



# Telefónica Deutschland

## Interim statement Q1 2020

6 May 2020

**Markus Haas**

CEO

 Markus Haas

**Markus Rolle**

CFO

 Markus Rolle

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# COVID-19 pandemic – focus on supporting our people, customers & wider society



## Q1: Limited COVID-19 impact – closely monitoring developments

### Network – voice traffic

~20-30%



FEB CW8 FEB CW9 MAR CW10 MAR CW11 MAR CW12 MAR CW13



- Ensuring critical customer connectivity: Network resilient - coping well with step-up in voice and data volumes

- O<sub>2</sub> shops closed in mid-March and gradually re-opened nationwide from late April

- Lower gross add volumes and reduced churn entries during lockdown

### O<sub>2</sub> Gross adds

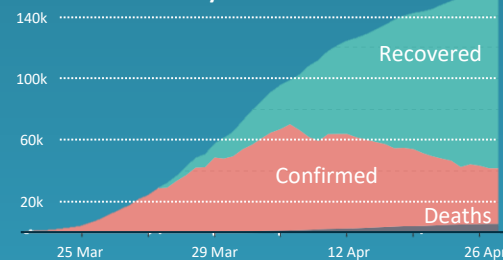
>1/3

FEB CW8 FEB CW9 MAR CW10 MAR CW11 MAR CW12 MAR CW13

### O<sub>2</sub> Churn entries

~1/3

Germany - COVID-19 statistics



Source: sueddeutsche.de

## Key COVID-19 initiatives



Providing RKI with mobility analysis for COVID-19 monitoring



Crises management team of BRK temporarily headquartered in O<sub>2</sub> Tower



#WeStayConnected - removal of speed limitations until 31 May

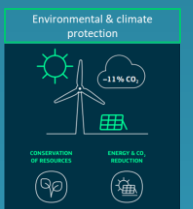
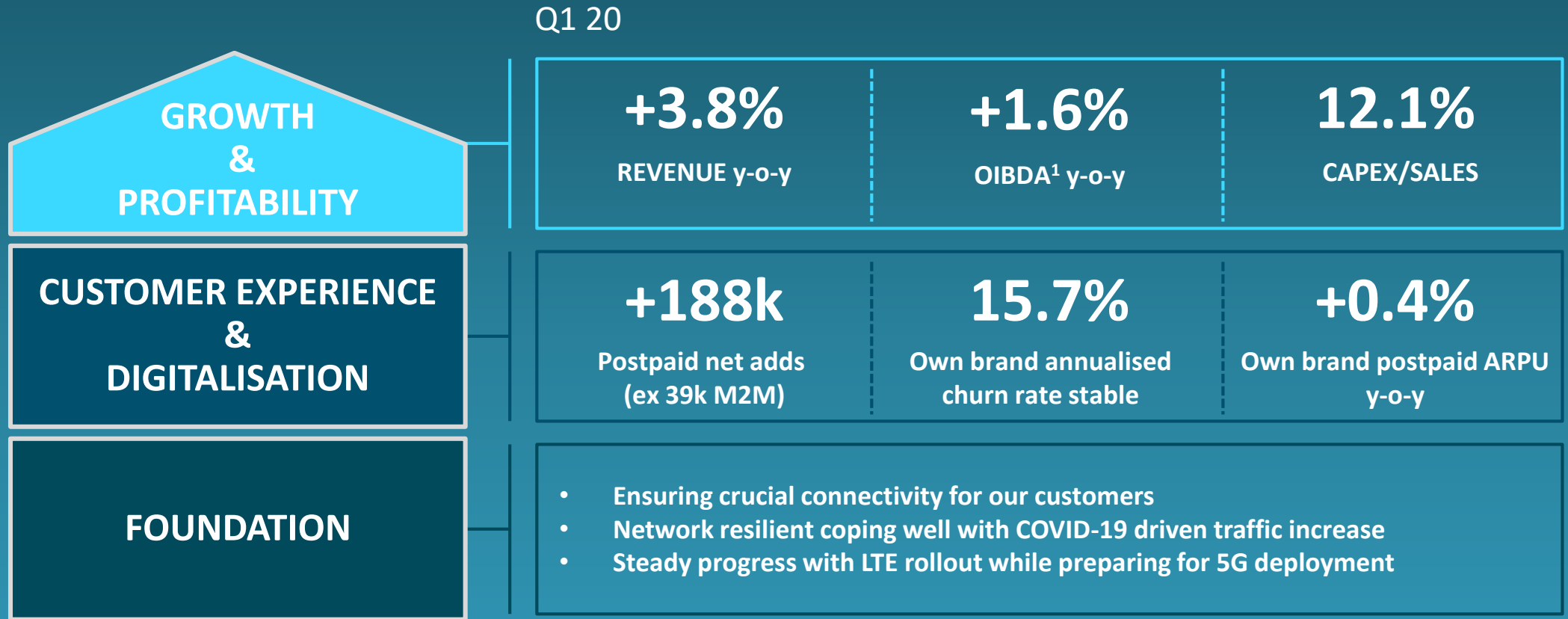


