

Deutsche Telekom Q1 2025 - Press Conference – youtube transcript:

Good afternoon and welcome to Deutsche Telekom's first quarter 2025 conference call. As you can see with me today are our CEO Tim Herkus and our CFO Christian Ilik. As usual, Tim will first go through a few highlights, followed by Christian, who will talk about the quarterly performance and our group financials. After this, we have time for Q&A. Before I hand over to Tim, please pay attention to our usual disclaimer which you will find in the presentation. And please also note that this conference will be recorded and uploaded to the internet. And now it's my pleasure to hand over to Tim. Thank you, Hannis. Welcome everybody to our first quarter 2025 results call here and if you have seen already the numbers uh we are off to a solid uh start into the year both strategically and financially. Overall we are on track um for our 2025 target um and for the midterm targets as well um as we have presented them on our capital markets day in um 24. We are confirming our guidance for DTXUS business and pass on uh T-Mobile's first quarter upgrade um to an overall upgrade for our year end targets. Let me kick off um with my group perspective and uh then Christen will go into the details. Look, the growth momentum is um very well intact um and remained strong. We have 3.5% organic service revenue growth. We have 5.3 organic EBIDR growth. We have 50% growth in free cash flow. Um uh and we have 11% growth in adjusted earnings per share. So all KPIs are on a positive note. Um with regard to the financials, our business outside of the US posted a 2.5% growth uh in service revenues and a 3.8% ETR growth. During the quarter, we completed three transactions, Lumos, our fiber joint venture with Equity, uh Vista and Bliss, um both activities in the out of home media advertising area. In midapril, our stake in T-Mobile US was back to 51.8%. As usual, let's take a closer look to our financials and u the organic developments here. All segments contributed to growth. T-Mo grew its adjusted coit by 8.4% which translates into organic FRS growth of 6.1%. Europe grew um by stunning 7.2%, Germany by 2.2% and the systems by 1.3%. Moving to the networks, in the last 12 months, we passed 3.2 million additional European homes with fiber to the home. We now reach nearly 21 million households. We continue to deliver near to twothirds of the whole German fiber built out here in our home market. We have now reached agreements with the MDUs covering almost 6 million households to provide their in-house wiring. Our mobile network remains leading across the footprint. In Germany, our market leader network modernization program is well underway. This provides the foundation for our new unlimited tariff portfolio. And by the way, we will extend our bandwidth from 500 megabit per second to one gig um in the mobile network very soon with the uh Nemo projects. Our US network was recently named the world's best in the large land category and one month ago, T-Mo announced the nationwide launch of 5G advanced. This further strengthens our network leadership in the United States. And during the quarter, we also announced the better lounge of the T satellite project where we are seeing strong customer interest. At last year's capital markets day, we talked a lot about AI and digitization and we leverage AI to accelerate

our digital transformation. and what I lead and see globally. We are one of the leading companies with regard to the AI implementation already. We outlined a comprehensive approach across the full value chain at capital markets day and to drive better customer experience but as well you know to um drive tangible efficiencies within the organizations uh where we estimate the financial benefit of around 800 million euros in cost savings by 2027. By the way, in the future we will provide you because of its relevant always with an overview about the IIA and the digital transformation of our company. So it's good to see that we make a strong progress in this area here and uh you can see on page seven you know um um the relevant areas. Let me pick up a few highlights. Across Europe, we have implemented ask T. Ask T is an AI based employee knowledge tool um which for instance helps field service employees to access all relevant information much more efficiently. There are many AI related initiatives in the network. For instance, the AI supports the efficiency of our fiber rollout in multiple ways like 75% of all routers are remotely managed or on the mobile side, we achieved increased network autonomy through AI based run monitoring and remedi remediation. And when it comes to IT, we are seeing significant speed and efficiency gains with our coding assistant. There are also multiple initiatives in sales and service where we are already seeing tangible benefits. For instance, our AI based chatbots can solve 50% of customer issues without human interventions and there are plenty of other use cases in implementation as well. And finally, on the product side, almost 12 million European customers have already signed up for our Magenta moment rewards program. We are productizing AI for both our B2C and our B2B customers in multiple ways. Some mentioned on this page, this chart shows our progress in Europe. Over in the US, T-Mobile is making as well progress with their ambition um with regard to the digitization. And as T-Mobile highlighted during their results call, the share of upgrades done digitally has doubled this quarter versus last. It has already reached over 50% of all upgrades in this quarter. I find this very impressive. Our customer growth continues uh both in the US and in Europe. Starting with mobile in the US, we had the strongest first quarter for postp customer net ads ever and we reiterated our full year guidance. Outside of the US, we had a slower quarter in some of our European operations. Our German mobile net ads were steady year-over-year. On the fixed line, the KPIs look different. Our broadband customer growth slowed driven by Germany and our TV customer growth was also slower. That said, near half of the year onyear slowdown was due to the planned decommissioning of our satellite TV platform in Hungary. Let me pause here for some reflection. It is no secret that the competition in our largest markets has stepped up in recent months and it remains elevated. This shows in some of our numbers but not all. How do we look at these developments? What is our strategy here? The answer is that we keep playing to our strength. We remain focused on our flywheel. We will always build the best networks and create a superior customer experience. And we want to increasingly leveraging digital and AI and automation to reduce our costs. In the US, we work to extend our 5G network lead while we leverage our differentiated growth opportunities. As mentioned earlier, we are making strong progress on the digital side. A midst elevated promotions. T-Mobile's

