

Telefónica Deutschland  
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# Telefónica Deutschland

Investor presentation

August 2021



# Disclaimer

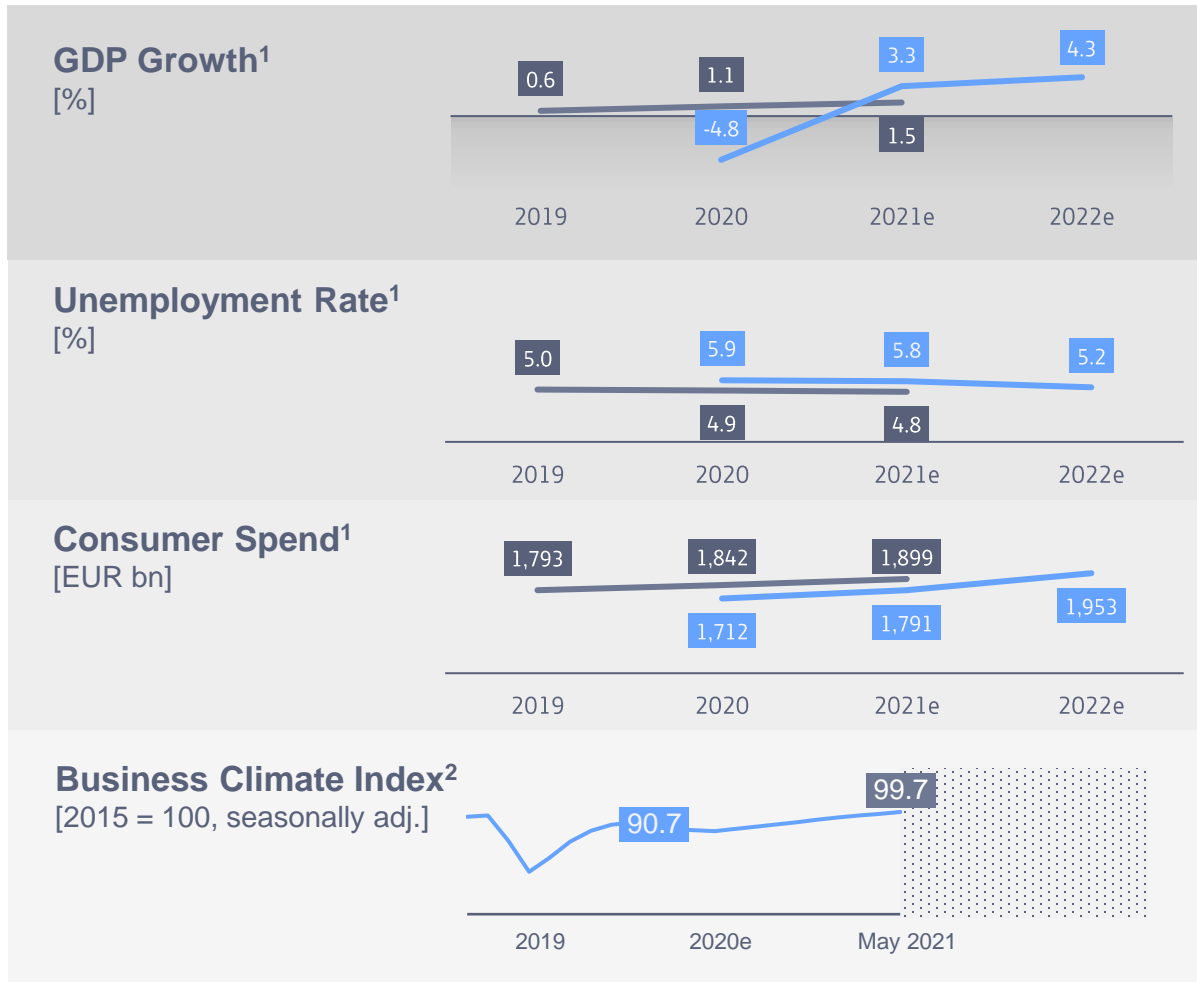


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# Key reasons to invest



# Economic recovery expected in Germany w/ gradual lifting of C-19 measures since May



## Current Trends

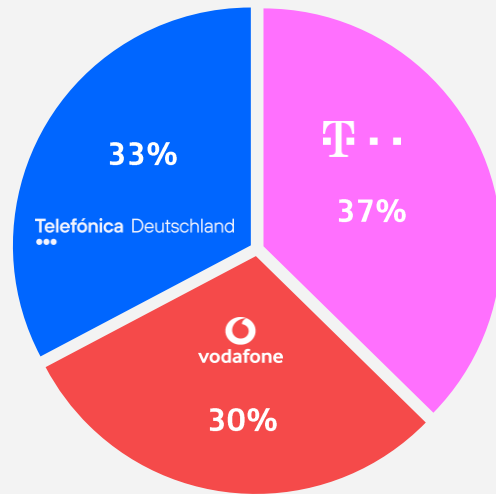
- Dynamic yet rational mobile market
- Data growth with continued CAGR of >50%
- Soft convergent market environment
- 3 strong mobile networks

## Future Trends

- 5G use cases & demand to accelerate
- Fixed-Mobile-Substitution becoming increasingly relevant
- Potential 4<sup>th</sup> urban MNO
- 3 integrated (mobile + fixed) players

# Competitive Environment

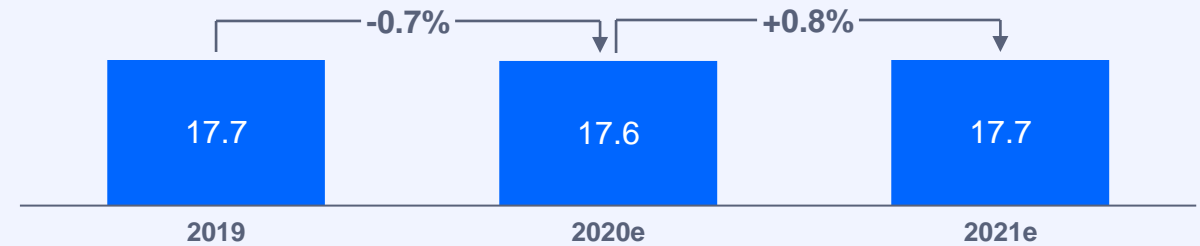
## Rational & balanced market<sup>1</sup>



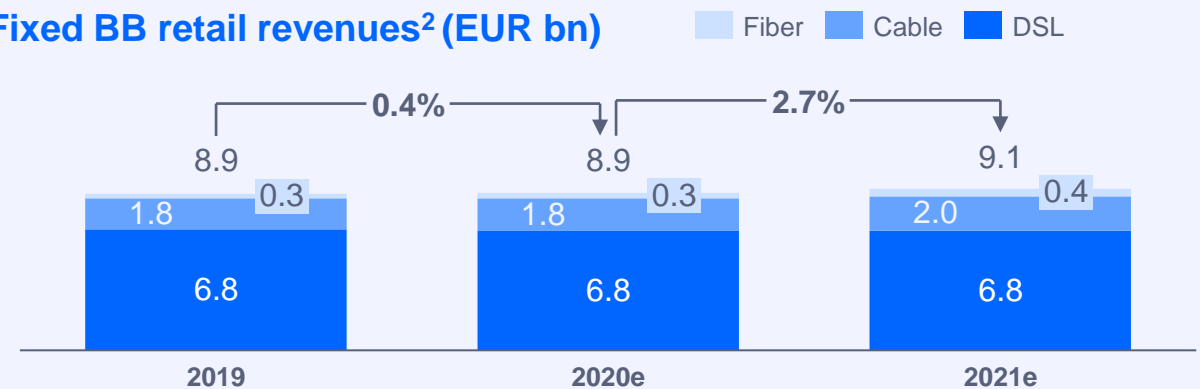
- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

## Market development<sup>2</sup>

### Mobile service revenues<sup>2</sup> (EUR bn)



### Fixed BB retail revenues<sup>2</sup> (EUR bn)



# Successful first half of 'investment for growth' programme

## Updating FY21 outlook to 'slightly positive' yoy growth

We democratise access to the sustainable digital future to create a better everyday life for everyone

### Boost Revenues

Outperform the market



#### Mobile Growth

Gaining rural share & reinforcement in urban



#### Smart Bundling (incl. FMS)

Capturing value & reducing churn



#### Attack in B2B

Targeting fair SME share

### H1 2021

Revenue yoy

**+2.9%**

+1.9%<sup>2</sup>

OIBDA<sup>1</sup> yoy

**+8.2%**

+3.5%<sup>3</sup>

Capex/Sales

**13.6%**

Net Adds<sup>4</sup>

**~594k**

O<sub>2</sub> Churn<sup>5</sup>

**0.9%**



ESG at the heart  
of our strategy



National Roaming Agreement

<sup>1</sup> Adjusted for exceptional effects

<sup>2</sup> Excl. non-recurrent special factors

<sup>3</sup> Excl. non-recurrent special factors & received social security payments