#StayOn - free access to live concerts



O<sub>2</sub> TV - 3 mth free access

# Q1 20 - robust start to the year while closely monitoring COVID-19 impacts



# Innovative O<sub>2</sub> Free portfolio extension driving ARPU-up strategy

## O<sub>2</sub> Free - all customer needs covered

### O<sub>2</sub> Free - speed-tiered unlimited

Unlimited usage

Best-fit speed-tiering

5G-ready in high value tariffs

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

Maximum speed

Boost option - doubling data

5G-ready in high value tariffs

## O<sub>2</sub> Free - high adoption rate

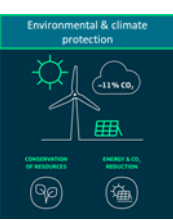
Own brand ARPU increase y-o-y

Early adopters moving into speed-tiered unlimited tariffs - majority taking max. speed

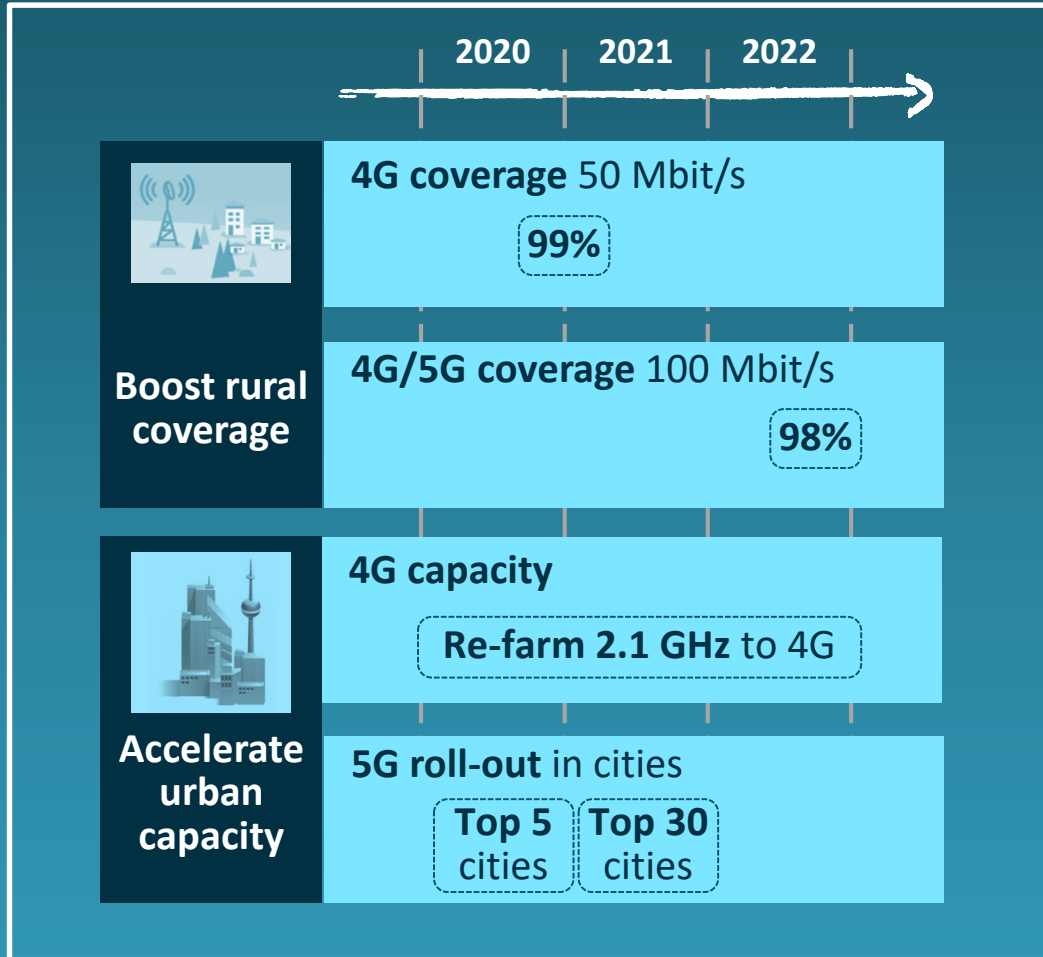
Volume based continue be well received – 20GB most popular and increasing share in large volume bundles

Continued increase in average O<sub>2</sub> Free data usage

# Resilient network – foundation for future growth



## Network roll-out strategy



## Recent developments

- **Boost rural coverage & accelerate urban capacity**
  - Steady progress with LTE roll-out on track to fulfil **4G coverage obligations** by YE20
  - **5G roll-out into top 5 cities in 2020**
- **Resilient network** with ~63% y-o-y increase in mobile network traffic
- **Opening of 5G campus** in BASECAMP, Berlin
- Realising the **potential from infrastructure sharing**



# On track to deliver strategic plan - key priorities for the 'new 20s' with one common goal

Accelerating growth trajectory



Boost rural coverage, accelerate urban capacity



Smart bundling to improve loyalty



Technology-agnostic internet solutions;  
FMS to improve profitability



Leverage B2B strategy to gain fair market share  
in SME



- **Commitment to deliver attractive shareholder remuneration**
- **Virtual AGM called for 20 May with a proposal of EUR 0.17/share**