post-paid phone churn has increased, but we also had record gross adds in all the segments. In Germany, mobile competition has progressively stepped up since the Vodafone decision two years ago in B2C and in B2B. Here again, we want to play to our strength. Our industry-leading network modernization gives us the capability to drive unlimited without sacrifice in the customer experience. This is what we are doing with our new tariff portfolio. The German broadband market is quite mature here. We are seeing ongoing churn towards overbuilders plus now a Vodafone that is commercially very aggressive. Here again, our answer is to build and monetize superior networks. Fiber is the endgame for the German broadband. Our fiber footprint is growing by 2.5 million households per year and we are ramping up fiber connections. And finally in all our markets we supplement our core portfolio with targeted proposition for the more value-oriented segments in the US through our extended prepaid portfolio and in Germany through our SaxoSource flanker brand Kungsta which is now actively even selling fixed line services. Moving on to ESG, we continue our efforts to contain our energy consumption and emissions in line with our stated targets. We conducted campaigns against hate speech and for increased awareness of climate change. Let's now move to our guidance update on the next page. Our guidance remains based on last year's average exchange ratio of 1.08 and it is the sum of the guidance for DTXUS and for T-Mobile US adjusted by the US GAP IFSB bridge. T-Mobile US updated its guidance on 24th of April. T-Mobile raised both its 2025 EBITR and free cash flow guidance by 100 million at the midpoint. The new guidance includes the contribution from recently completed acquisition of Vista, Bliss and Lumos. We are passing this on in the group guidance today. As a consequence, we now project group EBITR of around 45 billion and free cash flow of around 20 billion for the whole of 2025. All other guidance remain unchanged. Let me now hand it over to Christian for a deeper dive into the quarter. Uh thanks Tim and welcome also from my side. So as usual I'm going to provide you with a quarterly segment overview and then move to selected financials and also uh we stick with the sequence. So we're going to start with the T-Mobile US business and all numbers will reflect US gap. So the service revenue growth remained very strong in the US with 5.2% growth and that was very much driven by the postpaid service revenue growth which accounted for 7.6% growth. With those results, um, T-Mobile US raised its guidance uh, on APA growth to at least uh, an increase of 3.5% in 25. So the basis for um, the strong EBITDA growth which accounted for 8.4% is obviously the service revenue growth. Free cash flow was up in the US by 31% and the EPS was up by 29%. T-Mobile's customer growth is very solid despite some what they call target rate optimizations and that obviously uh is a reflection of an increase in churn. We expect the churn also driven by some price uh adjustments to be temporary and it will moderate out over the course of the year. I think it is important to mention and Tim said it already gross adds were up on all major categories. Postpaid phone nets were slightly below last year's numbers while high-speed internet net adds were a bit higher. So overall the 1.3 million net additions were the highest number they ever achieved in the first quarter in any given year. T-Mobile reiterated its full-year uh guidance on net adds of 5.5 to 6 million postpaid net

ads and they remain um confident to actually uh deliver those uh those guidance numbers by the end of the year. So let's move over to Germany. So Germany showed uh now 34 quarters of consecutive EBIT dog growth. But let's go through the P&L and start with the uh with the top plan number which is revenue. So headline revenues were down uh this quarter and this is due to two effects. One is it's driven by lower handset revenues and secondly it's driven by lower revenues from the fiber constructions for our JVS. They're both not uh included in service revenues and they're both very low margin. At the same time, service revenue accelerated from prior quarter to 1.4%. The 2.2% Ebidag growth which we see in this quarter is obviously impacted by the higher personnel cost which are coming from last year's wage agreement but also from higher energy costs and this is very much related to increases in the energy grid. So while Q1 was a little slower, we're committed to basically deliver the full year guidance and the midterm guidance for the German business. So let's move over to page 15 to take a look at the service revenues. As I said earlier on, service revenues overall grew by 1.4%. We had a very strong growth in mobile service revenue with 3.1% year-over-year. That obviously is a reflection of the strong sub subscriber growth. We had no termination rate cuts and we had some favorable uh phasing in the first quarter. So don't expect this to continue over the course of the year but we remain committed to the two to two and a half% guidance number which we have given you. The fixed line uh service revenue is still negatively impacted by the federal spending. you know that our new government has just taken over the office. Um and we expand uh we expect we expect that uh going forward we will see some increased um spendings on infrastructure but also on sovereignty and I think we should be well positioned here given our strong position in the public sector but it will take several quarters in order to see the reality basically um uh being reflected in the P&L. So all considered if I'm taking a look at the first quarter I would say mobile service revenue is a was a bit higher than what we expect for the remainder of the year whereas service fixed line service revenues were a bit lower. So going to page 16 um and taking a look to the overall uh fixed revenues which you can see here they were obviously a little bit negatively impacted but you also see that the broadband growth still is in the corridor of our 3 to 4% guidance and also access revenues are growing by 2.1%. The driver, the key driver, and we said this earlier on for the grow broadband um uh growth is upselling into higher speeds and we've seen an ARPA increase of 3% on an annual basis and we continue to focus on the upselling of higher speeds uh as we are trying to achieve uh as we will achieve our our guidance numbers. Moving to the fixed line KPIs, um you see that we had um a monetization which is actually pretty positive on um on selling higher speeds. You also see that we had a pretty good increase um on um um on the FTTH net ads which grew by 36%. But on broadband nets we have to uh report that for many many quarters we see the first uh reduction of 7,000 case. Obviously we're not standing still here. Uh Tim mentioned this uh we have a program running which is focusing on monetizing MDUs on a faster basis. obviously addressing uh the churn uh management and also we included conststerure to basically become a go to market channel for broadband um uh uh services. So this is