<sup>4</sup> O<sub>2</sub> Postpaid excl. 124k M2M

<sup>5</sup> O<sub>2</sub> Postpaid

# Swift business recovery following re-opening of economy in Q2 21

O<sub>2</sub> GROSS ADDS



Channel mix

O<sub>2</sub> CHURN



At historic lows

PREPAID TOP-UP BOOKINGS



Recovered

Gradual recovery of int'l roaming revenues since phased re-opening

**>50%** of Q2 19 level  
(pre-pandemic nonEU)



# ESG at the heart of TEF D's strategy throughout the pandemic

## Launch of Responsible Business Plan 2025 – Digital. Sustainable. Connected.

ESG strategy fully integrated in overall business strategy

- ✓ RBP goal: Creation of sustainable value and minimisation of risks
- ✓ RBP 2020: Achieved key targets
- ✓ RBP 2025: Ambitious future targets incl. climate protection strategy

Responsible Business Plan 2025



2004

2021



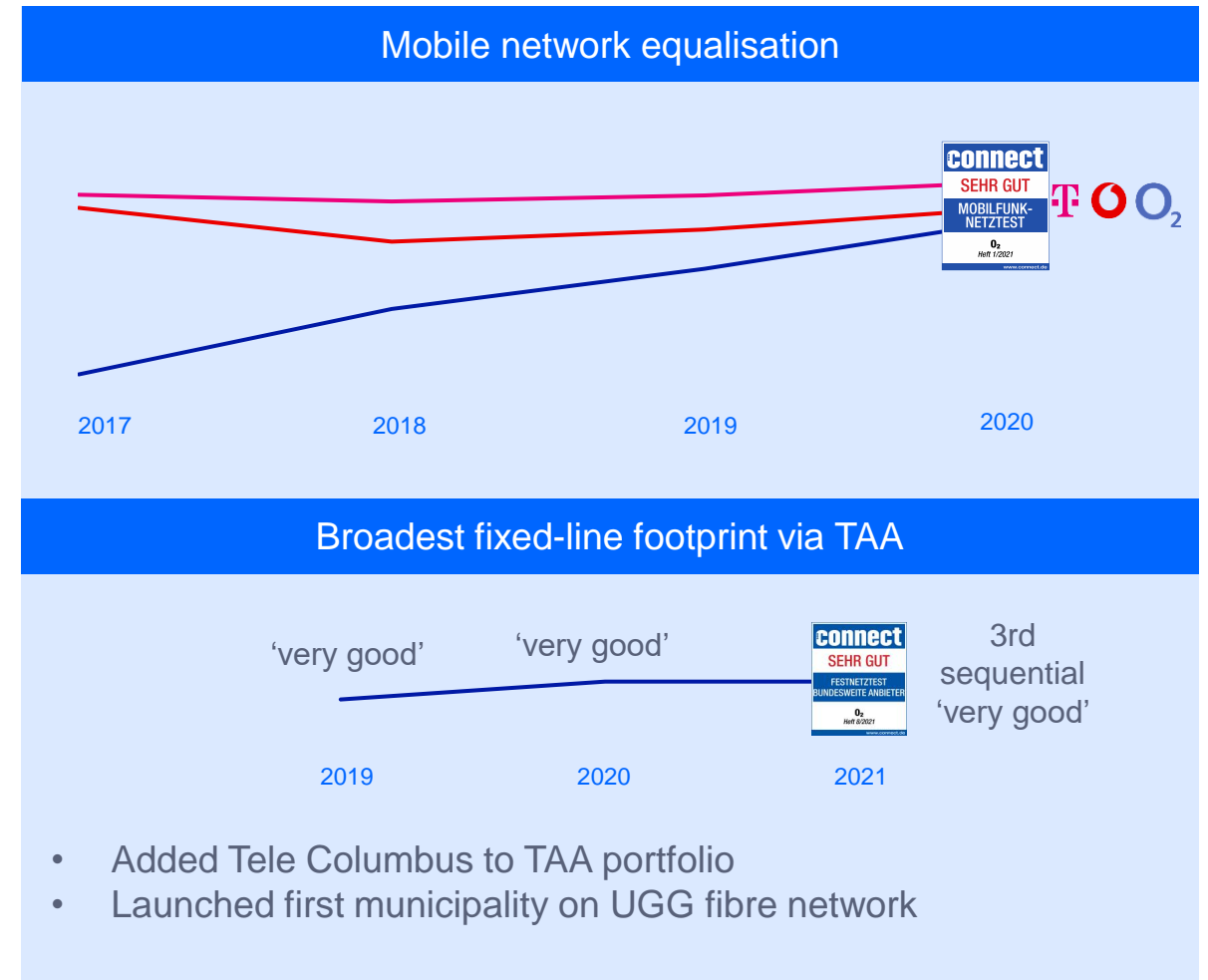


# Awarded 'very good' rating for mobile and fixed networks

O<sub>2</sub> can do



At home or on the go:  
**Welcome to the very good network from O<sub>2</sub>**



# Rapid 5G rollout – data growth accelerated with highspeed mobile network

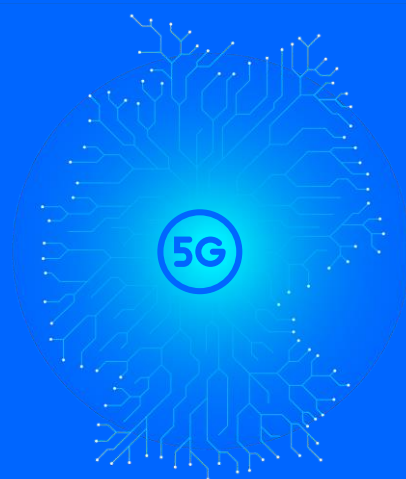
## O<sub>2</sub> 5G Network rapidly expanding



5G in more than 80 cities



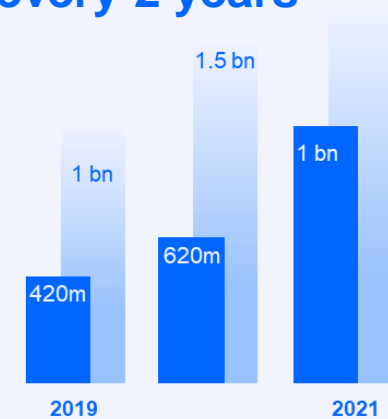
More than 2.000  
5G antennas  
on 3.6 GHz spectrum



## Data traffic more than doubling every 2 years



¹ O<sub>2</sub> Free Postpaid



## Normalised C/S following completion of 'investment for growth' programme

Whitespot sharing

Greyspot sharing

Mobile pact

MIG



# Updating FY21 outlook to 'slightly positive' yoy growth

	FY21 outlook <sup>1</sup>	Actuals H1 21	Updated FY21 outlook <sup>1</sup>
Revenues	Flat to slightly positive	<b>+2.9%</b> yoy +1.9% <sup>3</sup> <div style="display: flex; align-items: center; gap: 10px;"> <div style="text-align: center;">                         3,636 H1 20                     </div> <div style="text-align: center;">                         3,743 H1 21                     </div> <div style="font-size: 2em;">✓</div> </div>	Slightly positive
OIBDA <sup>2</sup>	Broadly stable to slightly positive	<b>+8.2%</b> yoy +3.5% <sup>4</sup> <div style="display: flex; align-items: center; gap: 10px;"> <div style="text-align: center;">                         1,085 H1 20                     </div> <div style="text-align: center;">                         1,173 H1 21                     </div> <div style="font-size: 2em;">✓</div> </div>	Slightly positive
C/S	17-18%	<b>13.6%</b> <div style="display: flex; align-items: center; gap: 10px;"> <div style="text-align: center;">                         475 H1 20                     </div> <div style="text-align: center;">                         508 H1 21                     </div> <div style="border: 1px solid black; padding: 2px;">phasing</div> </div>	17-18%

**Virtual AGM on 20 May – paid dividend of EUR 0.18/share**

<sup>1</sup>Including regulatory & C-19 impacts

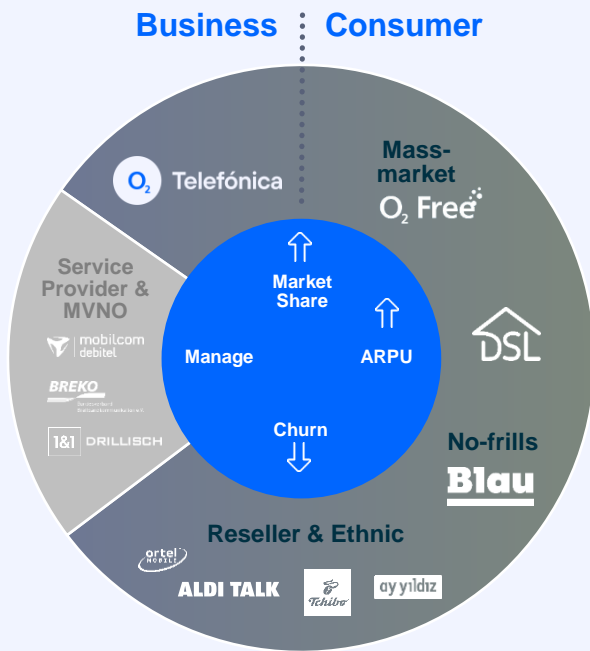
<sup>2</sup> Adjusted for exceptional effects

