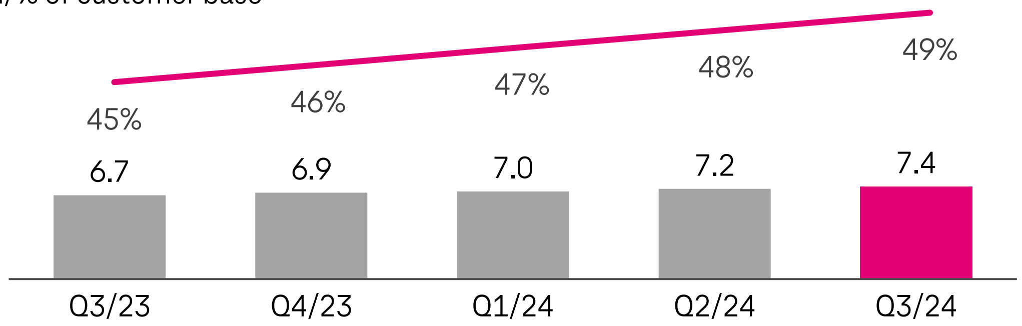
In addition, OTT with 0.3 mn net adds YTD

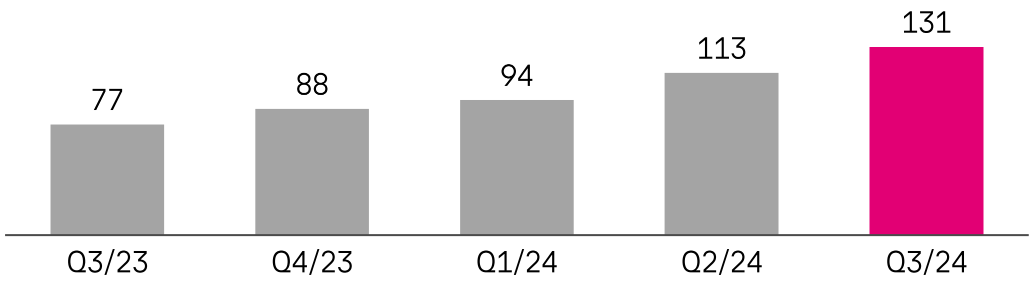


Retail customers with ≥100 Mbit/s tariff
mn/% of customer base



FTTH net adds
000

FTTH on track for 450 k net adds in FY24

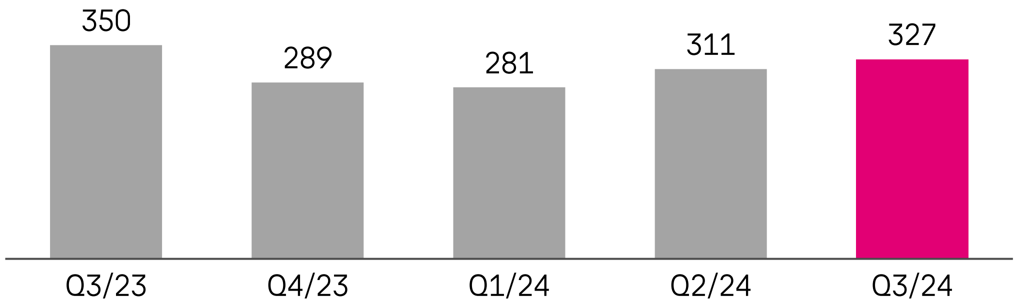


Germany

mobile KPIs: strong customer intake in a competitive market

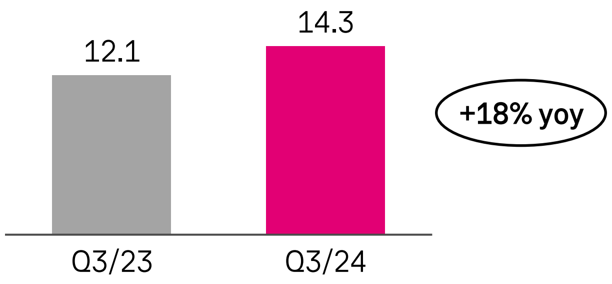
Branded contract net adds[1]

000



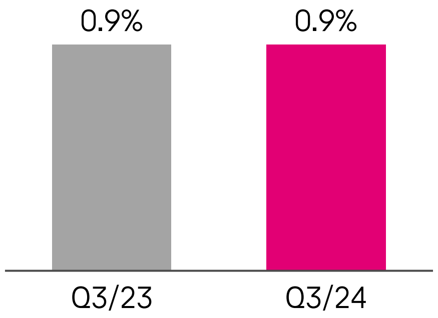
Data usage[2]

GB per month



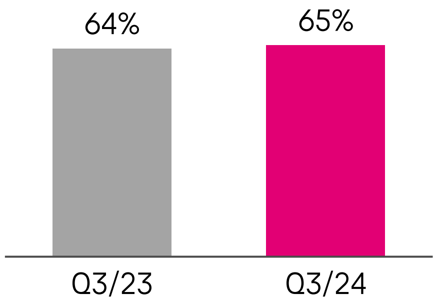
Churn[2]

%



Magenta EINS share (mobile)[3]

%



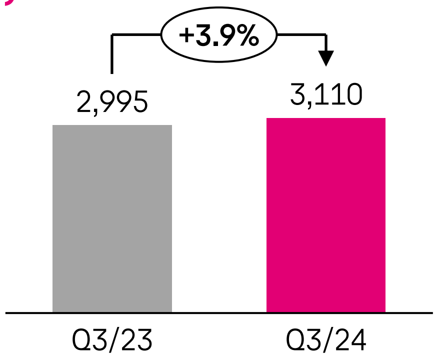
[1] Own branded retail customers excl. multibrand, consumer IoT and “Schnellstarter”. [2] Of B2C T-branded contract customers. [3] Of B2C T-branded contract customers.