one of these are the main activities how we want to respond to that uh negative uh subscriber growth. We are on track with the 2 and a half million uh homes passed for this year. As I mentioned earlier on, we're pretty satisfied with the continuation of the uh FTTH net ads which grew by 36% uh in uh the given quarter. On TV, you see that our growth had moderated relative to um the first quarter in 24 to a solid 30 70,000 triple play customers and on top we also had 50,000 over-the-top customers. But bear in mind last year we had an extra I would say tailwind from the retirement of the rental privilege. Moving to mobile and you see strong commercials. So on a year-on-year basis I think we're on the same kind of uh level with seven uh 270,000 uh net ads. You also see that the churn rate is actually pretty stable despite elevated competition. And um we're actually pretty happy with the result. But bear in mind, don't take the 3.1% and expect this for the upcoming quarters. Let's move over to the European segment. Another good quarter. Let me repeat again. Organic uh revenue growth 3.7%. Ebida grew organically by 7.2% remained very strong. But also keep in mind the inflationary effects both on pricing but also on costs will moderate as we progress into the year. Moving to the customer growth in the European segment, the mobile growth was a bit weaker. Uh this is basically due to very aggressive promotional environments in Austria and Croatia and we entered a campaign in Q1 in Poland which impacted the net numbers. broadband was fairly stable and the dip in the TV net ads can be explained by the decommissioning a planned decommissioning of the legacy satellite platform which basically uh accounted for 28,000 customers. Let's move over to T systems. TSystems is continuously on a positive track. It's now nine consecutive quarters with EBIT Dog growross. We're particularly pleased with the order entry which grew 70% on a quarterly basis but on a 12 months basis 12 and a half%. This is really good news. We're seeing that some uh uh sectors especially the automotive sector is under pressure but we were able to mitigate this especially through growth in the health segment and the road charging segment and the defense segment. So digital sovereignty is becoming increasingly important here in the German market. So is national security. We hope this is going to be a growth driver in the future. So let's take a look at the group financials on page 22. And it's the usual ones uh which uh which we're addressing. So the EPS was up u on a recurring basis by 11%. If you take the non-recurring items out of this, it's actually uh a 13% growth which we're seeing here. uh free cash flow was up by 52% and we're going to see the bridge later on. Let me point out three things. A low basis um uh on Q1 um 24 we had kind of a lower spending capex which will obviously reverse over the course of the year and you know that we're spending more than last year and we had some positive working capital effects in the first quarter which led to this um very strong uh growth number of 52%. So on page 23 you see the bridge uh on free cash flow as I mentioned very much driven the growth uh from cash flow from operations but there is this tailwind of um uh of of capex and also working capital which led to this very strong growth uh figure. On the other hand, you see uh also the uh net profit bridge driven by the adjusted EBIDA and we had some negative effects on depreciation also driven by the dollar financial results uh which is higher refinancing and stronger dollar and obviously a

higher um distribution to minorities given the strong results in the US. Let's move to the next chart. Here you see basically uh our leverage the leverage has declined by four billion almost four billion on a uh quarterly basis from Q4 24 to Q125. Um this is obviously driven by two major drivers. One is the free cash flow which we generated. The second one is we had some favorable effects from the dollar. The dollar was end of Q4 by 104. It was end sorry it was end of Q1 by 108 that obviously helped us uh in bringing the leverage down and you see that the leverage ratios are pretty well in the comfort zone. So we're now at 263 including leases and two uh8 excluding leases. So we're happy with those results. So let me complete the review um on the main takeaways. Um obviously what you see on the right hand side we're completely committed to deliver the 2.5 uh adjusted EPS by the end of u the cycle of the current CMD. We had a solid start in the year. Uh you heard about Tim talking about uh intense competition in several in several countries we're operating in. Uh we're not uh standing still here. We have counter plans especially in Germany in the execution in those competitive markets. We will use uh networks and AI to drive down costs significantly. We're are committed to deliver uh the 20 five numbers but also the midterm commitments and as you heard um we're progressively uh increasing our stake in T-Mo. Yes, now we're close to 52%. The buyback is ongoing. And with that I end my operational review and hand it over to Okay, thank you very much. and we can start with the Q&A. Uh if you like to ask a question via WebEx, please uh press the raise hand function. If you're required to cancel your question, please press the raise hand again. If you're calling on your telephone, press star three. If you want to cancel, press star three again. I will announce your name when it's your turn to ask a question. And we would be grateful as always if you could um keep it to two questions. And uh don't forget to mute and unmute yourself as uh appropriate. And now let's start. And I think the first uh question will be from Matthew Roba at Barclays, please. Yes. Hi everyone. Can you hear me well? Yes. Great. Thank you. Thank you for the presentation. Look, I had two questions. The first one is around the US. Second one on Germany. in the US you just closed the the Lumos acquisition and I don't know if uh you can add additional detail color about you know how you project the business there marketing strategy and etc and linked to that um if we look at your kind of fix uh strategy you have a bit of fiber you will have more you have FW on the other hand are there other technologies that could interest you I mean cable could be a way to expand your coverage quickly. Um, satellite also redistributing products from other operators could be another way to increase your footprint on the fixed business. So, really wanted to understand how you thought about the different technologies there. Um, and then I had a question about Germany and specifically on broadband. No surprise. So clearly as you flagged net ads are not going the same direction than before but you have good ARO growth. Um but if we project ourselves a bit at this stage you still have a growing customer base because of previous net ads. If we continue on that trend then you're going to lose 1% of growth there. On the other hand you have quite a lot of price competition. So I wonder how much can you continue to increase ARPA um if your revenue if your volumes decline and how does that play out in terms of the revenue