# Financial update

**Markus Rolle**

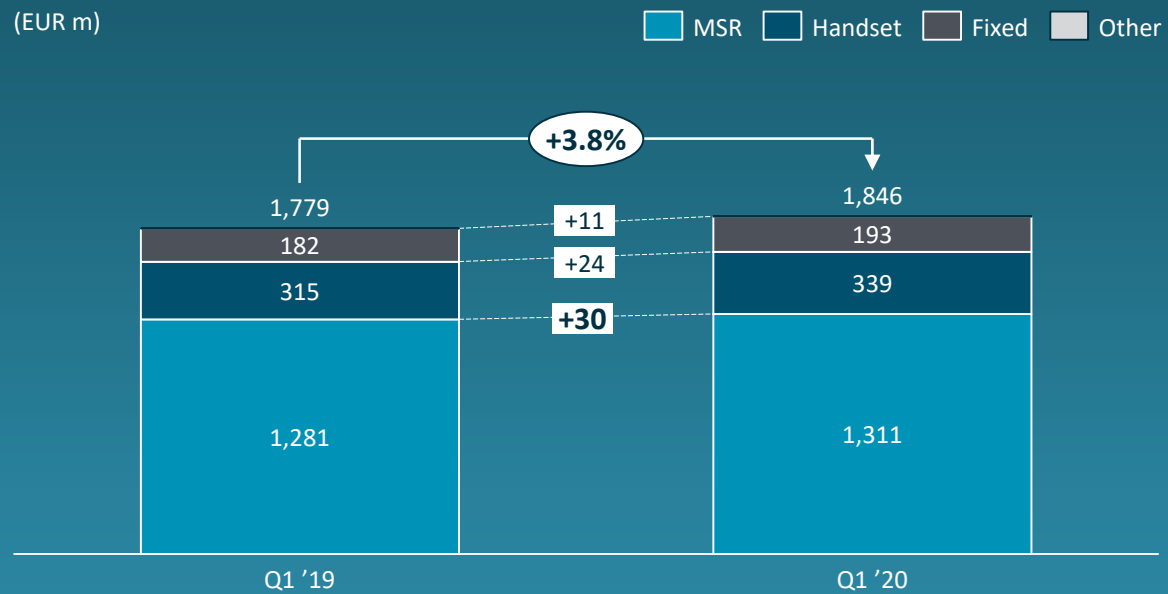
CFO

 Markus Rolle



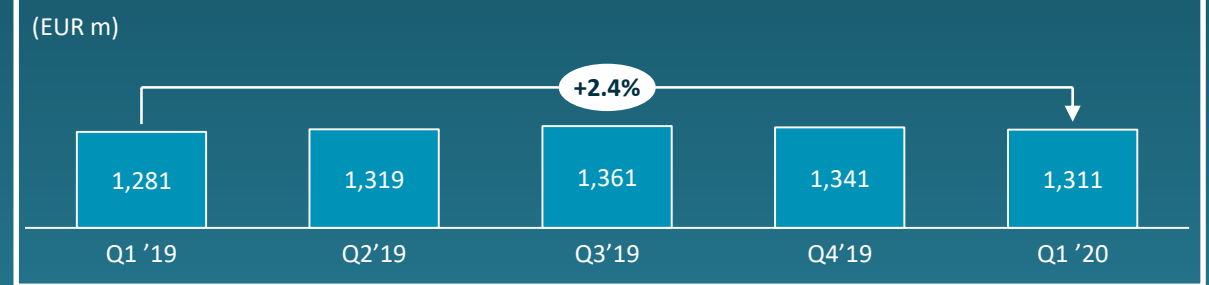
# Revenue trends driven by strong MSR performance

## MSR performance driving Q1 revenue growth

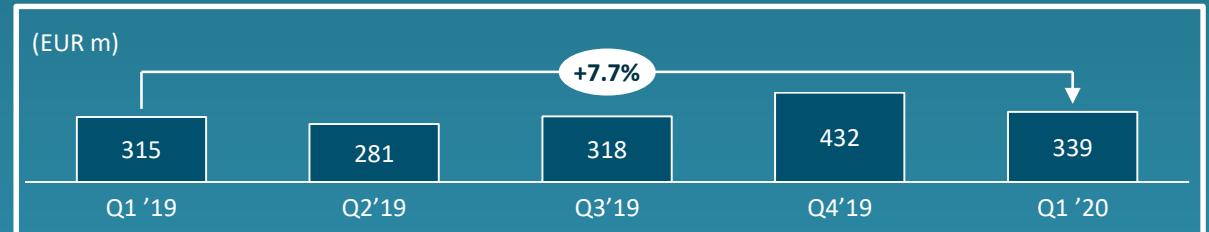


- MSR with continued positive performance of own retail business and further easing of legacy base headwinds while partner business trends remained solid also as a result of the MBA MVNO dynamics
- Handset revenues registered continued strong demand
- Fixed revenues built on its positive trend supported by retail customer base growth on the back of strong VDSL demand

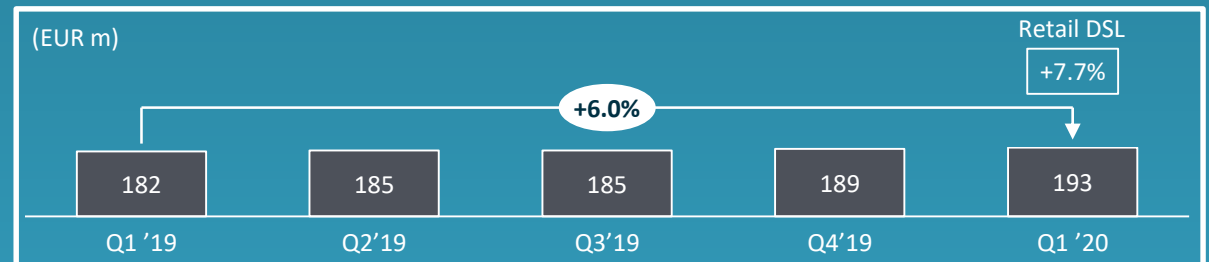
## MSR reflects traction of O<sub>2</sub> Free portfolio