Europe

27th consecutive quarter of organic EBITDA growth

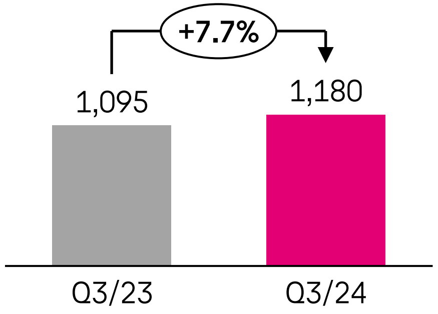
Revenues (reported)

€ mn



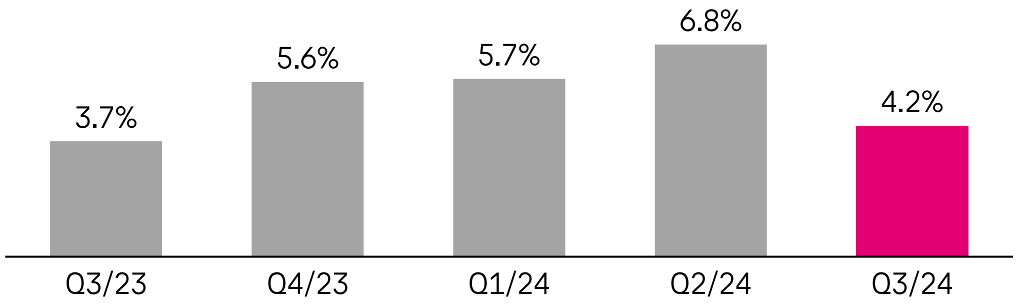
Adj. EBITDA AL (reported)

€ mn



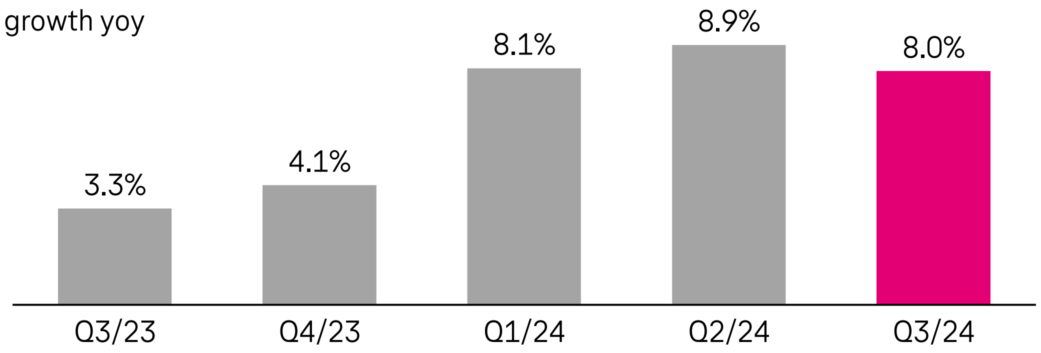
Revenues (organic)

% growth yoy

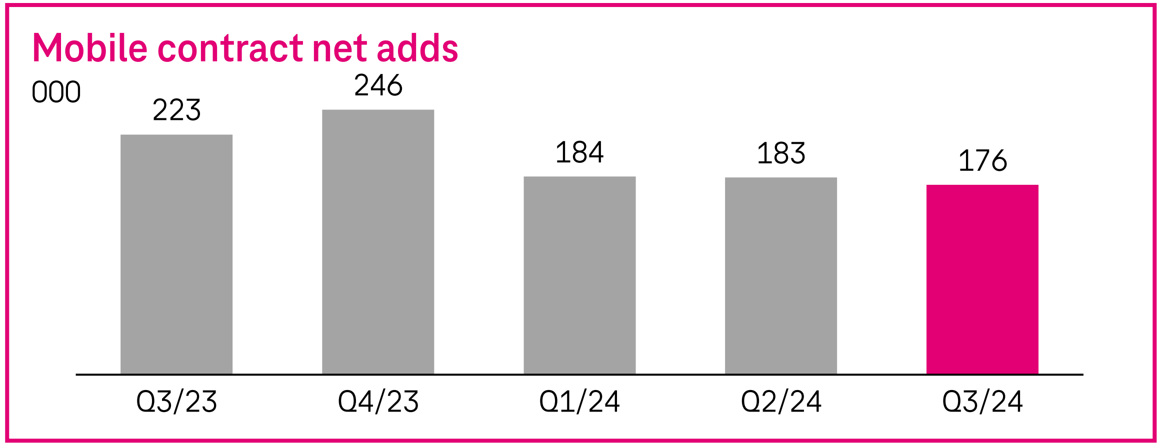


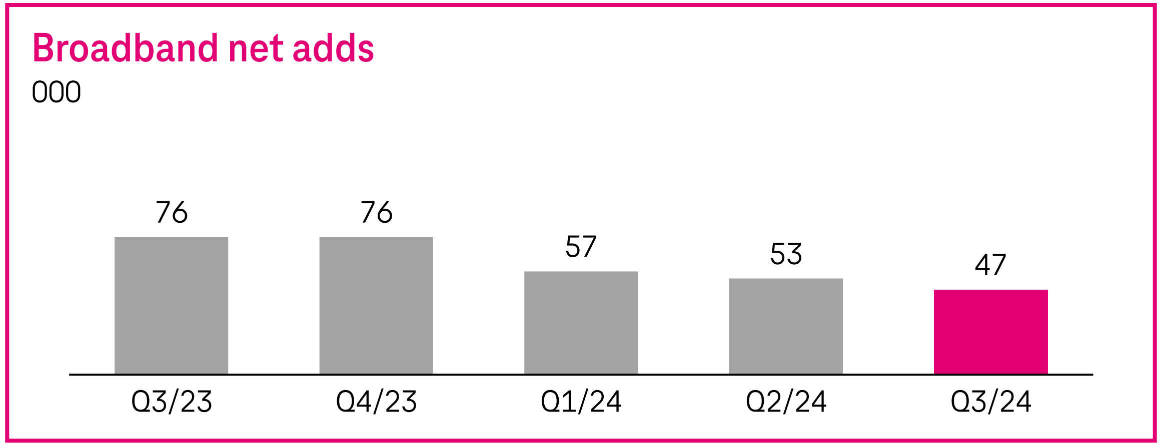
Adj. EBITDA AL (organic)