growth of that. So hopefully that's clear. Thanks. So let me let me start with the German question uh first. Look uh we said at the beginning uh of this year that uh obviously we're shifting from volume growth to ARPA growth and you see this reflected in the execution. Obviously we're not happy with the negative 7K. This is why we have an operational kind of um bounceback plan. Let me put it this way where we're trying to address obviously short-term um uh the churn. We seeing elevated churn. We have pretty good gross uh uh gross adettss in the German market but we're seeing elevated churn. And then obviously we're trying to basically complement the first brand with Constra on the broadband um on the broadband execution. And the third one which is obviously a more I would say midterm oriented is execution and acceleration in MDUs and we had that discussion in numerous calls. How do you address the MDUs? How do you basically monetize the MDUs? That has become a strong focus. So what we expect for the year is a stable base and broadband uh customers. So we don't expect a sign significant increase. So for this year we have to focus on the output increase. We're happy that it's working right. Um but u we also have to uh fix the volume challenge which we have seen in the in the first quarter but this is not a short-term measure that will take some time. Hope hopefully that answer your question. It does. And and you believe you can still continue to increase our pool not necessarily price increases but you would have enough. Yes. Um it's the more for more strategy which we're applying and you see this uh with the number of customers who are basically subscribing to um accesses which are beyond 100 megabits per second. You saw that chart which we have there. This is how we basically want to monetize the opera increase with regard to the US question. And look, we are excited about commercial launch of Tiber later this quarter after more than two years of piloting it. And uh Lumis passed 475 um um,000 homes at close. Going forward, I think you know the customer experience and retail business is fully owned by us and we also share um in 50% of the joint venture economics. So therefore, you know, this looks like a very promising um IR as well. Um and we are expecting Lumos to be creative to service revenues but neutral to IBIT in this year. So this is let's say our our current uh look at it when we close matronet we will provide more color on both transactions. Um but you know um our targeted footprint is 12 to 15 million US homes by 2030. Um and uh so far you know this is u the status of the situation with regard to your technology question. Um look um our in terms of technology we rem remain very open but selective um um that is the current view on it. Fiber remains our core due to its long-term scalability. Um fixed wireless is um another very important component and we have extended the footprint for our fixed wireless service as well. These are the two technologies which we are especially driving rural areas. um while technologies like cable or satellites are currently uh not on our focus. Um so therefore you know this is not something which we have in mind. So this is based on a highspeed internet and based on a tiber proposition going forward. Thanks Jim. So with that we move on. I think next is uh Josh at Exxon BNP Pariba. Josh can we have your question please? Hi guys, uh thanks for the questions and hopefully you can hear me as well. Um the first is just to follow up on the broadband side and if I if I think about the pricing structure, you've talked a lot about this upsell

ambition. Do you think the current pricing structure at Deutsche Telecom and the competitor brands are in the right place to support that? And I'm thinking in particular that in the past some of the entry level fiber prices at DT have been cheaper than on the DSL side. um that always made sense to try and encourage this technology shift on the customer base, but I'd like your view on if there's an argument now that we should see front book and maybe even backbook price increases to monetize the very significant fiber investments you're making into the German market. And then secondly, if I move to the mobile side, we saw your new family plan um tariffs come out in March, a big focus on unlimited data and discounts for multiple SIM cards. How should we think about that um strategy which you adding multiple lines seems to be more of a volume game than a value game um and relate that back to the the value over volume message which you gave for broadbands. Thanks very much. Look, let me let me start with the with the first um question. By the way, look, um I I was very clear uh in my my statement that you know there is a lot of let's say dynamic in this mobile market these days in Germany. um and um and but you cannot say you know it is affecting everything is you know the same there are different segments in this market and uh there's a B2B there's a B2C session here um and we have to look to the different marketing our churn rate is very low and we have a very loyal customer base despite let's say some promotional offers and new ideas which are taking place in this and the basis for that one is that customers and the net promoter score is in 40s that customers are very happy with their customer experience and very happy with the network. So therefore they are not so easily let's say to to to be moved out of the ecosystem. Um that is why we are staying and sticking to our focus on quality. This is for us and that is why we are focusing on the Nemo project and doubling our speed. We have capacity and we have quality and that is something which is a driver of a good reputation and there's a big segment in this market which is very much focusing on this topic in firsthand. Now um it is totally correct that you know especially you know um our red friends you know um are I do not understand their strategy. I think they are much more going to volume and they will witness you know over time that they have then a problem with IBDR and then they will have a problem with their capex envelope and then they will fall back again on their network proposition and I can tell you this is the moment where we will gain and win again market share so therefore you know I I will not follow or whatever run after you know some promotional offer they're doing there's a battle going on between telefonica on and vodafone on this customers moving from A to B you know my opinion about this kind of wholesale deal and this is now the price which we are paying. I mentioned that the moment after it took place two years ago and now we see the results out of it but that is not you know affecting us at that point in time there's a lot of things going on between that and if some of the players are saying the mobile market is not growing our mobile market is growing by 3.1% this quarter so therefore you know we are sticking to this quality area there's another area which is changing in the German market which is the MVNO market I think this old traditional MVNO environment is somewhat saturated you know talking about let's say the resellers of you know uh retail organizations and I can tell you in this market

there are new players coming who are going over the over-the-top players or internet providers with new MVO office now definitely there is a dynamic here but even this is a segment it's not the whole market so therefore we have to look at it and to try to understand what is going on in this MVNO environment uh how this world is changing But even the MNO market is attracting a specific segment and not all customers. And even here I think we have a role to play and we will consider what's going on there but we will not do arbitrage um or support you know crazy deals. We have been very disciplined in the past and we stay to this discipline. It has not changed and it will not change. Why should it? We were right in our approach focusing on value APOU which gives us financial um means to reinvest it into a superior quality and this is let's say um what we want to stick to um but nevertheless um we have to watch carefully um the dynamics in this market um and if you ask me what is our measures you know to react on this one I think before we react on the price level we have new tariffs in the market with our unlimited and with our family offers. I don't see a big problem on the backbox which you mentioned. Um maybe we have to look onto the handset prices in this market. You know whether we are competitive enough in this environment but this again you know um these are technical elements which we will have to look out throughout the year. This is the situation as it is today. So look uh on the on the broadband pricing um so far it works. So we don't need uh we don't see a need to to now react on it and and always bear in mind the retail pricing is obviously also driven by wholesale pricing. So um therefore uh it's not only having an impact on on the retail side also on the on the big um wholesale business. So so far I think we're happy with the with the upselling and as Tim said we're not getting hectical or hectic. uh we're basically sticking to our value and and quality oriented strategy rather than to take the volume fight and we'll see how long it uh how how long it's going to last with the other guys to continue with this yes or no. So the short answer on your first pri on your first answer is yes. And maybe just to add would have you know was promoting the one gigabit or offering the 1 GB at 45 until the end of March. So specifically on this one they have moved back to the list price which is 20 euros higher. It's still promoted uh aggressively for the first uh initial months but uh on as far as the rate uh plan is concerned as a reversal to a relevant and good price and you know of course the fiber wholesale prices are substantially higher than the ret the VDSL wholesale prices. So there's a lot of runway in terms of upselling in the market. So from with that let's maybe one last sentence you know to be very clear because you know um we are aware what's going on in the market and we are watching that carefully and uh um but you know we are not nervous at all on this subject because you know our prerequisites are very well intact. We will double down on the capacity on the bandwidth on our network in mobile. We have new unlimited tariffs in the market which are you know um the first results are very encouraging um and we are competitive. Our Kungsta brand is super successful and is attracting the low-end market. We are not in an dependence of some kingmaker who is a wholesale partner who will destroy our business model going forward and our arars. We have under you know the former regime of of Sini we have solved almost the entire backbox problem. So therefore we do not