<sup>3</sup> Excl. non-recurrent special factors

<sup>4</sup> Excl. non-recurrent special factors & received social security payments

# Driving commercial momentum to generate sustainable growth

## Sustained focus on own customers



Own customer base ~80%



**Mobile Growth**  
Gaining rural share & reinforcement in urban



**Smart Bundling (incl. FMS)**  
Capturing value & reducing churn



**Attack in B2B**  
Targeting fair SME share

## FY21 – key operational activities

- Improve products and services along key NPS drivers
- Focus on important brand KPIs to drive future business with highest efficiency
- Leverage enriched TAA portfolio
- Encourage willingness-to-pay and enhance loyalty
- Leverage momentum to gain B2B market share

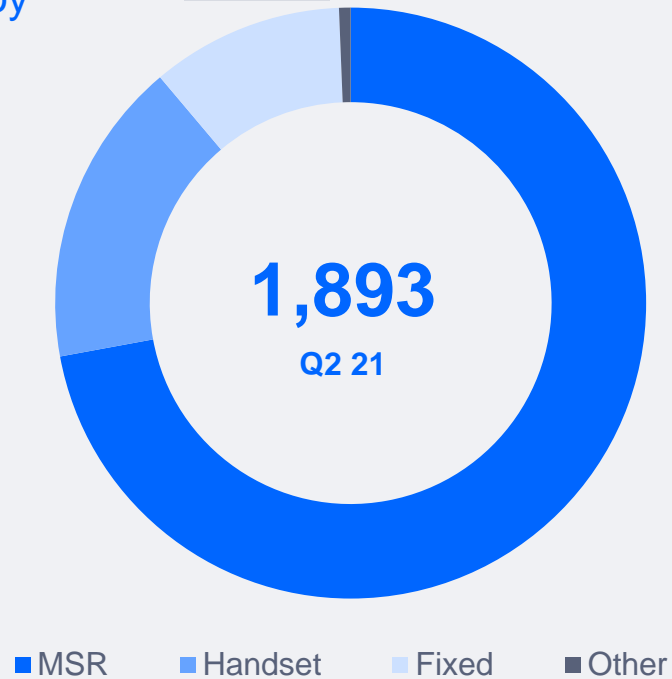
Enhance network CEX & expand 5G footprint

# Strong operational and financial momentum with focus on profitable growth

## Revenues (EURm)

**+5.7%**  
yoy

+3.5%<sup>1</sup>



<sup>1</sup> Excl. non-recurrent special factors

## Accelerating MSR trends (EURm)

MSR  
yoy

-3.3%

+0.0%

+1.3%

-0.3%

+4.3%<sup>1</sup>

+7.4%

1,275

1,361

1,359

1,307

1,370

Q2 20

Q3 20

Q4 20

Q1 21

Q2 21

Handset  
yoy

+14.4%

-2.1%

+4.4%

+2.3%

-1.2%

322

311

451

347

318

Q2 20

Q3 20

Q4 20

Q1 21

Q2 21

Fixed  
yoy

+4.3%

+6.7%

+7.0%

+3.9%

+3.5%

193

198

202

200

200

Q2 20

Q3 20

Q4 20

Q1 21

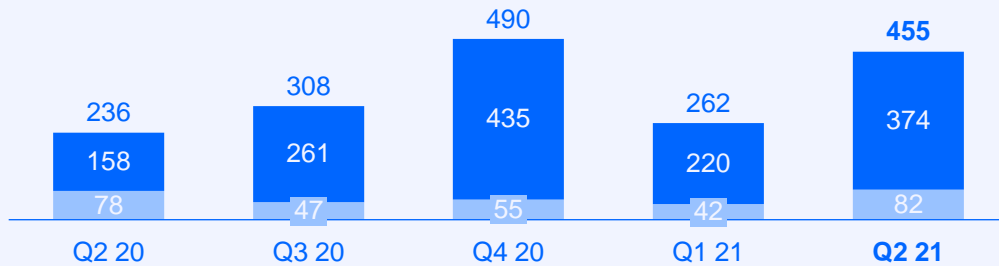
Q2 21

# Excellent trading momentum supported by online channels

## Mobile Net Adds (k)

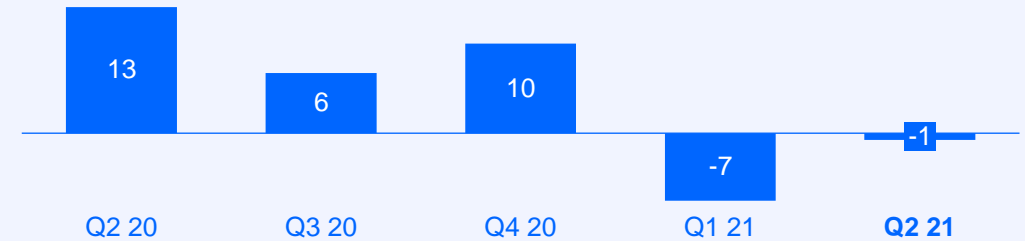
■ Postpaid (ex M2M) ■ M2M

O<sub>2</sub> Postpaid Churn 1.1% 1.0% 1.0% 1.0% 0.8%



## Fixed Net Adds (k)

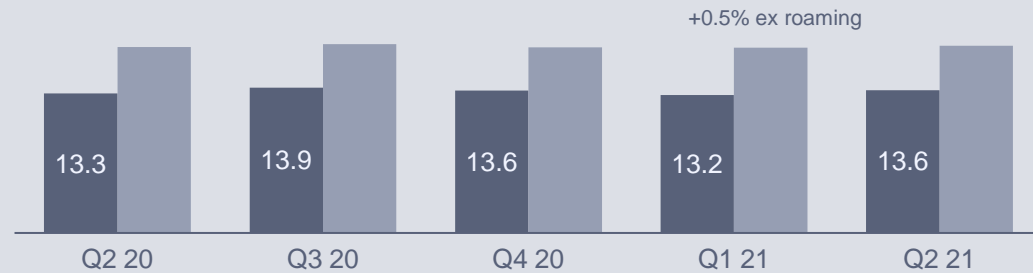
Churn 0.8% 0.9% 0.9% 1.0% 0.9%



## Mobile Postpaid ARPU (EUR)

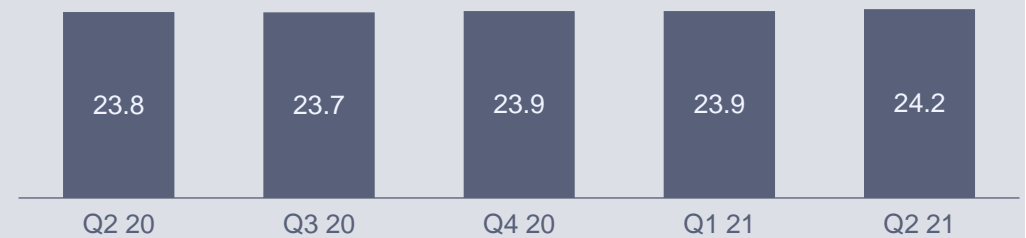
■ Postpaid ARPU (ex M2M) ■ O<sub>2</sub> postpaid ARPU

O<sub>2</sub> Postpaid ARPU yoy -1.3% +0.6%



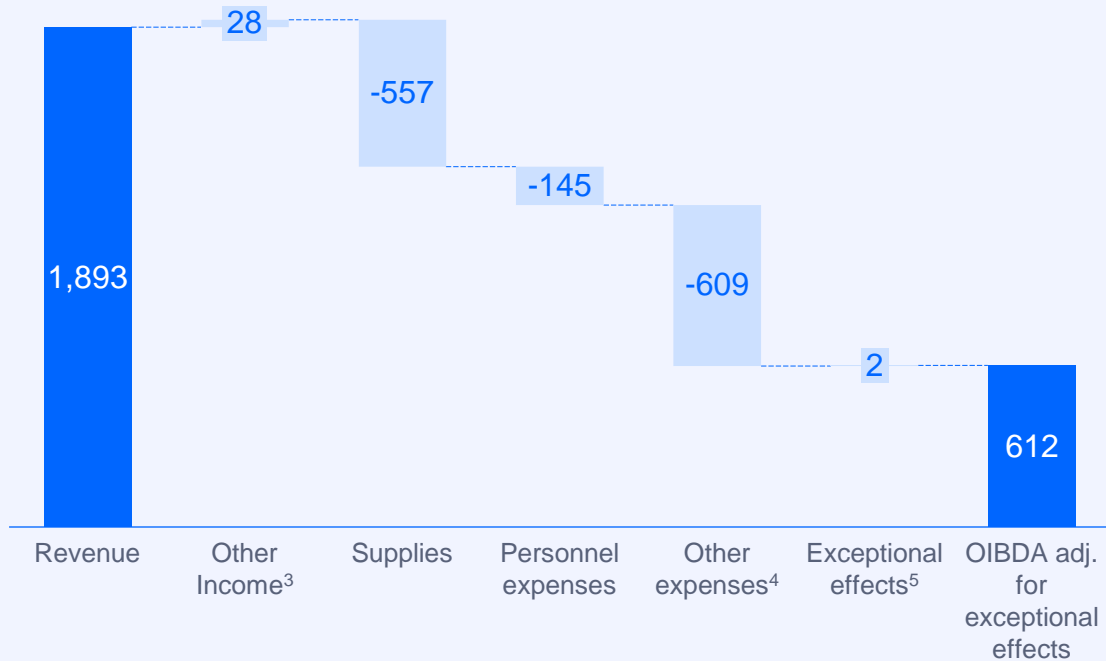
## Fixed ARPU (EUR)