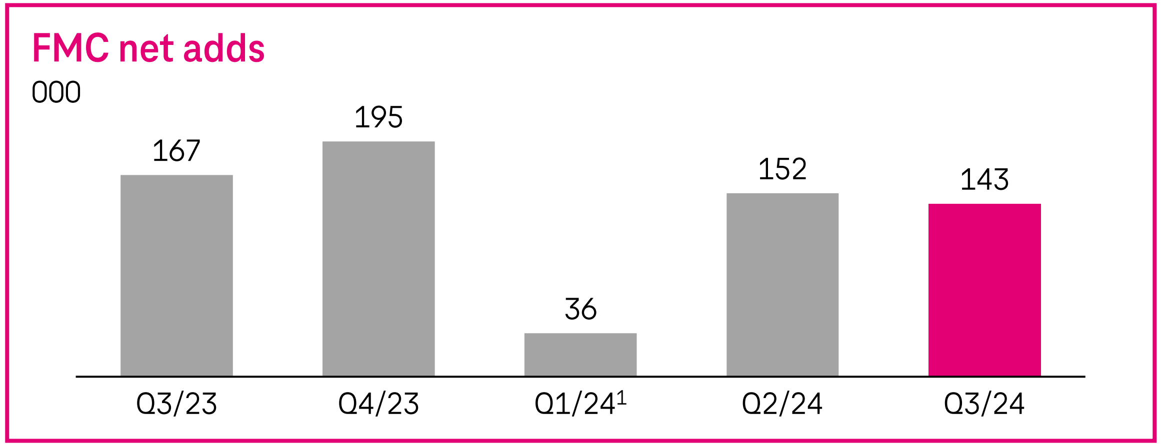
% growth yoy

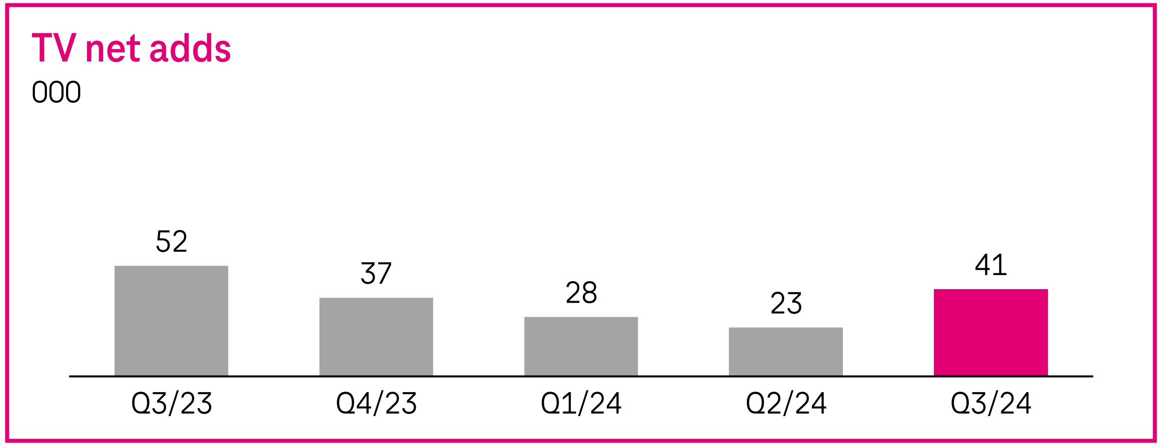


Europe
strong commercial performance continues





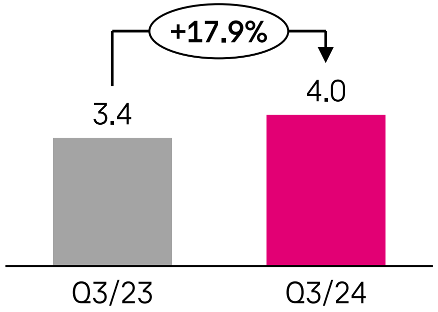




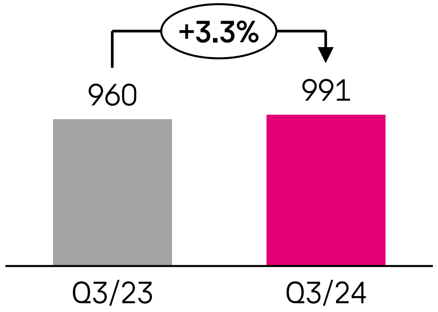
[1] Thereof >-100k due to contract changes in Slovakia.

Systems Solutions
growth in order entry, revenue, and profitability

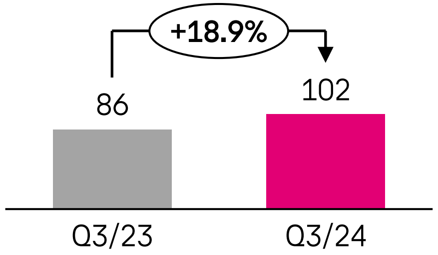
Order entry (LTM)
€ bn



Revenues (reported)
€ mn

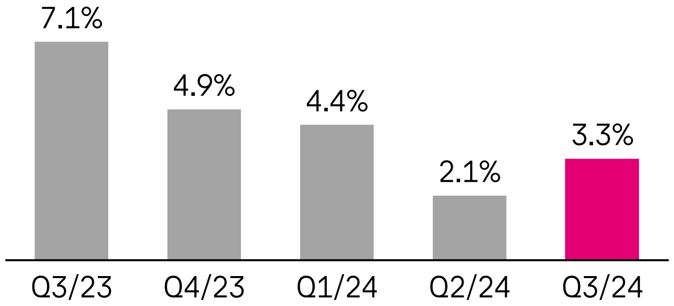


Adj. EBITDA AL (reported)
€ mn

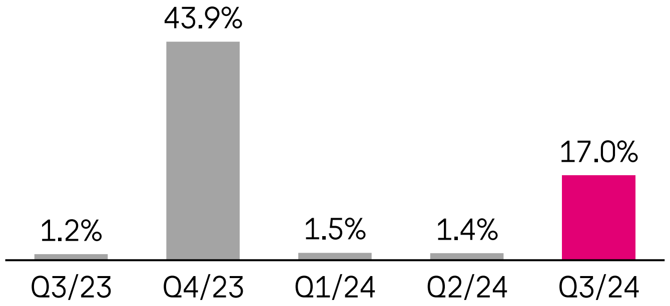


- Order entry growth mainly driven by cloud business
- External revenue growing by +4% yoy
- EBITDA AL driven by revenue and costs
- All time high in customer satisfaction (TRI*M)

