

**TECHNOLOGY NEWS**

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Deutsche Telekom's T-Systems to boost core profits, strives for cash

Nadine Schimroszik



HANOVER, Germany (Reuters) - Deutsche Telekom's IT services arm T-Systems is on track to boost core profits this year, the unit's CEO Adel Al-Saleh told Reuters, but still has its work cut out to start delivering a cash return to Europe's largest telecoms group.

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AKZEPTIEREN

American Al-Saleh was brought in at the start of 2018 to turn around T-Systems, which under previous management had over-committed to big, loss-making IT outsourcing deals and fallen behind in digital transformation.

He struck a deal with labor leaders last summer to reduce the business's German headcount by 6,000, slash the number of offices to 25 from 230, and hire 3,000 staff - mostly in India - to round out its software skills.

At the same time, Al-Saleh identified business lines that T-Systems could grow and those it should sell or run down.

"We had a huge year in terms of what we needed to do," he said in an interview at the Hannover Messe industrial trade fair, where T-Systems showcased promising business lines such as cybersecurity.

"We accomplished nine percent growth in these growth areas. Our sales engine came back to life. We grew our sales performance. Order intake was pretty good. We tackled our costs.

"We still have a lot to do. We are still on that journey. We need to become better."

CASH CONTRIBUTION

T-Systems stabilized revenues in 2018, when they grew by 0.3 percent to 6.94 billion euros (\$7.76 billion). Yet adjusted earnings before interest, taxation, depreciation and amortization (EBITDA) fell by 16 percent to 429 million euros.

"This year is a year where we need to drive growth in EBITDA, not only in revenue," said Al-Saleh. "Our goal is to reach a positive cash contribution for the company by the end of 2021 or the beginning of 2022."

T-Systems has already discontinued loss-making IT services such as call centers, desktop management and support, and logistics for computers to deliver to employees, Al-Saleh said.

It has also decided to "phase out" its involvement in ngena, a partnership to create a global platform that effectively merges its members' software-defined wide-area networks (SD-WAN).

“We will phase out the engagement and decided to do something different,” said Al-Saleh, promising an announcement this summer.

He also highlighted a mainframe computing alliance with IBM that was struck in January and said more initiatives were in the works in areas such as smart cities, healthcare and cybersecurity.

Reporting by Nadine Schimroszik; Writing by Douglas Busvine; Editing by Thomas Seythal and Mark Potter

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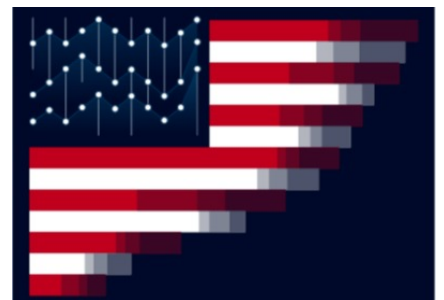
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