## Continued demand for high-value devices

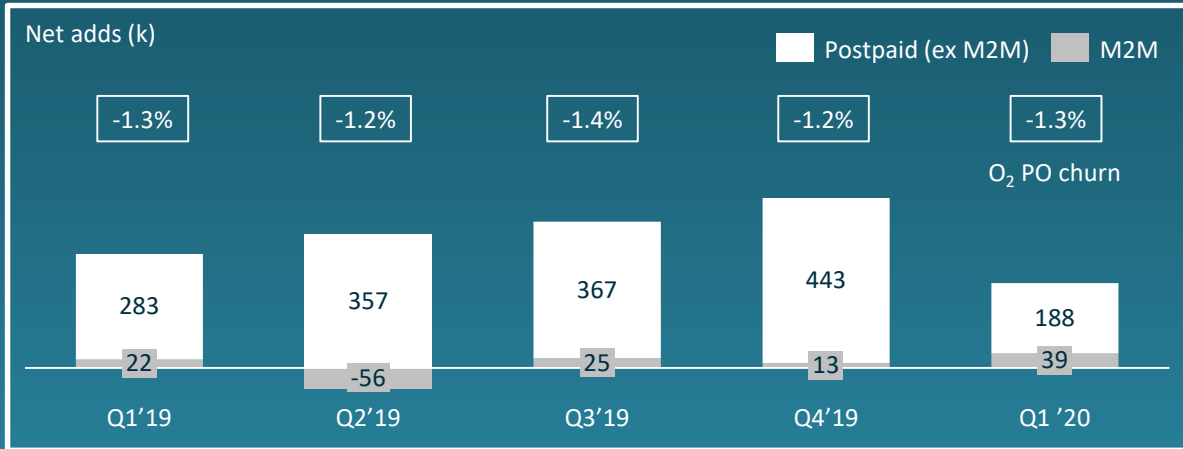


## Fixed revenue growth driven by improved retail DSL

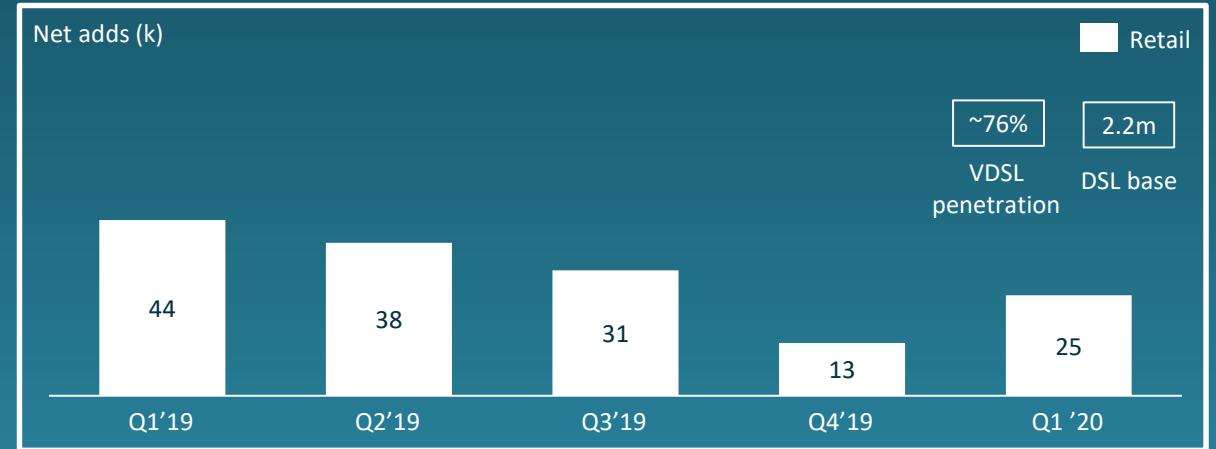


# Softer trading due to government imposed COVID-19 lockdown - ARPU continued growth path

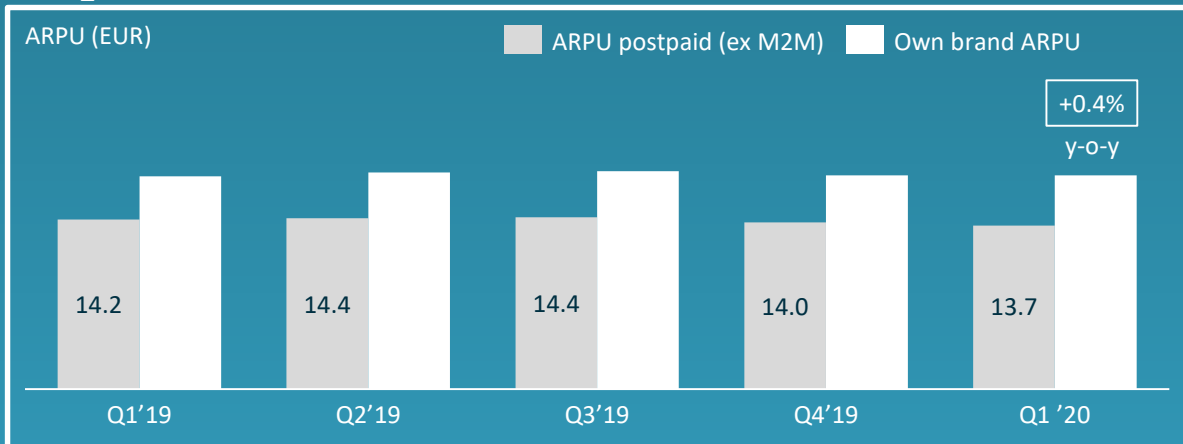
## Focus in mobile on profitable growth



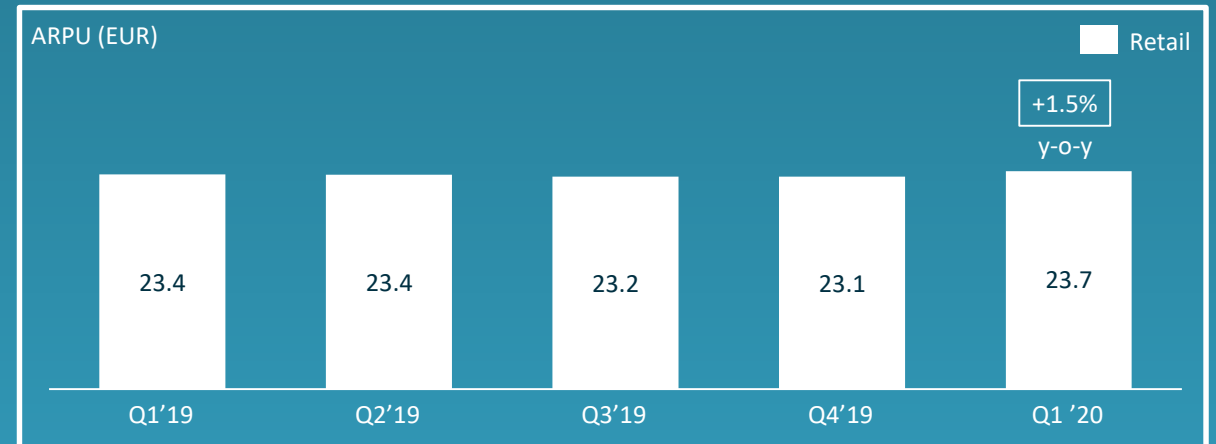
## Sustained demand for VDSL drives growth