Revenues (organic)
% growth yoy



Adj. EBITDA AL (organic)
% growth yoy



Financials Q3/24 reported
strong set of results across the board

€ mn

	Q3 2023	Q3 2024	Q3 Change	9M 2023	9M 2024	9M Change
Revenue	27,556	28,501	+3.4%	82,616	84,838	+2.7%
Service revenues	23,258	24,127	+3.7%	69,025	71,700	+3.9%
Adj. EBITDA AL	10,486	11,096	+5.8%	30,488	32,389	+6.2%
Adj. EBITDA AL (excl. US)	3,695	3,851	+4.2%	10,606	10,975	+3.5%
Adj. Net profit	2,268	2,335	+3.0%	6,114	7,051	+15.3%
Net profit	1,924	2,957	+53.7%	18,823	7,027	-62.7%
Adj. EPS (in €)	0.46	0.47	+4.0%	1.23	1.43	+16.0%
Free cash flow AL[1]	4,688	6,189	+32.0%	11,789	15,126	+28.3%
Cash capex[1]	4,062	3,601	-11.4%	13,243	11,946	-9.8%
Net debt excl. leases (AL)	96,923	92,474	-4.6%	96,923	92,474	-4.6%
Net debt incl. leases (IFRS 16)	137,128	128,723	-6.1%	137,128	128,723	-6.1%

9M/23 benefitted from gains in asset sales e.g. Towers

Includes 3 cents tailwind of non-recurring EPS.

Decrease in capex driven by TMUS. Ex US capex up by €0.1 bn

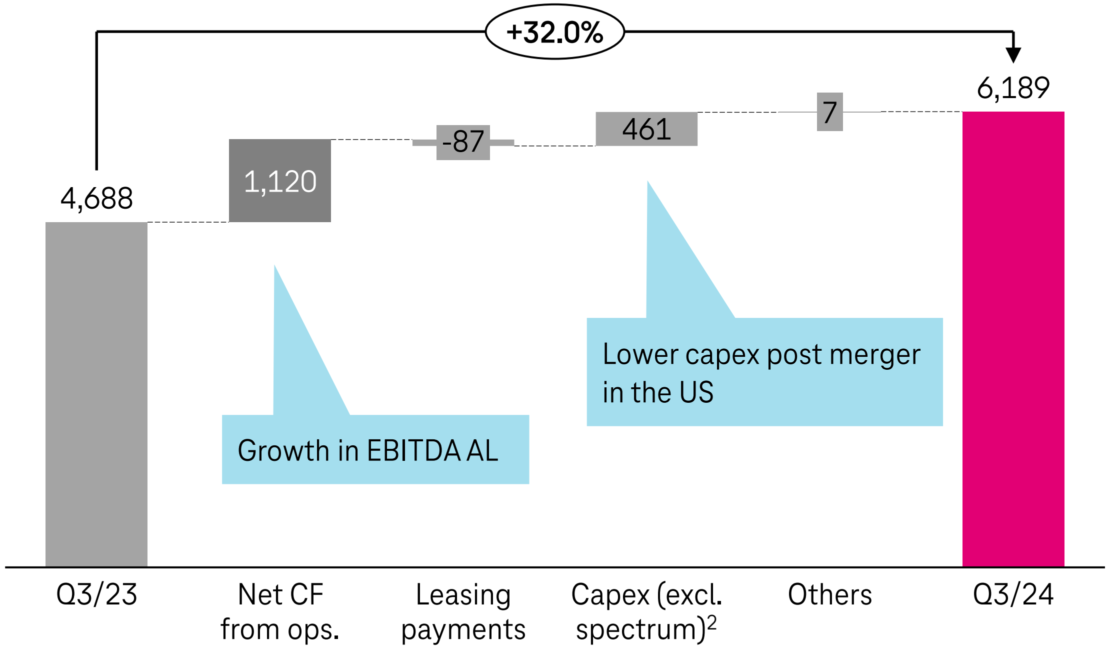
[1] Free cash flow AL before dividend and before spectrum investments. Cash capex before spectrum investment. Spectrum: 9M/24: €2424 mn 9M/23: €459 mn; Q3/24: €2,192 mn Q3/23: €203 mn.
In this presentation the Group in 9M/23 is presented in accordance with the management view: certain key performance indicators in 2023 like revenue and adj. EBITDA AL are presented as if GD Towers still would be fully consolidated. This view is different to the consolidated financial statements of DT where GD Towers is treated as a discontinued operation. For more details, please refer to the back-up to this presentation, respectively the annual report of DT both available at www.telekom.com/en/investor-relations.

FCF AL and adj. net profit

FCF reflecting growth in EBITDA and lower capex in the US

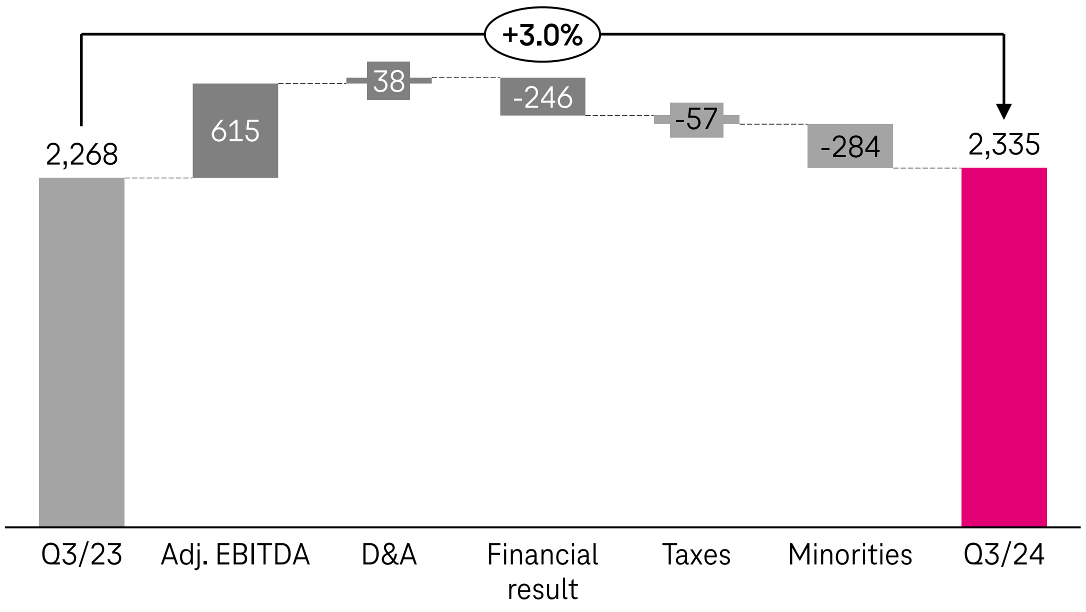
Free Cash Flow AL[1]