have let's say kind of deterioration you know to fear in our backbook. We have financial means in our group. So you know so uh let's see how how long Vodafone's breath is is working on this on this attempt here. And therefore you know um um on the customer perception we have a net promoter score 40 uh 40 basis points. So therefore you know I I think we are well intact um we keep a hunt in the way how we are dealing with this and um or as Hannes is always saying keep calm and carry on. Yeah. Well okay after that um we move on to I think um I think next is Adam. exactly at HSBC. Please, Adam, can we have your questions? Thank you. Uh at the risk of uh risk risking that keeping calm and carry on, I'm going to stay in the same area. Um I do appreciate your comments on value over volume that you're making. But um last quarter you said you needed your fair share of net ads and that was only two months ago. And now you're saying that net ads will, you know, the base the broadband base will be flat through the through the full year. So it does feel like something's changed. Um maybe I'm wrong, but it would I'd like to hear a little bit more on why you've changed that approach. Um and then just a slightly related question. I was wondering if you could talk a little bit more about what you're seeing in the fixed line market uh with respect to the overbuilders because I you called that out in your prepared comments as well. I wondered if that's stepped up a little bit um since uh since the beginning of the year. Thank you. Look, Adam, let me let me just comment on the fair share which is 40%. And I think let me um refresh also the memory of every one of us. We had quarters where we had a fair share of where we had actually a net share of beyond 100%. Right? And we never withdrew from that 40% um fair share. So if we're overachieving we're basically said okay this is kind of what we're trying to aspire and currently unfortunately we are underachieving it. It remains the same. Um and since 2017 or 18 we have actually increased our broadband market share given the strong performance which we had. Uh so obviously we must have um overperformed relative to the 40%. Um so I think there's volatility around this 40%. I think the 40% is a good ambition but we will not hit it always and if we over exceed we don't change it. That would be my answer on on the on the fair share uh question. Look um but the 40% commitment and my 40% target is unchanged and I'm very very focused on this. Now that said, let's go to the next question. You know, um building twothird of the market with fiber these days, you can imagine that, you know, um the there is no big change in the overbuilder development in our markets. Um because, you know, we have a a very strong you know position here. It has not you know mention significantly changed um in this areas over the um the recent quarters. Um um so therefore I I would not see any kind of changes to to previous quarters here. Um currently we see a steady growth of um um the network over builders. We accelerated our build out and now account for you know as I said twothird of the markets um and um therefore you know I I don't see any kind of of of issues coming here from that angle. But uh we want to add something here with the multi-drilling units or whatever. No, but it is yes there is turn to the towards the overbuilders obviously right but that was as it was before. Yes. So okay which is what your question was so therefore um let's move on to Akil at JP Morgan now please. Hey good afternoon. Thanks for taking the questions. Um the first I'll stick with Germany if

that's okay and um Tim I just wanted to follow up on your comments again on this whole value versus volume and um a comment that you may have heard yourselves um from your competitors on the whole topic of value versus volume is that um it doesn't necessarily look like externally that it is always value and it is more volume when the multi-IM is €10 on the marginal SIM and when you've gone to unlimited data on your S plan which you now give unlimited data to in a convergent bundle. Um you can now also get unlimited data for €4. So I guess what I'm really trying to understand is when I think about the marginal pricing you're offering the market. Do you think it's fair to say maybe that is a bit overly aggressive and maybe it's not fully considered the value versus volume or do we think we're misinterpreting that and you look at it somewhere differently? So that's the first question. Um and then the second one is a is a bit of a difficult big picture one but um would love to get your comments on it. Um we've seen an increasing rhetoric from various different bodies around this whole panuropean initiative whether that was the dry report last year whether it's from the competition commission or even more recently post the Trump tariffs this whole agenda about Europe needing to have champions that are more relevant globally. And the reason I mention it is because we've had a co change at Telefonica and he's running a strategy review and has been quite explicit in saying that's one of his big drives is to be increasingly panuropean and trying to push for a bigger footprint across Europe. So I guess I'd love to get your take on how you think about this theme. Do you think it's relevant? Do you think there are changes here that mean that this is also something that could be something you'd focus on? And I guess in answering it, I'd love to understand not just on Telos, but is it relevant? You know, um Christian mentioned the data sovereignty is it relevant from a sort of adjacency standpoint as well. So just in general, how relevant is this theme? Thanks. Okay, so Akil, let me let me start with the value versus volume. Obviously, there's two sides to the story. The one is which accounts for twothirds of our business is the broadband business and the fixed line business. And clearly we don't want to destroy the uh the pricing structure in the broadband business and therefore we're focusing on the upselling as I mentioned earlier on. I think on the on the mobile side it's slightly different. You're right uh the family plans are dilutive. That's that's very clear. But there are ARPA increive and this is how we basically look at this and and this is why we're saying we're still happy with the volume gain which we're gaining here and which obviously led to a mobile service revenue but on a SIM card basis um there is obviously uh sympathy for your argument that we're fairly aggressive on the second or third card but so far it's working right. Take a look at the numbers of Telefonica. take a look at the numbers of of the other guys in in Dussodorf. So we are growing our mobile service revenue uh and and therefore we don't see a need to change the strategy despite the fact that it's output dilutive but again on if you combine the volume and uh uh the volume impact it's uh it's accretive to the mobile service revenue growth we are certainly followingly uh following um this debate very closely and uh the idea of stronger panuropean players is um is definitely gaining traction. Um no question especially with the push for digital serenity and resilience in our um environment here.