## O<sub>2</sub> Free drives own brand ARPU

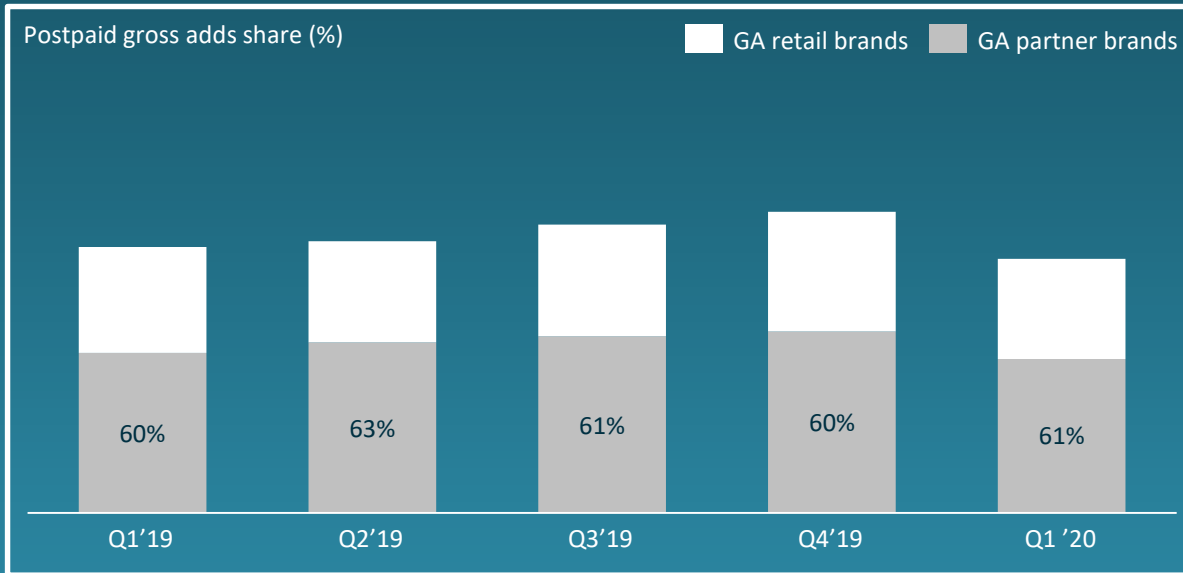


## Fixed ARPU reflects higher VDSL share

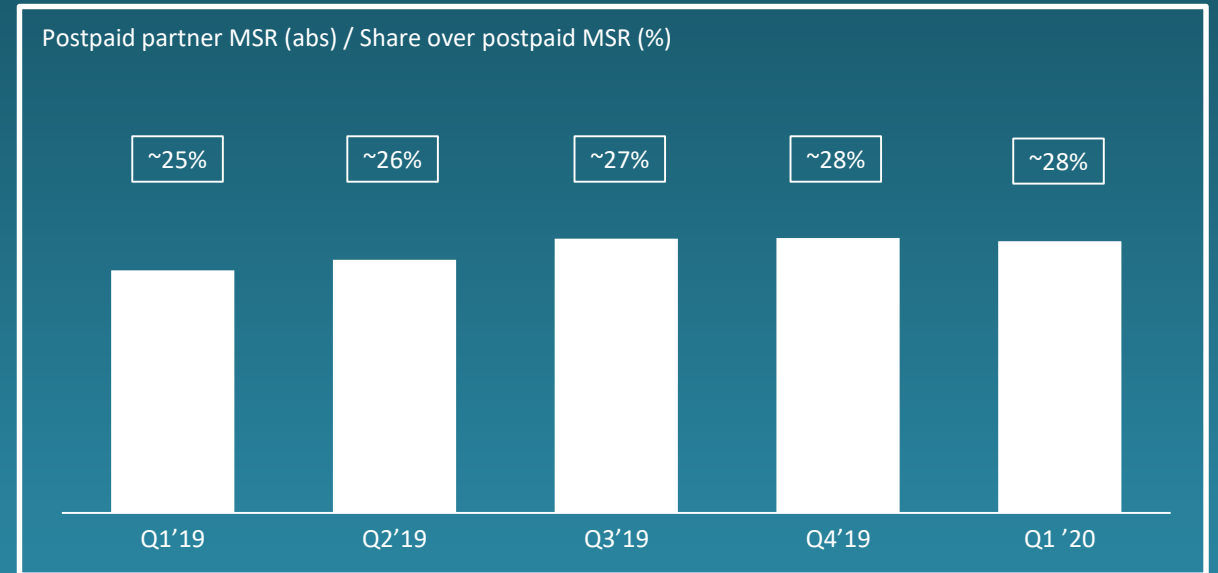


# Partner performance in line with expectations

## Solid partner trading



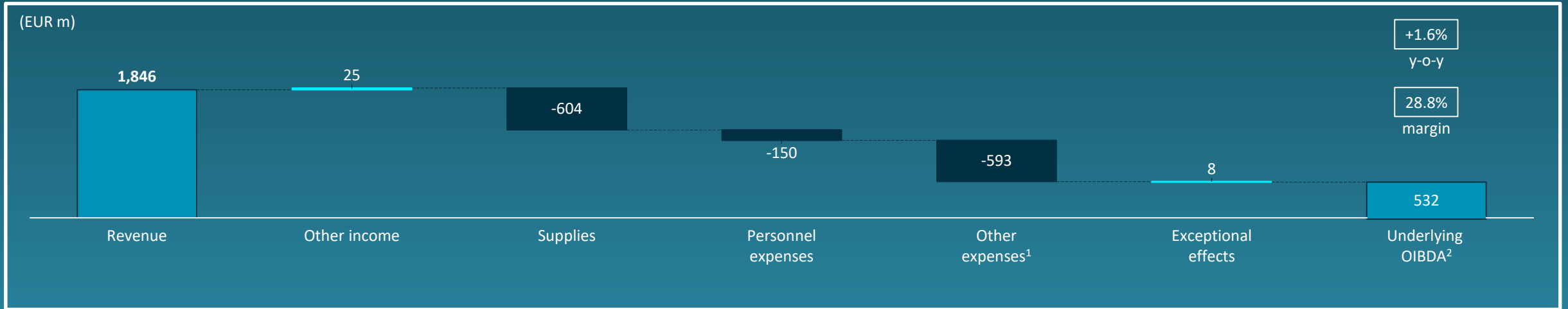
## Stable partner MSR contribution



- Partner business remained solid with softer trading in Q1
- Solid trading performance by partners with 61% of GAs mainly driven by MBA MVNO dynamics
- Postpaid partner MSR contribution stable at ~28%