ARPU yoY +1.7% +2.4% +3.4% +0.7% +1.6%



# Strong OIBDA growth

## Q2 2021 (EURm)



<sup>1</sup> Adjusted for exceptional effects

<sup>2</sup> Excl. non-recurrent special factors & received social security payments

<sup>3</sup> Adjusted for capital gains/losses related with the sale of assets

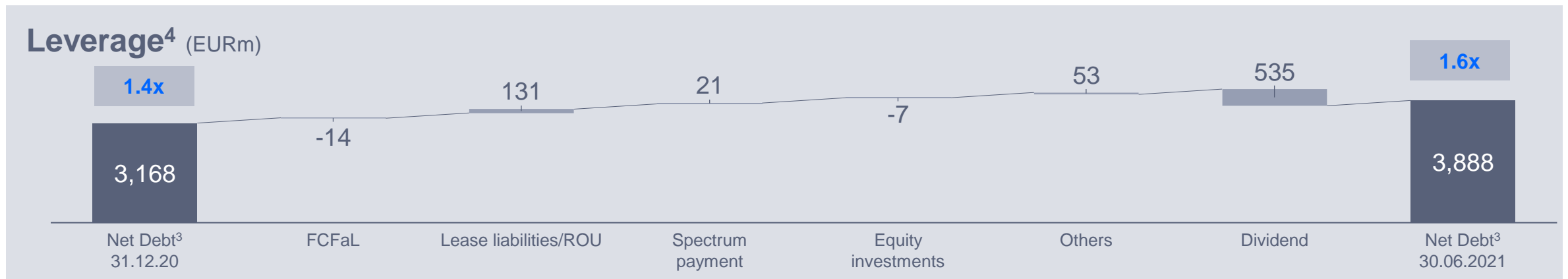
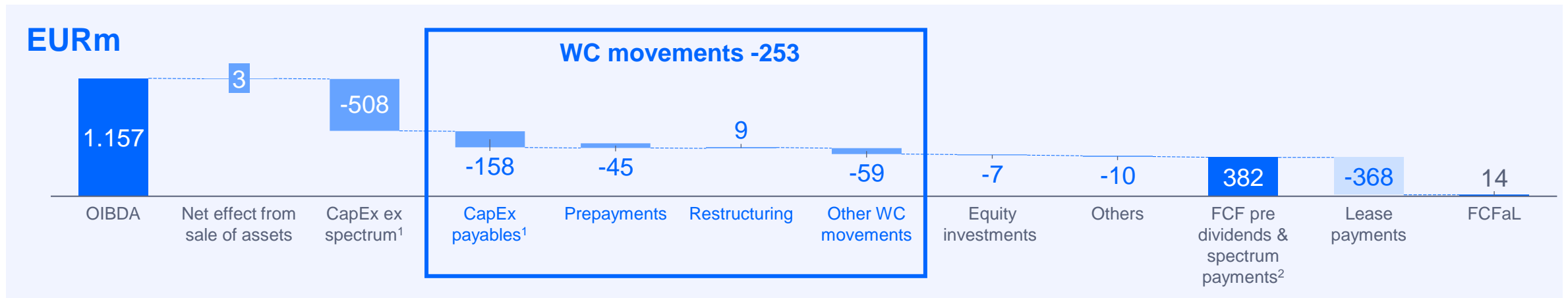
<sup>4</sup> Includes Group fees and impairment losses in accordance with IFRS9

<sup>5</sup> Mainly restructuring expenses

## OIBDA<sup>1</sup> (EURm)



# FCF dynamics reflect usual seasonality with FCFaL already positive in H1 – underpinning solid financial position



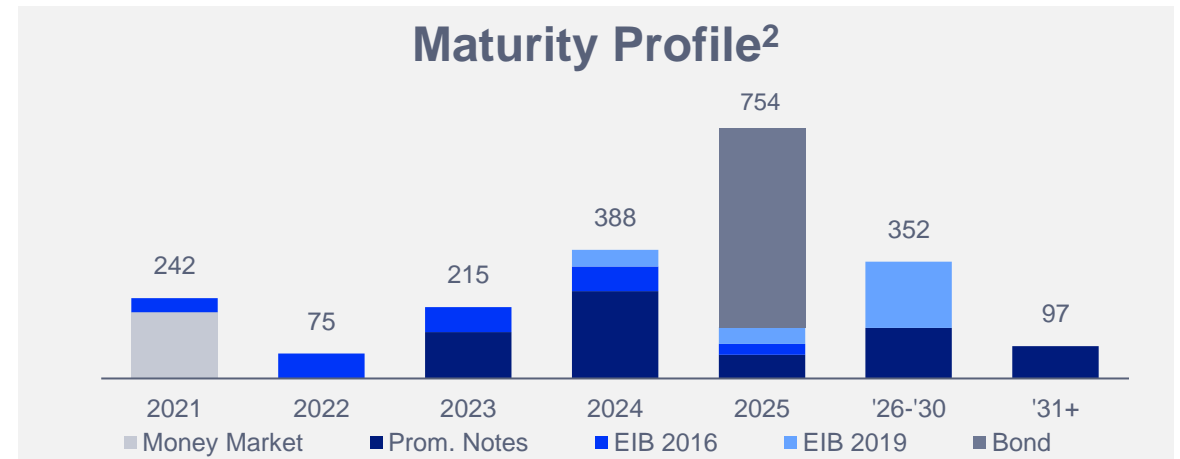
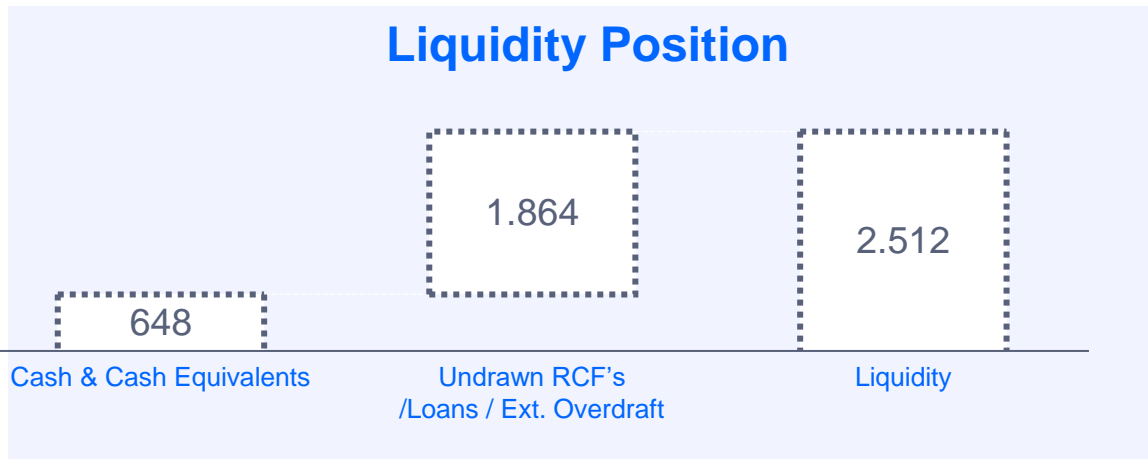
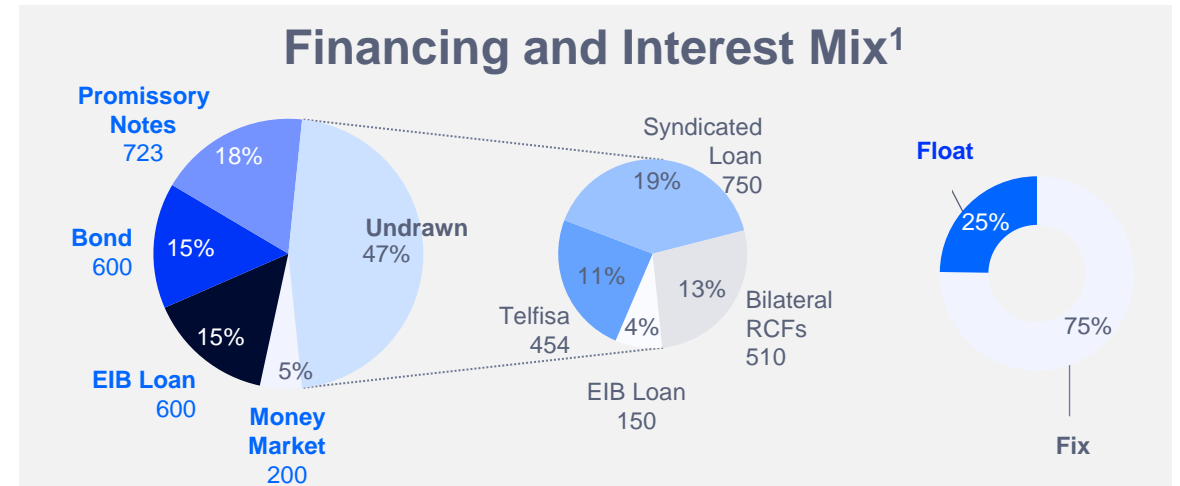
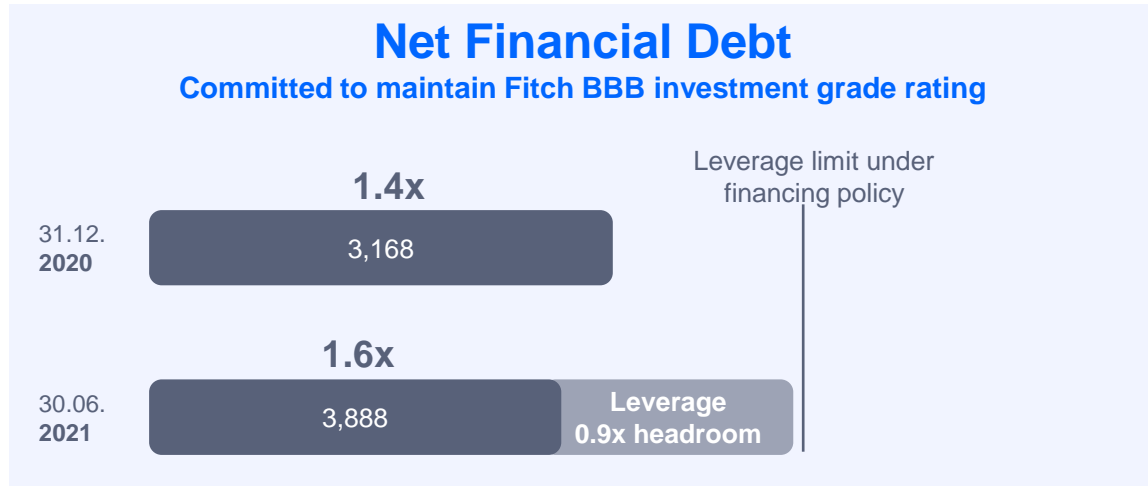
<sup>1</sup> Excluding additions from capitalised right-of-use assets and investments in spectrum <sup>2</sup> FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities

