

Technology

Deutsche Telekom Profit Rises on U.S. Growth

By Stefan Nicola

9. Mai 2019, 07:00 MESZ

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Deutsche Telekom AG posted higher operating profit in the first quarter, propelled by forecast-beating U.S. growth that's making up for slower momentum back home in Germany, where Europe's biggest phone company faces emerging competitive threats.

Adjusted earnings before interest, tax, depreciation and amortization after leases grew 8.3 percent to 5.94 billion euros (\$6.65 billion). The figure, which eliminates accounting changes related to leases, was slightly

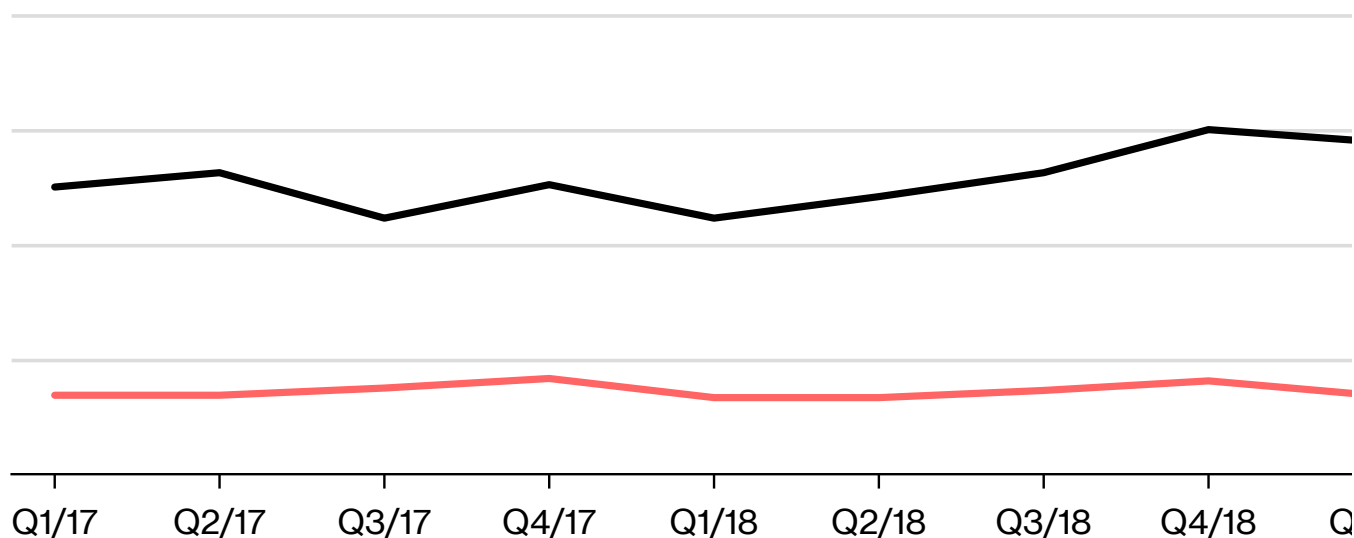
below the average forecast of 5.97 billion euros in a company-compiled survey of analysts.

The company confirmed its outlook for the year. It expects adjusted Ebitda AL of about 23.9 billion euros and free cash flow AL of about 6.7 billion euros.

American Dependence

Deutsche Telekom's U.S. unit has been making up for flat sales in Germany

U.S. Germany



Source: Bloomberg data

Key Insights

U.S. unit T-Mobile has beaten earnings estimates for 13 straight quarters, supporting the German parent company's argument that the business will still prosper even if regulators block its \$26.5 billion takeover of U.S. rival Sprint Corp. Raymond James analysts cut the chances for approval to 55 percent from 80 percent last week.

Back home, a four-way bidding war for fifth-generation mobile spectrum threatens to inflate Deutsche Telekom's capital spending burden in coming years.

The Bonn-based company faces renewed competitive pressure in Germany, where it lost contract and fixed-network customers compared to the previous three months.

Revenue in its home country grew only slightly to 5.36 billion euros over the prior-year period. Vodafone this week offered Telefonica wholesale access to its entire German cable network, while Drillisch is threatening to build a fourth national 5G network.

Market Context

Deutsche Telekom shares are up 0.7 percent this year, trading in line with the wider Stoxx Europe Telecommunications index.

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Sales and operating profit rose at its European units, bolstered by an increase in contract and fixed-network customers.

Sales at the T-Systems unit fell 2.1 percent to 1.63 billion euros. The company cited a "general decline" in IT business in western Europe and the termination of unprofitable contracts for the drop.

Company statement here

In this article

DTE

DEUTSCHE TELEKOM

14.93 EUR ▲ +0.01 +0.05%

TMUS

T-MOBILE US INC

72.63 USD ▼ -1.37 -1.85%

S

SPRINT CORP

5.62 USD ▼ -0.17 -2.94%

VOD

VODAFONE GROUP

140.10 GBp ▲ +0.10 +0.07%

TEF

TELEFONICA

7.18 EUR ▼ -0.04 -0.57%

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