However, the regulatory frame uh fragmentation um remains a significant um challenge for for uh the implementation or um moving into this direction. I think you know um there are no plans because you know the the the supportive policy framework is not existing yet and um and therefore you know I haven't seen even you know um how to create real value for our shareholders out of that. Um so therefore we have um to understand you know what they mean by this political statements at that point in time. Um look we are always looking and and focusing on what's going on there in this market. um do we have a concrete projects or any kind of activities with regard to the classical connectivity um um business at that point in time? No. If there's intramarket consideration possible and there was the Spanish attempt from three to two, you know, um and this would be supportive, you know, intramarket consideration, you know, um is always again um for customers and again for um for shareholders. So this is definitely something uh which we would like to see more of it. So um therefore um we are focusing to remain our strong national presence which we have in the markets. Um um and that is let's say the position at that point in time. Uh I haven't seen let's say um a Europeanwide approach on this one but u you totally observe it correctly. Um political leaders are trying you know to create something more European a digital European single market. Um and that might then change even the the dynamics in uh on the portfolio side but it's too early to talk about that. Thanks guys and thanks Akil. And with that we move over to Polo at UBS please. Um hi thanks for uh the presentation and taking the questions. I have two. Uh the first question is just about the new German coalition government. They've outlined fiscal stimulus in terms of potentially cutting the corporate tax rate to 25% from 30% as well as an allowance for an accelerated depreciation. Separate to that, there's also the 500 billion euro German infrastructure fund. So, how should we think about the benefits for Deutsche Telecom and in terms of timing because some of these benefits impact numbers in 2025? My second question is just specifically on German MDUs because in your remarks you flagged that you had passed 5.7 million MDUs with fiber. But can I clarify if you will be the exclusive fiber infrastructure in these MDUs or will there be two fiber networks with Deutsch Telecom on one side and cable on the other? Thanks Paul. on the financial impact um uh of the plan of the coalition. First, it has to pass the parliament uh which it hasn't uh so far. I think the short-term benefit will be obviously on the uh degressive depreciation the 30% which they have in their plan and we don't expect a big impact in the um uh in this year because again as I said it has to pass um the parliament and the corporate income tax is supposed to be lowered on an percent basis starting from 28 onwards. So it's outside the CMD uh package. So we don't expect anything from the corporate income tax side but on the degressive depreciation obviously that is a tailwind to free cash flow and then we have to think about whenever this has passed the parliament and the 30% um stick because there's also debates is quite costly um whether uh we may lower this yes or no you don't know what's going to happen with the federal states uh then we have obviously some tailwinds which we either uh generate to further invest or to put it to the free cash flow. But you know overall um we are looking very positively into um what's happening here from the German

stimulus and uh from the sovereignty discussion um big opportunities now it's on us you know to make something out of this um we see already developments on the defense we see already uh developments on the cloud uh we see already developments on the security side we see where we're growing very nicely we are seeing already um um benefits you know um on the digitization of the governmental services. So therefore you know um um all hands on deck um we have we changed the government's governance in our organization. Uh we have a new team here. Um we are um uh we are trying to support the new government and the new leaders here. Um um so therefore there's this you know I'm I'm triple plus positive on on on the developments and I hope that we gain something out of that for you as shareholders as well. Now with regard to the second question, you know, by the way, uh in in in Germany, you know, um um there are some MDUs who don't have in-house cabling. So then then you build a new one. Uh if there's an um an MDU which has cable, you know, everybody has access to the cable infrastructure there. So that is that say regulatory wise, you know, so you will not see that that that somewhat can limit it or can can you know protect his his infrastructure access today. um we have now deals with 5.7 million households you know where we have the access to the to the last mile here um um um and to the apartments. So um this is regulated and organized um in a good way. Um so therefore you know um um um where infrastructure is available we will use it. Uh if there's no infrastructure we will build it. Um and um if there are multiple infrastructure they will be shared. Great. Thank you, Tim. And with that, we move over to Carl at CT. Hi, that's great. Um, two questions, please. Firstly, um just in terms of the IT business phasing, um I was just wondering in terms of the forward forward outlook and visibility there of the government spending coming back and and basically the the speed of order book conversion that you expect. And then secondly, following up on what you were saying in terms of MVNOS's in Germany, I thought I'd just flip and ask this kind of a similar question in the US in terms of your level of appetite for hosting some of the uh larger cable MVNOs's in the US when they come up for renewal. Thank you. Great question. the look um by the way it's interesting these MVNOs's in Germany you know um and and by the way I I'm surprised that nobody has asked the revolute question yes and their offers on an unlimited flat rate here um I would ask the question who was so stupid to enable that deal you know uh because you know 1250 but you have the answer already um so therefore you know um this is something which we have to look at and it it it will destroy something in the market I hope that we will not be affected with our proposition here so far we were on the top of the market always you know uh less vulnerable on this kind of things but you know um um do I applaud to this kind of new developments no um now we are very disciplined on MVOS's you know that and please give us some credit over the last you know 12 years or 15 years you know I cannot recall when I when we made a stupid MVNO deal you know if it is an arbitrageer to our core business um you know we will not go for that one um if it's a segment which you know where we are weak. Um if there is a segment you know where we do not have access to and we you know take um some ethical groups or think about let's say some some business segments or anybody anything like this where we