<sup>3</sup> Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents and excludes payables for spectrum

<sup>4</sup> Leverage ratio is defined as net financial debt divided by the OIBDA for the last twelve months adjusted for exceptional effects



# Continuing strong financing profile post dividend payment



# Strong operational and financial momentum drives profitable growth – updating FY21 outlook to ‘slightly positive’ yoy growth

## Excellent trading momentum

Q2 postpaid net additions more than doubling yoy

## Accelerating revenue growth

Driven by sustained MSR and fixed revenue momentum

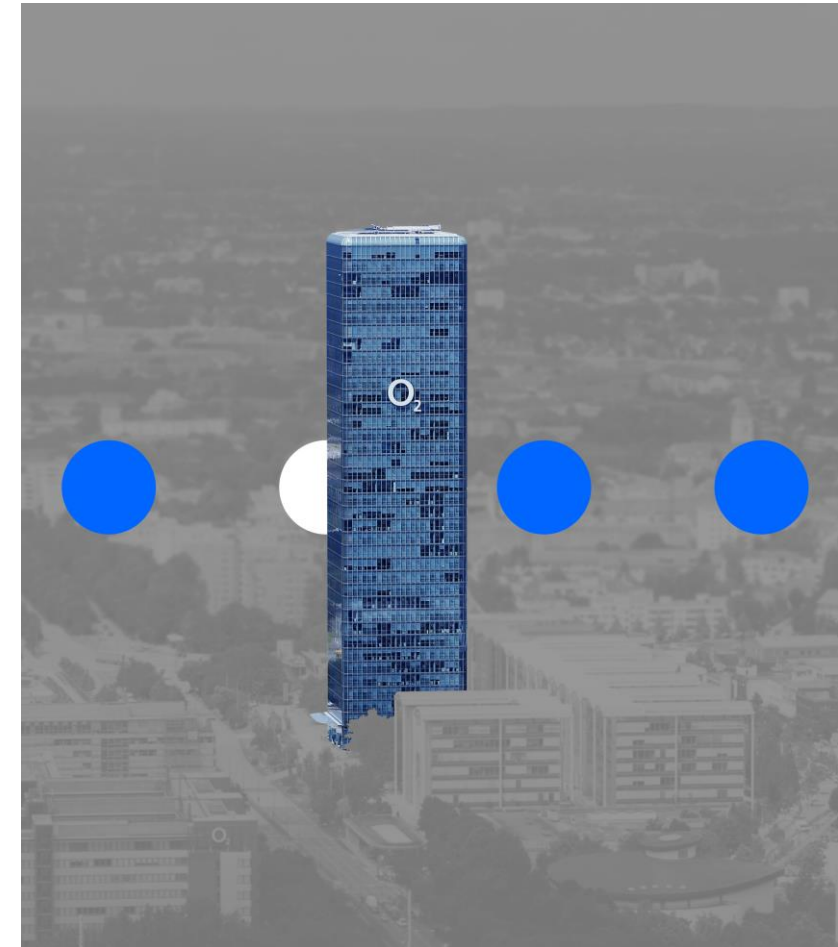
## Strong OIBDA growth

Result of improved revenue quality and effective cost management

## FCFaL with usual seasonality while already positive in H1

Solid B/S and strong liquidity position, leverage with comfortable headroom to BBB-rating

Updating FY21 revenue and OIBDA outlook to ‘slightly positive’ yoy growth



Questions?

We look forward  
hearing from you



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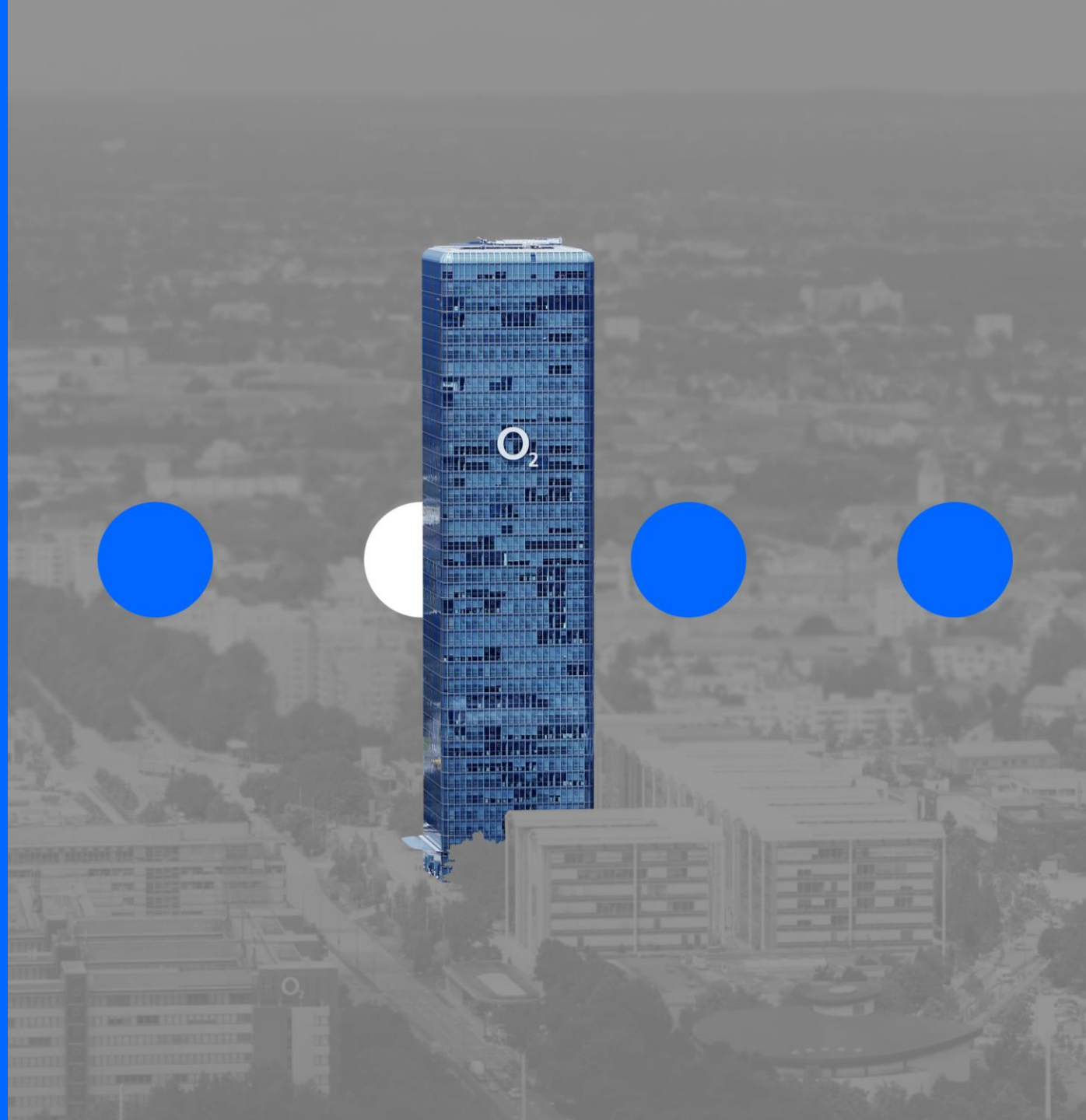
**Marion Polzer, CIRO**