€ mn



Adj. net profit

€ mn



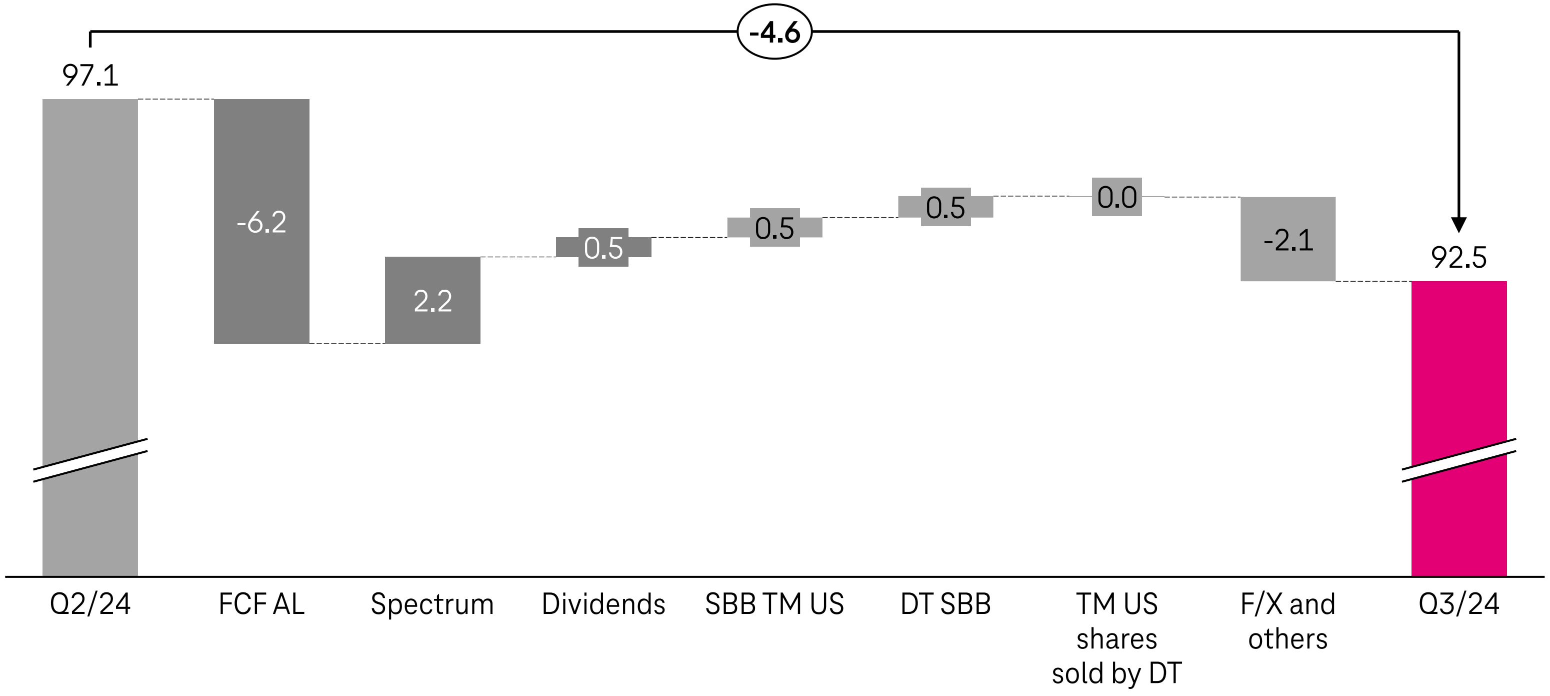
[1] Free cash flow and FCF AL before dividend payments and spectrum investment. [2] Spectrum: Q3/24: €2,192 mn Q3/23: €203 mn.

Net debt

leverage ratio below 2.75x guardrail

Net debt excl. leases (AL)