# OIBDA reflects revenue flow-through and investment in growth

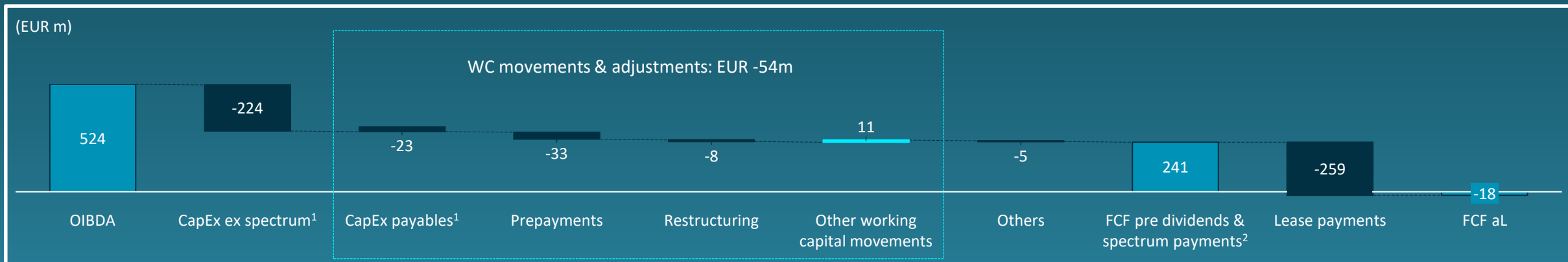
## Evolution of Q1 20 OIBDA



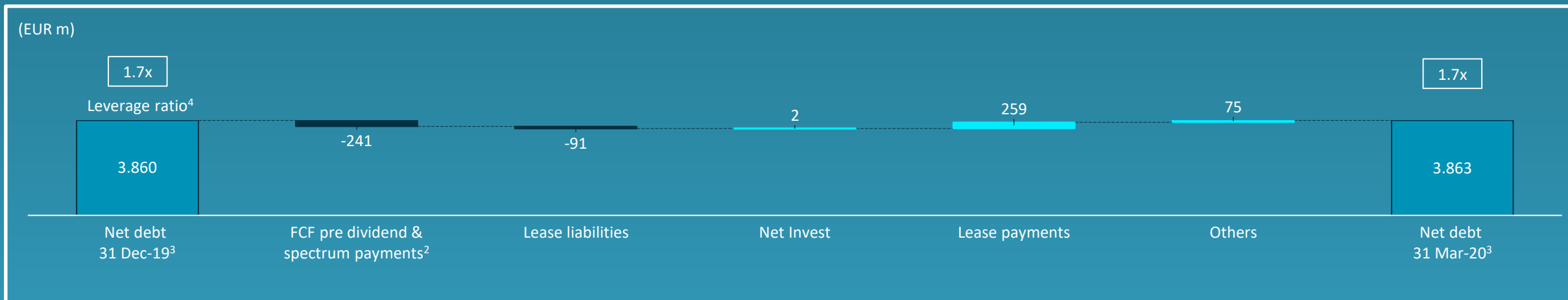
- Underlying<sup>2</sup> OIBDA +1.6% y-o-y in Q1 20 driven by
  - Flow-through from mobile service and fixed revenues
  - Partly offset by higher costs, mainly in supplies
- Underlying<sup>2</sup> OIBDA margin of 28.8%
  - Mainly reflecting strong growth of lower margin handset revenue