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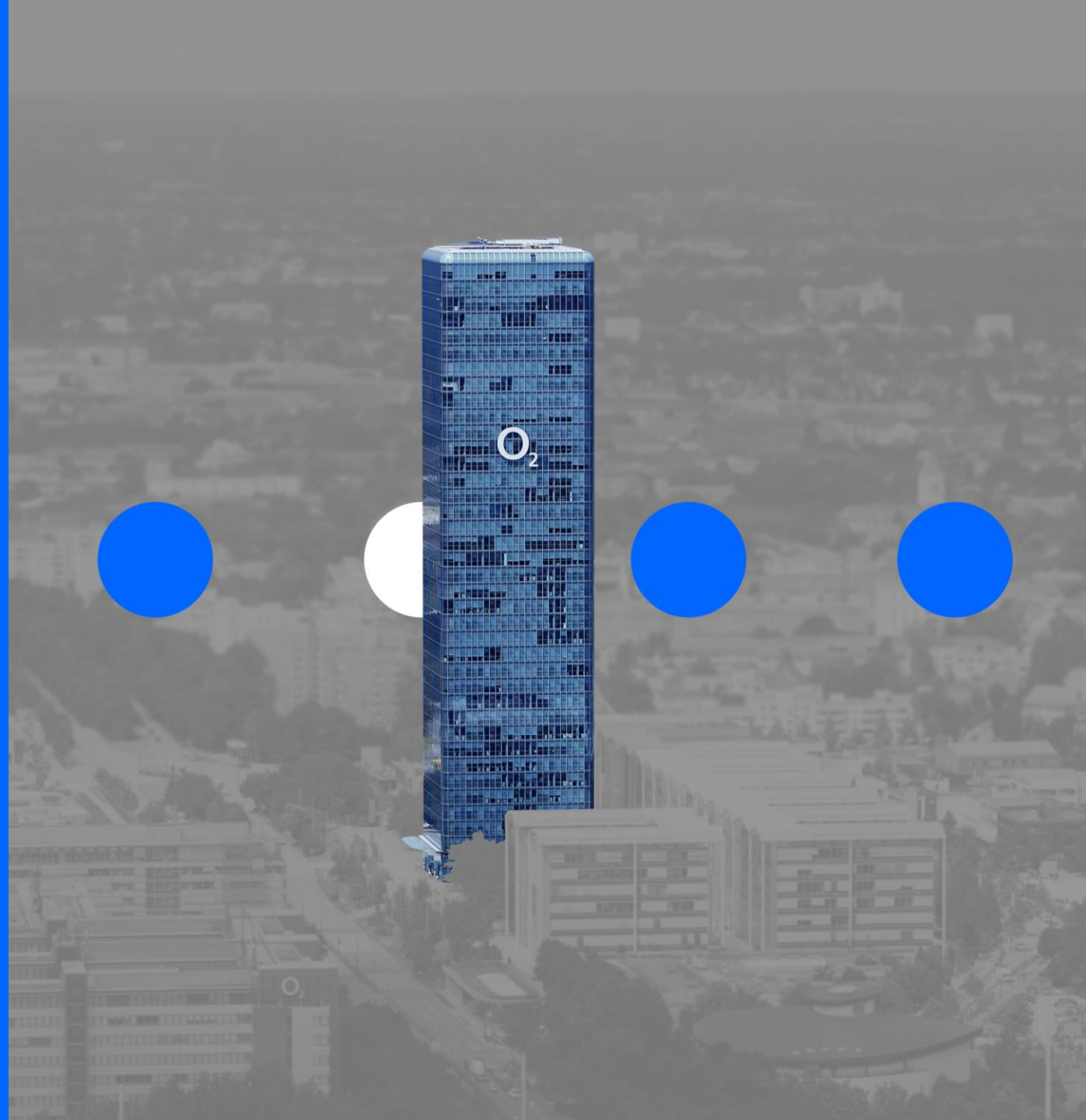


**Eugen Albrecht, CIRO**













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eugen.albrecht@telefonica.com



# Appendix



# Well ranked in most important sustainability ratings as well as indices

	Risk Low: <b>16.4 (Low)</b>   Exposure Score: <b>38.2 (Medium)</b>   Management Score: <b>63.2 (Strong)</b> 
	Rating: AA 
	Grade: Prime B- (Good) 
	Successfully listed (4.3 of 5 pts) 
	Successfully listed 
	Successfully listed (65%) 

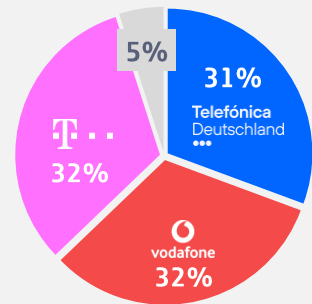
# Future-proof spectrum set-up to enable best customer experience

## Utilisation today

## Total availability

	4G/5G	4G	2G/4G	2G/4G	3G/4G	4G	private 4G	5G
Total availability	2x30 MHz	2x30 MHz	2x35 MHz	1x40 MHz	2x75 MHz	2x60 MHz	2x70 MHz	1x300 MHz

## Total spectrum holding



## 1&1 Drillisch

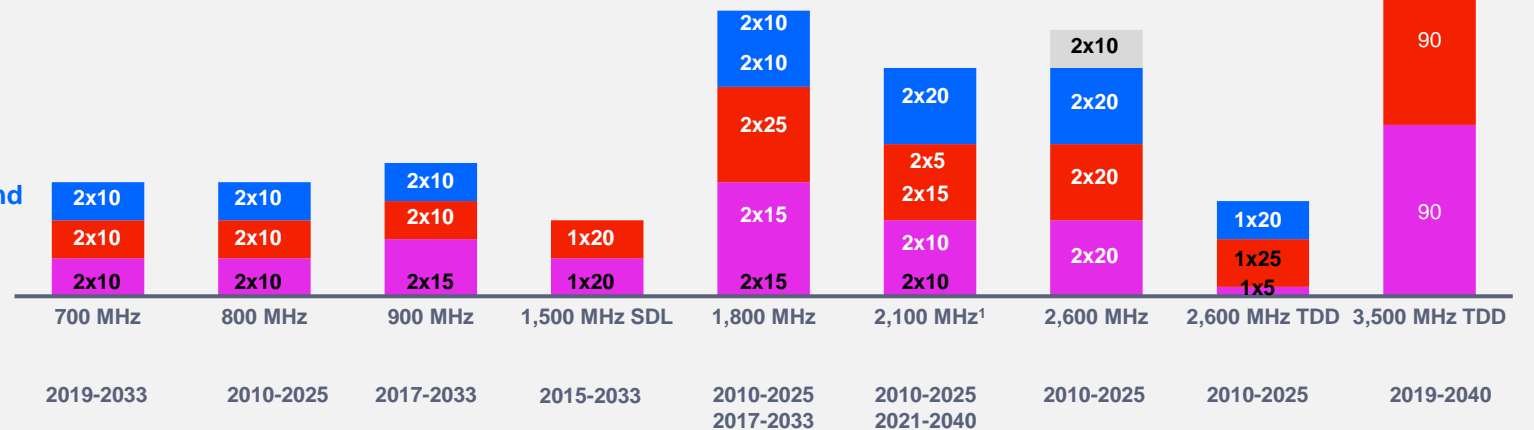
## Telefónica Deutschland

## Vodafone

## Deutsche Telekom

## Frequencies

## Maturity



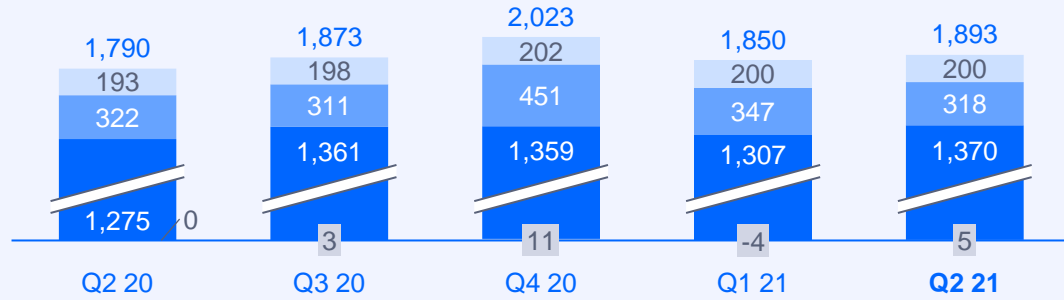
<sup>1</sup> From 2021, additional 19.2 MHz TDD