do not get with our brand and with our sales organization um um into a proportionate growth in this areas we can consider MVNOS because they will help us you know to uh to get um the fair share in this but overall all big MVN O's for the US and you know um with a big arbitrage is equal to our retail business um um I think we have a policy and a discipline in that group and u the likelihood um is low let me let me try to answer the IT phasing question and look what we're expecting for the remainder of the year is that the overall fixed line service revenue will improve relative to what you've seen right now but to To be honest to answer the question, it's a bit of speculation and this is why we said several quarters because first the government is still information. Secondly, we have a new ministry, the digital ministry which is also responsible of kind of debureaucratizing uh the whole um the whole public sector. So this is still information. Third one is it has to pass some of the federal state budgets as well um in order to become a big project. And if you're talking to kind of the sales organizations who are dealing with this public sector uh constituents, they're talking about several quarters, whatever the several quarters means, but we're we're optimistic that we're seeing at least some of this positively um in the second half uh of of this year. So we expect that the fixed line service will improve over time over the course of the year. when the big projects are coming. I can't tell you right now, but we'll let let you know immediately one once we won one. Okay, very good. Um I think sometimes um take take their time. Uh with that we move on to Andrew at Goldman please. Yeah, good afternoon everyone. Um I had a question on the US uh and then a question on capital allocation. Um so obviously a lot of people got quite nervous on the US growth outlook and there's some share price volatility around Timus' uh first quarter results. It'd be great just to get your reflection on or big picture views on whether the growth outlook uh of the market has changed uh in the US or whether teus' growth outlook within the market has meaningfully changed. Any comments around that would be really helpful. and maybe specifically what's your early take on the success of the targeted rate changes as you put it uh that you're making or uh you the transition a bit more towards value over volume in the US um and then on the capital allocation side of things it's been a period of share price volatility as I mentioned earlier um for both DT and teas just wondered how your preference has shifted between team state build uh versus DT buyback um versus where you were a month ago uh ingring towards I think a DT buyback at the time. Thank you. Okay, let me let me start with the US market and you know where we see you know um um the post-paid phone market slowed in the first quarter 2025 but it's too early you know to draw strong conclusions for the overall market development. I um we continue to think that we are less exposed to the overall market growth due to our differentiated um growth vectors and in fact like we grew gross ads across all postpend categories in the first quarter and we had the highest postpenda growth in eight years. We saw um a temporary uptick in churn um impacted by the mentioned price increases on the legacy plans um and by the way we even expect the to continue this temporarily in the K2 as the rate plan optimization hits the build cycles. So therefore you know this is normal and by the way you know this was a calculation we had in mind when we when we triggered that and by the way you know we discussed it

as well with you guys. this churn impact is completely in line with the expectation um and it was contemplated in our highest ever Q1 net ads guidance for the year. So therefore you know um look we are not um that nervous you know about the development on the u growth in the US. Um the opposite is the case our team is bullish and um committed. Okay, on the on the capital allocation question, Andrew, look uh obviously you know that we have filed selling into the share buyback uh back in April and or was it Mar sorry it was March and that this is going to uh start earliest than June for on on June 14th and that obviously was based on a simulation on our share um shareholding in the US and that was around 52%. Obviously the the share price was very strong over the past month. So we had a little more shareholding in there but still 52% is a is a solid majority which we're owning there. So um and and the second one was it was under the impression that we were out of the comfort zone. What the uh when it comes to the leverage obviously this has that pressure has come down given the the weakness of the dollar and you've seen that in the Q uh in the Q1 numbers and if you do run a simulation and you take the M&A out for for for a second because we don't know whether it's going to close in Q2 or in Q3. If it's not closing in Q2, um then I'm I'm also confident based on our simulations that we still stick into the corridor. So if we if we're um selling into the share buyback, I would I wouldn't expect that we're going to increase the share buyback on the DT level in this year. We're happy with that one. But obviously it creates optionality for the future. And this is how I would look into this, right? So don't expect any decision short term but obviously uh we have some let's say dry powder which we then can decide on as we usually do in the Q3 numbers on how to basically utilize those. That would be my answer on your question. Okay. Um so next um is David but I understand David you are you still um want to do you still want to ask your question? I I'm here actually Andrew's just asked it. So in the spirit of collaboration with my colleagues, I shall give my space up. Thank you so much. Hey, thanks. That's uh that's much appreciated and very generous and um and you get a next job on next time and that gives uh with that we move on to Otavio to Ed Bernstein please. Hi good afternoon. Um a couple of question for me will be quick on EBDA. uh you've been uh growing um below the um midterm guidance. Of course, there is a volatility during the year, but you attribute the um uh some pressure to the high personal cost. Now, if I remember well, the union agreements had a 6% salary increase in four quarter last year and that will accumulate with a 3% increase uh over the summer this year. So uh if anything else probably the uh personal cost pressure would increase. So uh what is the the room you have considering that the uh revenues from the PA will probably take several quarter to crystallize. Are you going to offset that pressure to go back into the um around the midterm guidance? And the second one is very quick on the uh there's been a positive on the wholesale access revenues. You're actually trending above the midterm guidance. uh you go around 2% versus stable. So there's a debate about volume versus um uh price uh in on the B2C. What's going on there? It's just that uh uh they're basically uh migrating customers towards a higher speed or actually they're taking more wholesale lines. Okay. So um you want it whoever Okay. On on the evalu it's

fairly simple. uh first we want to utilize the AI initiatives to basically free up capacity in uh in the personnel uh total number of personnel which we need and this is especially true in the service department but also in the technology department and obviously uh depending also on what's going to happen in the um with the next wage agreement obviously we don't expect the same kind of degree of uh of of wage increase uh we have to be very focused on reducing opex but automating and using AI in our systems so that we can free up personnel um in in our German operation. That's the way how we are working against this and I can rest assure you that the German team is on a plan which is actually calling for acceleration along those uh along those uh direction. Look on the um on the wholesale excess revenues it's a good observation you know and I think the growth is a mix of both we seeing on the one side healthy migration towards higher um um speed tiers that is definitely something including the fiber um topic which lists the the apple in the in the wholesale uh contracts and there has been also a moderate price increase remember we talked about that one which is now paying into this uh into the strong uh quarter. So um this is um another effect. Now this price increase will not continue you know so for for a long period of time. So therefore this is now we're now benefiting from it. But it shows again you know our focus on value interesting wise if you took the whole fiber market or the fixed line market um twothird of the whole growth is coming from value and only oneird coming from volume. So we are not driving volume you know uh to an excess. We are very much focusing on the value on this on this uh services here and the same is true for for our wholesale business. Great. Okay. Uh so with that we move on to uh James who surely has a question on MDUs. No only joking but go ahead. It's it's a fair challenge. I'll save that for my second question. Um so yes I'd add two questions please. So the first one is interested in the kind of concept of just overall market growth in Germany across all of the players because it looks on the kind of broadband side obviously penetration is maturing. It's harder for all of the players to get KPI growth. But when I look at the mobile contract market, all of the players in Germany continue to report very solid contract net ad growth. And that's obviously a key driver of your mobile service revenues, but it looks to me as if the kind of human penetration of contract SIMs in Germany is now close to 100%. So when you think about the whole market, how do you think about what the total addressable market is? How much more growth is there out there for all of the players in Germany on the contract post-paid side? And then secondly, you know, Hannah, I didn't want to let you down. So, so on the MDU side, um, specifically, I think Christian, in your remarks, you were mentioning that on the broadband KPI side, you were going to start taking more specific actions in MDUs to improve growth. Could you be a bit more concrete, please, on actually what some of those actions are? And then Tim, did I hear you correctly in your response earlier that if another operator builds fiber in the MDU, you would then be willing to whole buy off that network? Thank you. Look, um, by the way, on the mobile side, um, look, your your your observation is totally right, you know, that, um, we have already a penetration around, you know, 100%. But you know first many consumers hold multi um SIM products you know they have a tablet they have variables they have a car