€ bn



Leverage ratios

X

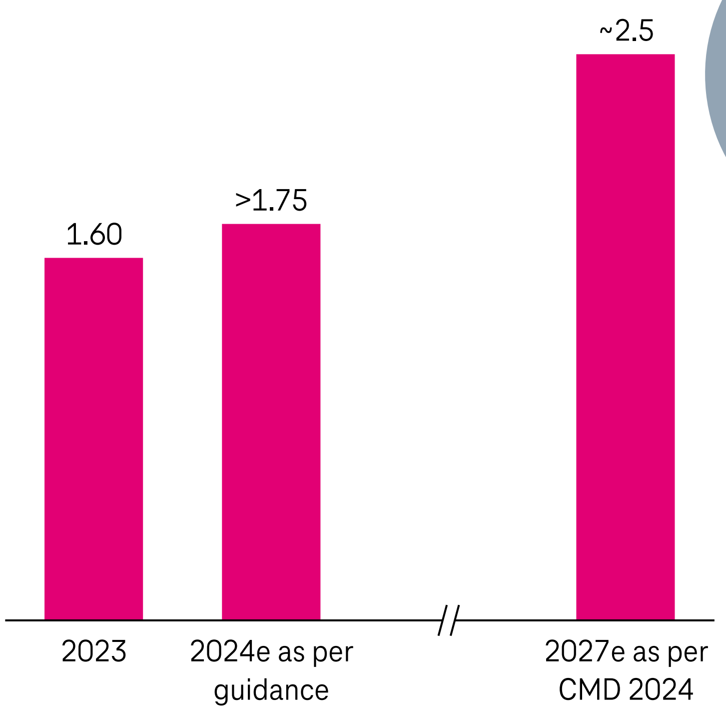
Q3 2024 results

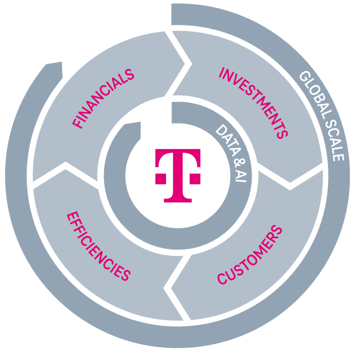
Main takeaways

9M/24 Key messages
consistent reliable growth

- Ongoing strong commercial and financial performance
- 2024 adj. EBITDA AL guidance raised on both sides of the Atlantic
- Earnings growth to continue, at >11% 2023 – 2027 CAGR, as per CMD 2024
- Back below 2.75x leverage guardrail
- Attractive shareholder returns proposed for 2025[1] (€90 cents dividend plus up to €2 bn DT share buyback)

Adj. EPS
in €/share





[1] Subject to necessary approvals.

Q3 2024 results

Appendix

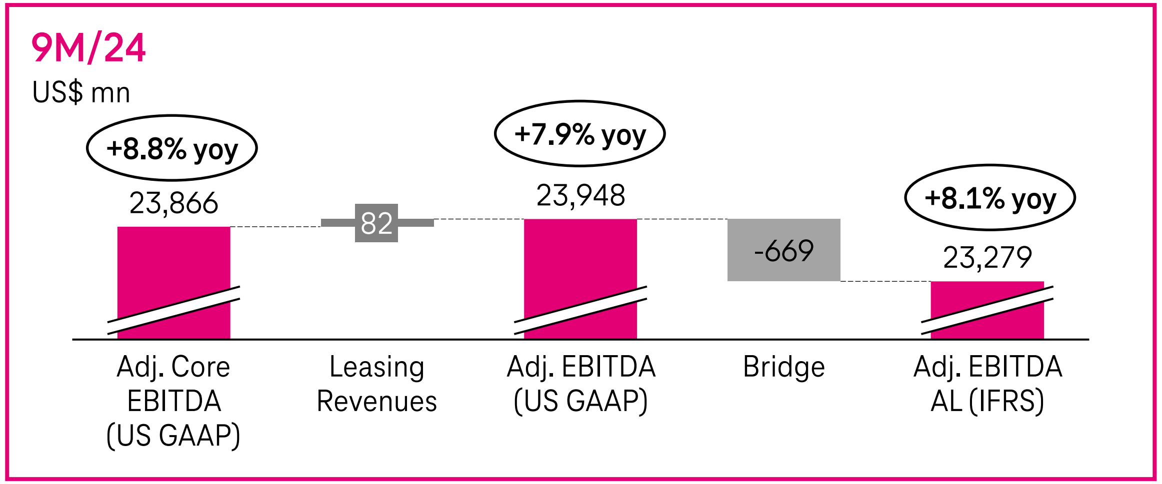
Organic growth rates

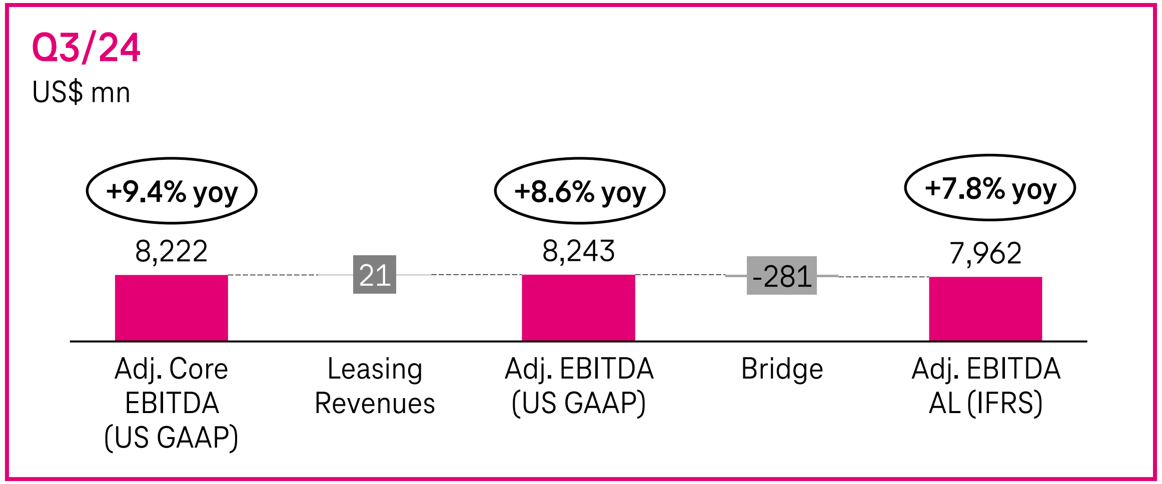
In %	Q3/24 over Q3/23	9M/24 over 9M/23
Group revenues	+3.6	+2.9
Group service revenue	+3.8	+4.0
Service revenue excl. US	+3.0	+3.5
Group Adj. EBITDA AL	+6.4	+6.3
Adj. EBITDA AL excl. US	+4.3	+4.1
Group adj. Core EBITDA AL[1]	+6.7	+6.9