# Free Cash Flow dynamics reflect usual seasonal trends

## Evolution of Q1 20 FCF



## Stable net debt<sup>3</sup> – leverage well in-line with target



<sup>1</sup> Excluding additions from capitalised right-of-use assets and investments in spectrum

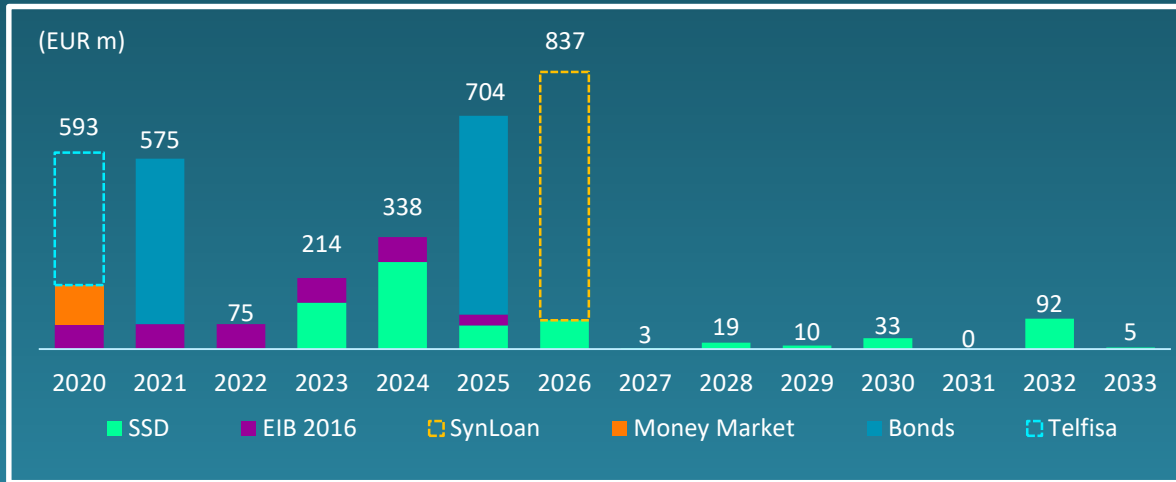
<sup>2</sup> FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities

<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

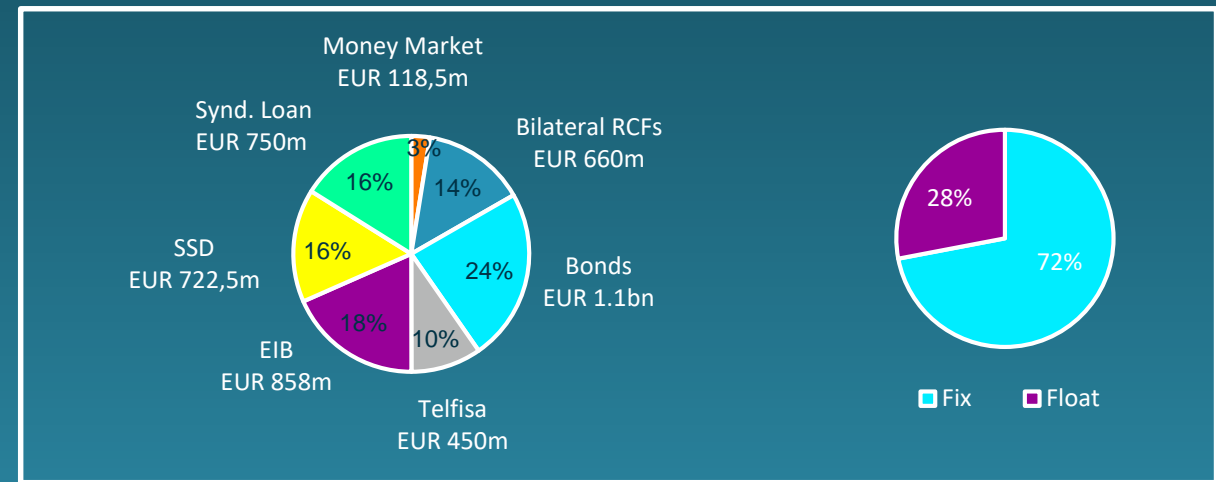
<sup>4</sup> Leverage ratio is defined as net financial debt divided by the OIBDA for the last twelve months adjusted for exceptional effects