From 1 January 2026: 1&1 Drillisch: 2x10 MHz; Telefónica Deutschland Group: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

# P&L

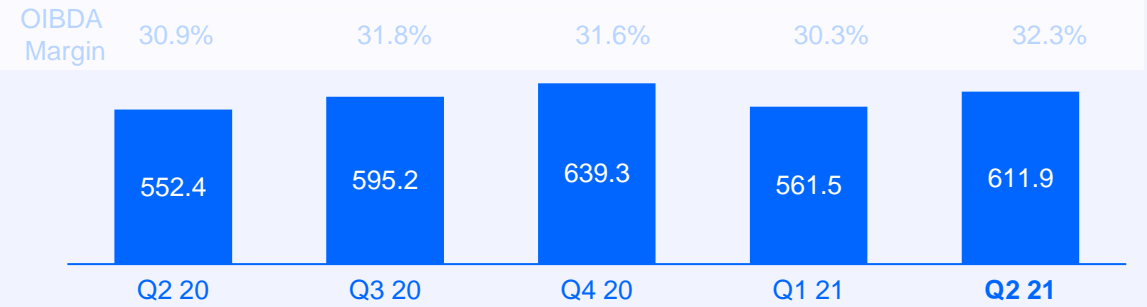
## Revenue structure (EUR)

Fixed Handset MSR Other revenues



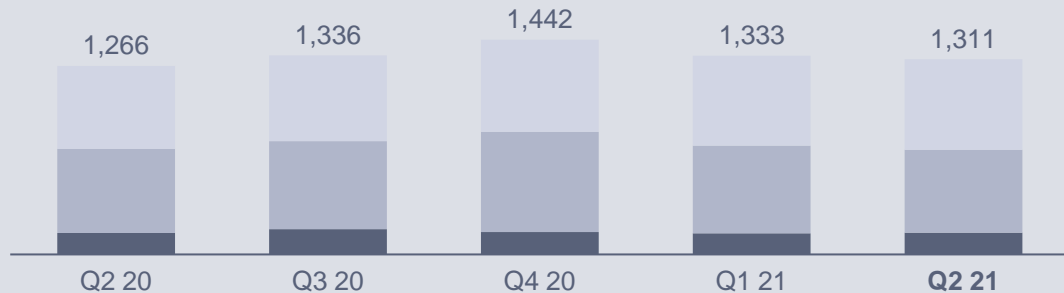
## OIBDA<sup>1</sup> (EUR)

OIBDA adj. for exceptional effects



## OpEx split<sup>2</sup> (EUR)

Supplies Personnel expenses Other



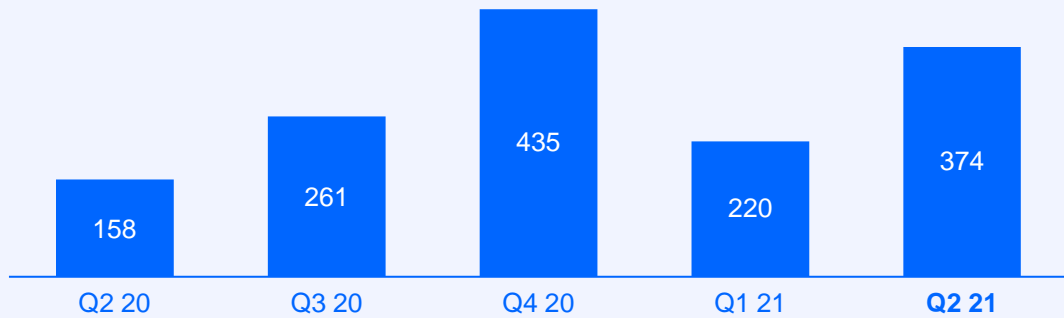
## CapEx<sup>3</sup> (EUR)

C/S 14.0% 13.4% 18.2% 12.3% 14.8%

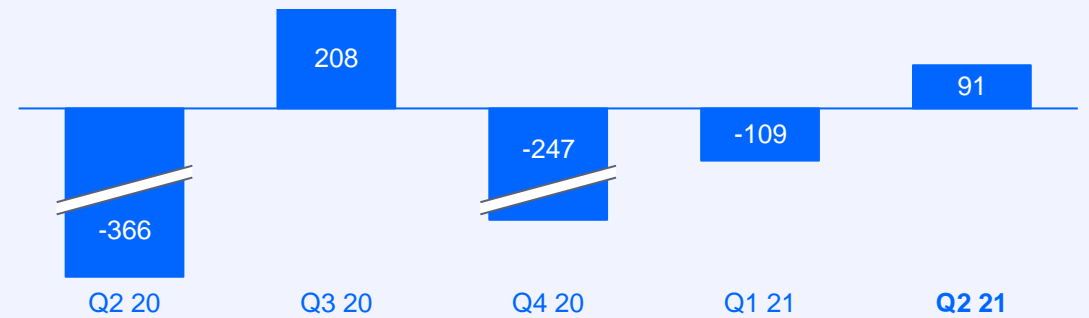


# Mobile KPIs

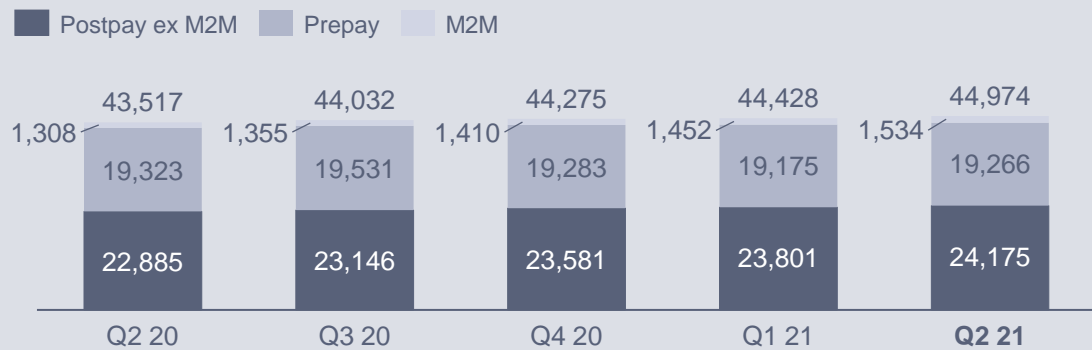
## Postpaid net adds<sup>1</sup> (k)



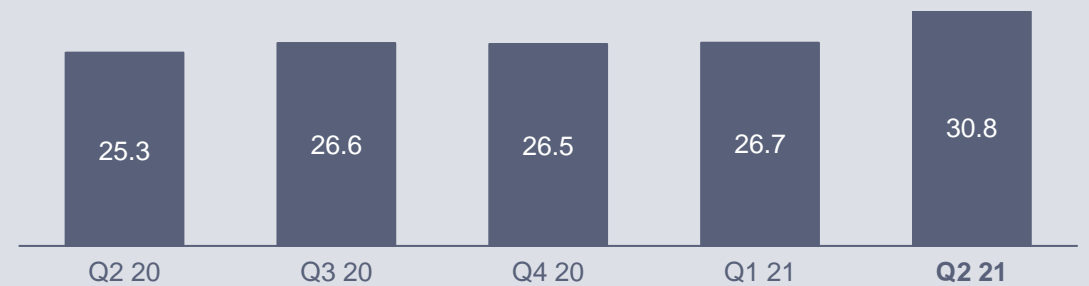
## Prepaid net adds (k)



## Mobile customer base (k)



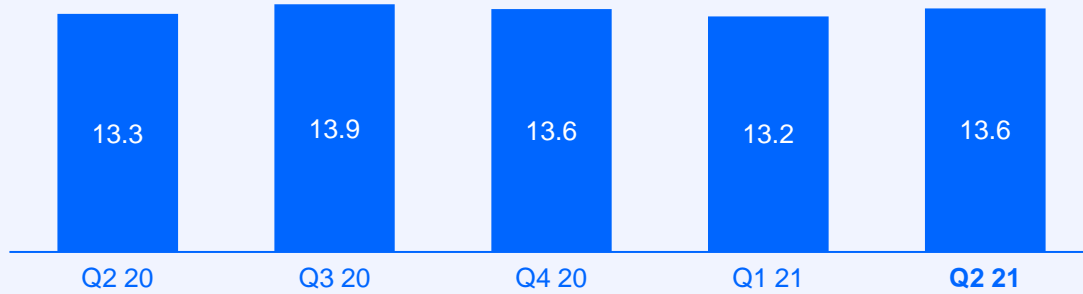
## LTE customer base (m)