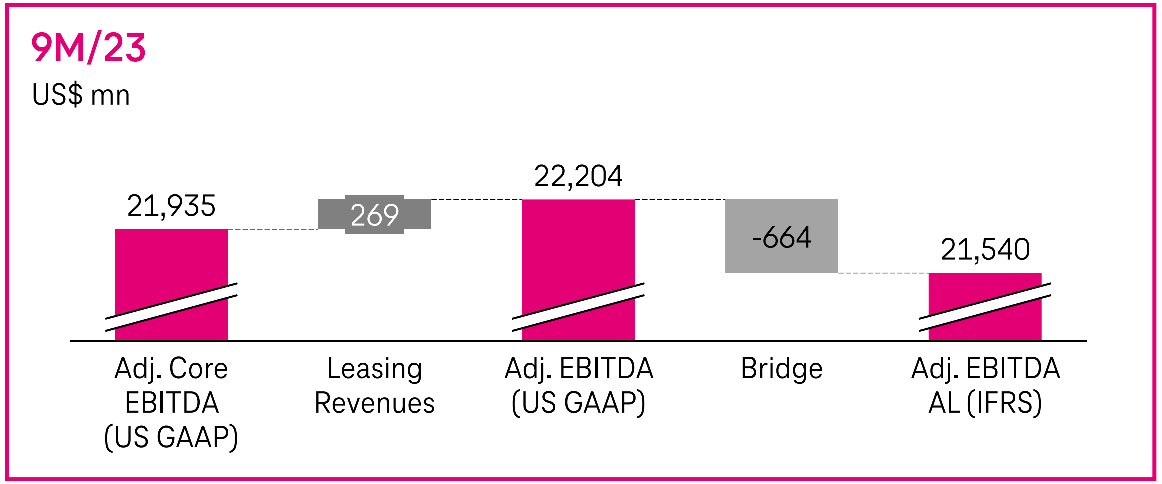
[1] adj. EBITDA AL excl. TMUS handset leases.

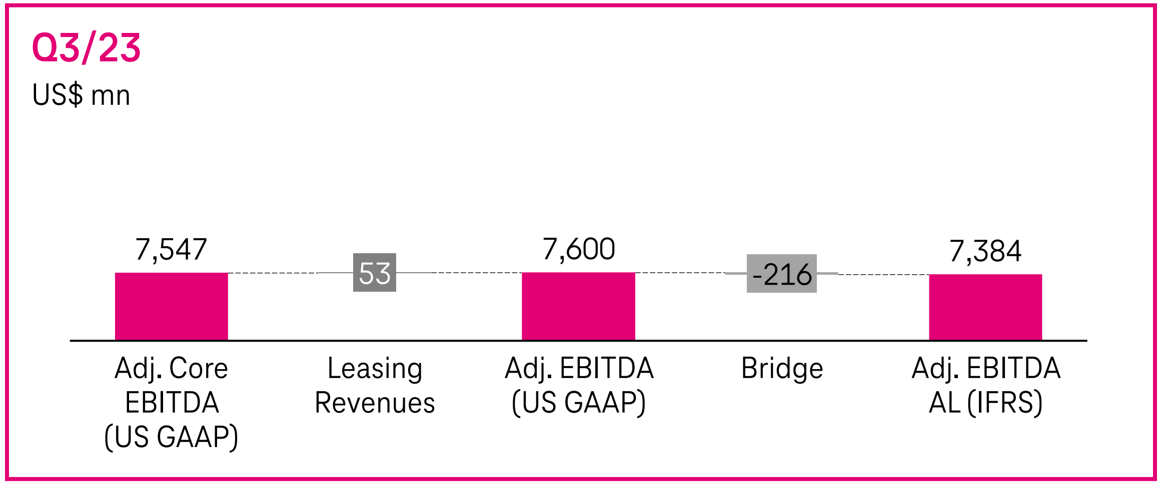
In this presentation the Group in H1/23 is presented in accordance with the management view: certain key performance indicators like revenue and adj. EBITDA AL are presented as if Group Development still would be fully consolidated. This view is different to the consolidated financial statements of DT where Group Development is treated as a discontinued operation. For more details, please refer to the back-up to this presentation, respectively the interim report of DT,both available at www.telekom.com/en/investor-relations.

TMUS
EBITDA reconciliation









FCF AL excl. US[1]

full year 2024 guidance of €3.5 bn unchanged

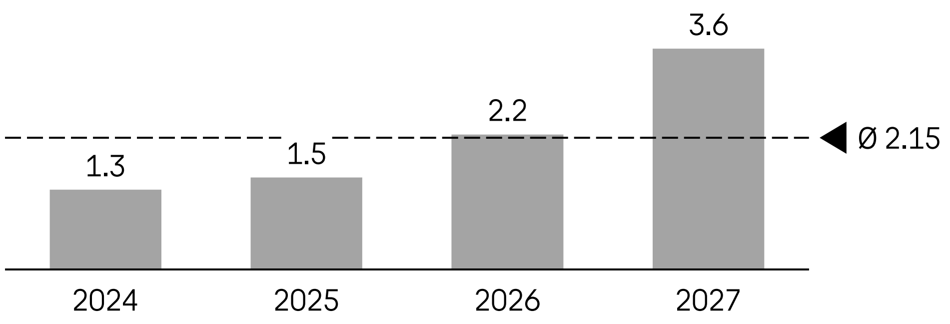
€ bn	9M 2023	9M 2024
Adj. EBITDA	**11.7**	**12.1**
Leasing opex	-1.1	-1.1
Adj. EBITDA AL	**10.6**	**11.0**
Cash Capex	-5.7	-5.8
Proceeds from sale of fixed assets	+0.0	+0.1
Special Factors Cash	-0.7	-0.8
Interest ex leasing	-0.6	-0.7
Cash Taxes	-0.7	-0.9
Other (working capital etc.)	+0.3	+0.4
FCF AL	**3.2**	**3.3**