# Strong liquidity position - smooth debt maturity profile and well diversified financing mix

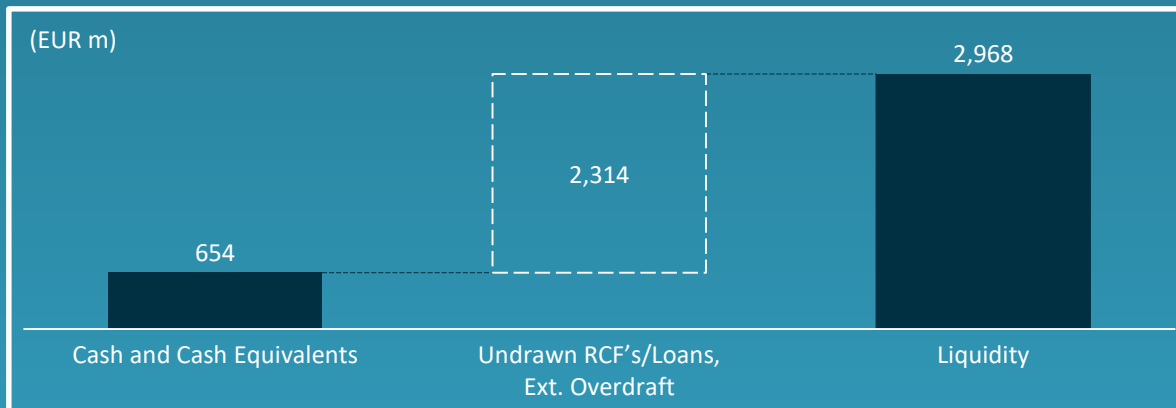
## Maturity profile<sup>1</sup>



## Financing and interest mix<sup>2</sup>



## Liquidity position



## Comments

- Ample liquidity of c. EUR 3.0bn provides significant financial stamina. This includes a new EUR450m undrawn EIB Loan
- Well balanced and diversified maturity profile
- Low exposure to changes in interest rates due to a high percentage of debt at fixed rates
- EUR 118.5m Money Market Facilities outstanding

<sup>1</sup> Maturity profile excludes bilateral facilities and undrawn EIB loan of EUR 450m

<sup>2</sup> Interest mix excludes undrawn facilities

# Confirming FY20 outlook & midterm guidance while closely monitoring COVID-19 impacts

## Outlook FY 20

Revenue

Flat to slightly positive  
(incl. reg. impacts of ~EUR 20-30m)

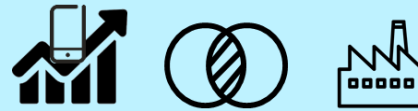
OIBDA<sup>1</sup>

Broadly stable to slightly positive  
(incl. reg. impacts of less than ~EUR 10m)

C/S

17 - 18%

## Mid-term guidance 2020/22



TEF D with cumulated growth of min. 5%

Ongoing margin improvement

2-year investment programme to generate growth with C/S incl. 5G RAN peaking in 2020/21 between 17-18%; normalising already in 2022

## Q1 20

+3.8%

1,779

1,846

Q1'19

Q1'20

+1.6%

524

532

Q1'19

Q1'20

14.2%

12.1%

Q1'19

Q1'20

252

224

Phasing

# Key take-aways

**Robust start to FY20** - confirming FY20 outlook and mid-term guidance while closely monitoring COVID-19 impacts



**Revenue** with strong MSR performance driven by own retail business generating continued postpaid ARPU growth



**OIBDA growth** reflects revenue flow-through as well as investment in MSR growth



**FCF aL** dynamics with usual seasonality; stable **net debt** with **leverage** well in-line with target



Solid **B/S**, strong **liquidity** position and ability to generate **FCF** growth to support **total shareholder returns**



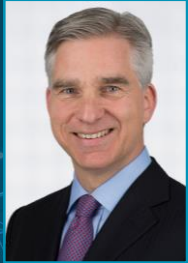


# Management Q&A

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# Any further questions? Please reach out to us!



**Christian Kern**  
Director Investor Relations

+44 7517 999 208  
christian.kern@telefonica.com



+49 89 2442 1010



IR-Deutschland@telefonica.com



**Marion Polzer, CIRO**  
Head of Investor Relations

+49 176 7290 1221  
marion.polzer@telefonica.com



**Eugen Albrecht.**  
Senior Investor Relations Officer

+49 176 3147 5260  
eugen.albrecht@telefonica.com

*Telefonica*

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**Deutschland**