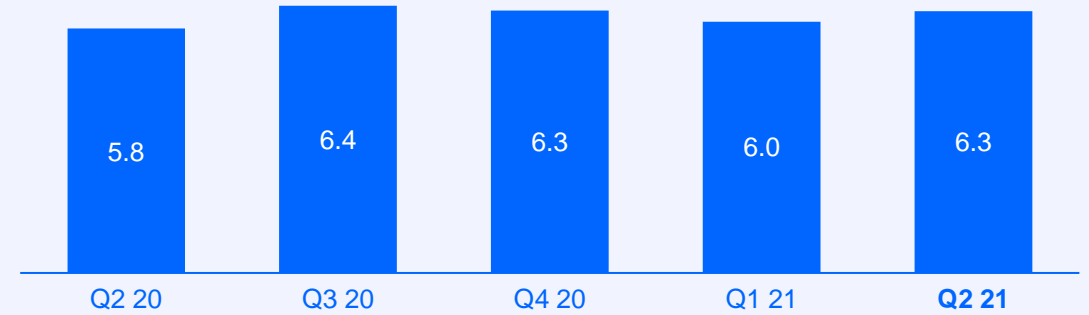


# Mobile KPIs

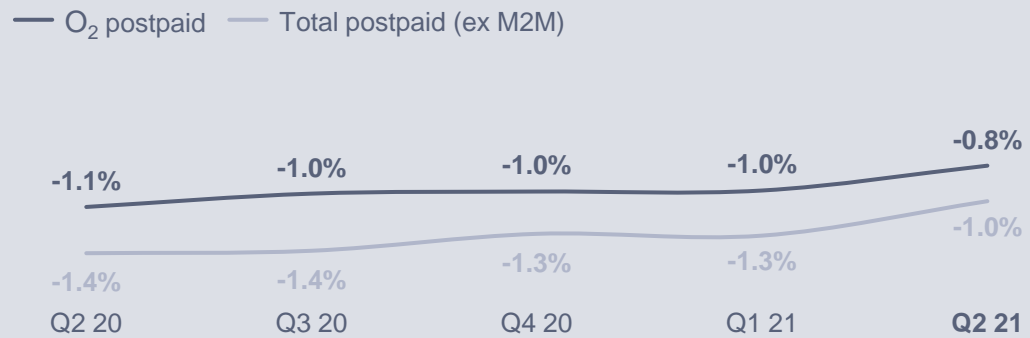
## Postpaid ARPU ex M2M (EUR)



## Prepaid ARPU (EUR)




## Churn rate (%)




# O<sub>2</sub> Free unlimited portfolio


	O <sub>2</sub> Free Unlimited Basic	O <sub>2</sub> Free Unlimited Smart	O <sub>2</sub> Free Unlimited Max
Max. Speed	2 MBit/s	10 MBit/s	300 Mbit/s
Network	4G	4G / 5G	4G / 5G
VOICE/SMS flat	✓	✓	✓
EU Roaming	✓	✓	✓
Monthly fee 24/m contract	<b>29.<sup>99</sup></b>	<b>39.<sup>99</sup></b>	<b>59.<sup>99</sup></b>




**Unlimited usage**



Flexible contract duration:  
**monthly contract termination**



Best-fit by **speed-classes**



Future ready with **5G**

# O<sub>2</sub> Free volume-based portfolio

	O <sub>2</sub> Free S	O <sub>2</sub> Free M	O <sub>2</sub> Free L
		Price – Value Tip	
<b>Data volume</b>	3 GB	20 GB	60 GB
<b>Max. Speed</b>	225 Mbit/s	225 Mbit/s	300 Mbit/s
<b>Network</b>	4G	4G	4G / 5G
<b>VOICE/SMS flat</b>	✓	✓	✓
<b>EU Roaming</b>	✓	✓	✓
<b>Monthly fee 24/m contract</b>	<b>19.<sup>99</sup></b>	<b>29.<sup>99</sup></b>	<b>39.<sup>99</sup></b>



**BOOST: Doubling data and adding multiple devices**



Flexible contract duration:  
**monthly contract termination**



All customer needs supported  
by **max speed**

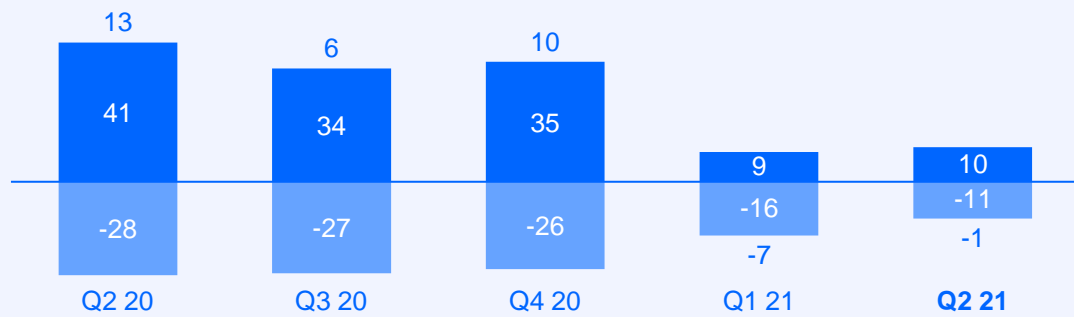


Future ready with **5G**

# Fixed KPIs

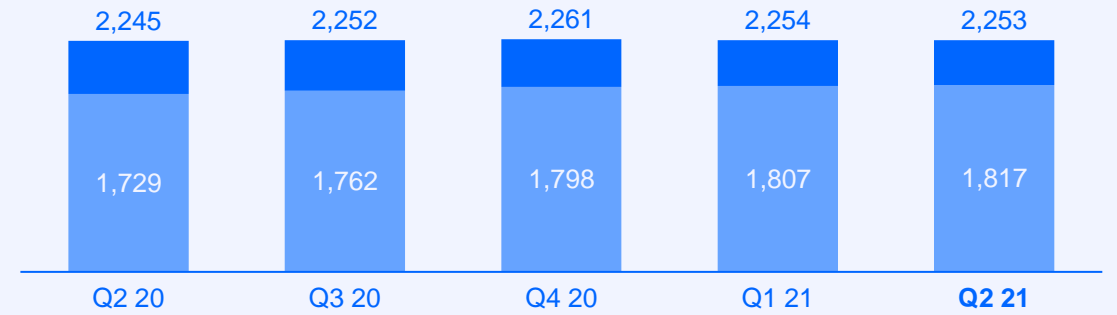
## Retail broadband net adds (k)

■ DSL ■ VDSL

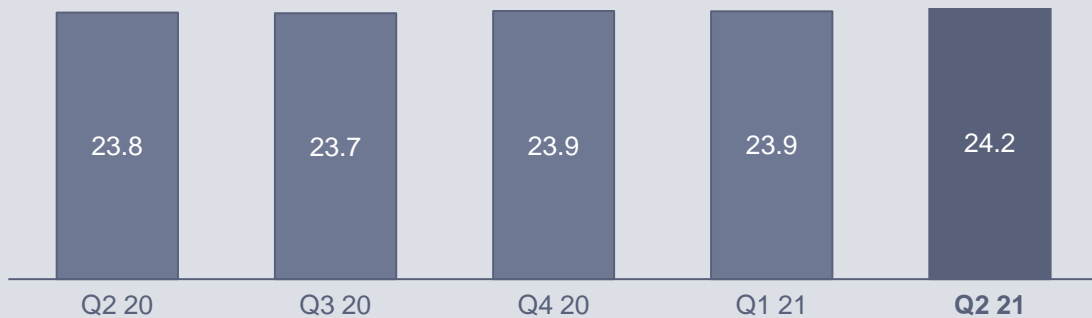


## Fixed accesses (k)





■ VDSL



## Fixed retail ARPU (EUR)



# O<sub>2</sub> my Home portfolio – technology agnostic approach

	O <sub>2</sub> my Home S	O <sub>2</sub> my Home M	O <sub>2</sub> my Home L	O <sub>2</sub> my Home XL
<b>Max. Speed</b>	<b>10 MBit/s</b> Upload 2 MBit/s	<b>50 MBit/s</b> Upload 10 MBit/s	<b>100 MBit/s</b> Upload 40 MBit/s	<b>250 MBit/s</b> Upload 40 MBit/s
<b>Technology</b>				
<b>Voice flat to German fixed networks</b>	✓	✓	✓	✓
<b>Optional HomeBox 2</b>	2.99 mthl	2.99 mthl	2.99 mthl	-
<b>FRITZ!Box 7490</b>	4.99 mthl	4.99 mthl	4.99 mthl	-
<b>FRITZ!Box 7590</b>	5.99 mthl	5.99 mthl	5.99 mthl	5.99 mthl
<b>Monthly fee 24m contract</b>	<b>24.<sup>99</sup></b>	<b>29.<sup>99</sup></b>	<b>34.<sup>99</sup></b>	<b>44.<sup>99</sup></b>

**Telefónica Deutschland**  
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