FY Guidance €14.5 bn

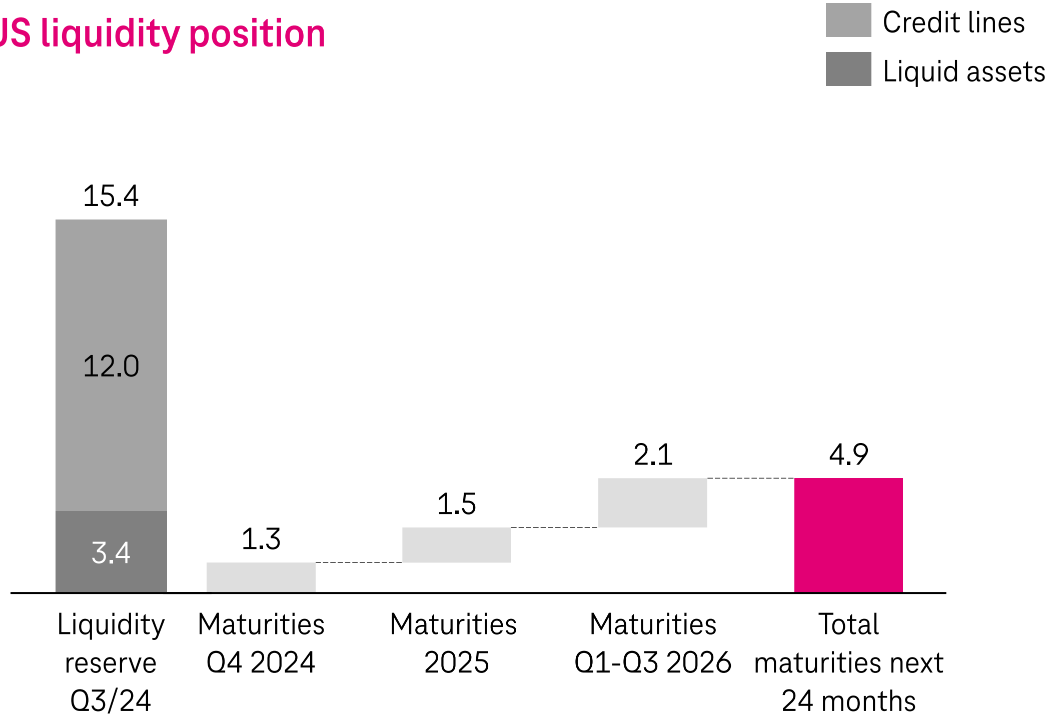
[1] Includes cash returns related to tower transaction. Excludes TMUS dividend receipts.

Financials
maturity profile covered by strong liquidity reserve

Ex US debt maturing
€ bn



Ex US liquidity position
€ bn



- Additional US$1.5 bn of outstanding TMUS shareholder loans (to be repaid by 2028 at the latest)

Balance sheet
leverage below guardrail

€ bn	30/09/2023	31/12/2023	31/03/2024	30/06/2024	30/09/2024
Balance sheet total	302.5	290.3	295.2	296.0	288.6
Shareholders' equity	96.6	91.2	93.2	92.4	92.4
Net debt excl. leases (AL)	96.9	93.7	94.5	97.1	92.5
Net debt excl. leases (AL)/adj. EBITDA AL[1]	2.40	2.31	2.30	2.32	2.18
Net debt incl. leases (IFRS 16)	137.1	132.3	133.1	135.1	128.7
Net debt incl. leases IFRS 16/adj. EBITDA[1]	2.94	2.82	2.81	2.81	2.64
Equity ratio	31.9%	31.4%	31.6%	31.2%	32.0%

Comfort zone ratios

Rating: A-/BBB	●
Leverage ≤ 2.75x Net debt IFRS 16/Adj. EBITDA	●
25 – 35% equity ratio	●
Liquidity reserve covers redemptions of the next 24 months	●

Current rating

Fitch:	**BBB+**	stable outlook
Moody's:	**Baa1**	**NEW:** positive outlook
S&P:	**BBB+**	stable outlook

[1] Ratios for the interim quarters calculated on the basis of previous 4 quarters.

Guidance 2024
compared to consensus

€ bn	Guidance 2024 in € @ 1.08	Guidance 2024 in € @ 1.09 (Cons. f/x)	Consensus in € @ 1.09
Adj. EBITDA AL Group	**~43.0**	**~42.8**	**43.0**
thereof ex US	14.5	14.5	14.5
thereof TMUS	~28.6	~28.3	28.4
FCF AL	**~19.0**	**~19.0**	**18.9**
thereof ex US	~3.5[1]	~3.5[1]	3.6
thereof TMUS	~15.6	~15.5	15.4[2]
Adj. EPS in €	**>1.75**	**n.a.**	**1.81**

[1] Includes €0.2 bn of cash returns related to tower transaction. [2] Calculated by using the DT pre-results Group consensus of €18,947 bn and subtracting ex US contribution of 3,562.

Outlook 2024/25 as per annual report 2023 (1/2)[1]

€ bn	2023 pro forma	2024e	2025e
Revenue Group	**112.2**	**Increase**	**Increase**
Germany	25.2	Slight increase	Slight increase
US (in US$)	78.6	Increase	Increase
Europe	11.8	Slight increase	Slight increase
Systems Solutions	3.9	Slight increase	Stable
Service Revs Group	**93.2**	**Increase**	**Increase**
Germany	22.1	Slight increase	Slight increase
US (in US$)	63.6	Increase	Increase
Europe	9.8	Slight Increase	Slight increase
Systems Solutions	3.8	Slight Increase	Stable
Adj. EBITDA AL Group	**40.6**	**~42.9**	**Strong Increase**
Germany	10.2	10.5	Increase
US (in US$)	28.8	30.8	Strong increase
Europe	4.1	4.3	Slight increase
Systems Solutions	0.3	0.3	Slight increase

[1] See annual report 2023 for additional details.

Outlook 2024/25 as per annual report 2023 (2/2)[1]

€ bn	2023 pro forma	2024e	2025e
Cash Capex Group	**16.6**	**~15.9**	**Stable**
Germany	4.6	Slight increase	Slight increase
US (in US$)	9.8	Decrease	Stable
Europe	1.8	Slight increase	Slight increase
Systems Solutions	0.2	Stable	Stable
FCF AL Group	**16.2**	**~18.9**	**Strong increase**
Adj. EPS in €	**1.60**	**>1.75**	**Increase**
Net debt/adj. EBITDA	**2.82x**	**~2.75x**	**~2.75x**

[1] See annual report 2023 for additional details.

Investor + Analyst Webcast with Q&A session

The conference call will be held on November 14 at 14:00 CET, 13:00 GMT, 08:00 EST, 05:00 PST, 22:00 JST
DT Participants: Christian Illek (CFO), Hannes Wittig (Head of IR)

YouTube

- Live webcast
- Instant replay
- Available on all devices

- Detailed time stamps in video description for slides + Q&A:

——— Presentation ———
Christian Illek (CFO) Group results + guidance
0:01:11 Welcome
0:01:22 Overview (p#4)
0:03:34 Financials reported: strong growth (p#5)
0:04:30 Financials organic: strong growth (p#6)

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