they're expanding their footprint you know to multisims here um then we have a a migration from pre to post so um there are customers coming who were on the on the prepaid side now coming to the post area which is helping us to drive our growth um so the premium plans are more attractive and you know that we are even you know not you know attacking Vodafone or Telefonica our attempt is much more that we want to reduce the amount of MBNO and second cards in this uh in this market um to bring them under the um telecom umbrella here. Uh so this is driving growth into our areas as well. Um and then on top of that you know um we have seen even you know um uh in in at least you know over the last quarters you know even attempts from everybody you know to increase their um value for money or the the price sorry the um more for more logic to gain you know higher prices out of the segments you know by uh by bundling it in an intelligent way. So um um so therefore um you know the penetration is now going into more into the services which uh which we are selling then rather into additional SIM cards you know and therefore nobody's counting SIM cards at that point in time. Um and then your statistics might even belong that some of the carriers are including their IoT cards into the numbers as well. Yeah. So um look we are we still see uh um an increasing demand um on both side volume and on on um on value and we see and we want to drive you know more penetration into our premium plans into the magenta envelope which is another topic and then um uh the MVNO market is let's say the area where we want to fund ourselves. So on on the MDU question, um I don't want to make the competition smart about what we're doing, but let me kind of flesh out what we're doing. First of all, out of this um 7 million MDA footprint, we have quite a chunk of uh MDUs which are already connected where we basically have to monetize. And the sec and and the way how we want to do this is obviously giving kind of a let's say a a platform incentive especially if more than one household is subscribing to that fiber. So that's going to be the first point wherever we can commercialize and monetize this um that we going to uh that we going to push some um extra effort on this one. And the second one is obviously going into these owner associations with more people and we have a lot of people in the German organization to actually persuade them that fiber is the endgame. This is kind of um what you shoot for. We have an incentive structure which incentivizes fiber over copper. I would flesh out these two things uh what we want to do on MDUs and obviously it is a capacity game which we're playing here and we're trying to use our size in order to get more traction on the MDU uh game and to your question yes we are willing to hold by um as we are actually not you know our main uh priority is that somebody builds the fiber in the building and so we can monetize the fiber that passes the building. Uh we in order to expedite this as Tim has previously mentioned we have contracts with a housing association that cover 5.7 million German homes and that's steadily growing by you know more than a million perom and that's a very significant part as you know of the German housing association market. So we are definitely front-footed in this but if somebody else wants to buy it uh you know we we don't rule out whole buy in principle. Okay so with that um let's move on to Steve at Redburn please question here from Atlanta. Yeah couple just just going back to wholesale if I can and Christian thanks for

the kind of color on pricing. One of the things I noticed that the wholesale, 000 bundled lines. It looks like the migration from ul slowed quite a lot and you only added about 20,000 fiber lines. So can you just help us on that kind of P times Q through 2025 and when that pricing uplift? Um Steve you broke up but I think we can answer the question. I mean the hotel trends are very steady um frankly. So um the the volume trends are very steady. Uh the upsell trends are very steady and the pricing is an overlay and that will come to an end by the end of this year because that's part of was part of the commitment contracts that we negotiated in 2021. Do you have another question? You were really hard to understand. Sorry the line was bad. Um, and maybe you send me the second question by uh if you have a second question by email and we can cover it like that. In the meantime, I did actually get two questions by uh email. One is from EMTT at Morgan Stanley. Uh he says um headcount in Germany is down 4% year on year to 57,000. Can you talk about how we should expect that number to evolve in future uh quarters and years given age profile restructuring fiber roll out uh need to attract more employees in AI digitization uh no question on data centers I'm surprised but uh Tim is working on it Tim is working on it but uh anyway I don't know if who wants to take this question but um without the without giving Any details emit? A slight acceleration relative to the 4%. That's the plan. Okay, that's um a short answer and but it's very consistent of course with the trends that we have seen and it's a long-term let's say run rate that we not expecting to materially change frankly and if anything maybe a slight acceleration and uh then Robert Grindle at Deutsche Bank also submitted a question by email and his question is uh that Hungary also has appears to moved to monetize its towers or at least um uh announced a carve out and are we still keen to monetize European towers overall or will be a country by country uh approach um be followed? Look, the answer is um ready to go um today. No need to do anything at that point in time. Um we are evaluating opportunities here on the on the towers. Um and um as you know you know we have carved out our tower business in uh in um Hungary u in Greece um that is you know um and then we have in Croatia Czech Slovakia carved out in 23 already. So therefore you know um this is something where we haven't taken a decision yet. Um but um we have the opportunity to do so with our cookie jar. Okay. And then I have a bit of feedback from EMTT. He says um short answer but Alice Cla. So I think that's a really good way of ending this call. Alice Claw Alis Claw and um uh we hope it will stay like this. Uh anyway and um we thank you now for participating in this call and um uh should you have any further question of course please uh contact us at the investor relations department and we look forward to hear you and speak to you again soon. Thank you. Thank you. Bye.