

Company Update Report

Deutsche Telekom AG

Telecommunications

Analyst thesis

Our recommendation is based on:

- **B2B digital services:** DTE is growing its high-margin business-customer segment by offering 5G private networks, secure connectivity (SD-WAN) and sovereign cloud services to a range of companies and public institutions, with strong demand from factories, ports and logistics hubs.
- **T-Mobile US market share expansion:** T-Mobile US has transitioned from a low-cost challenger to the best-in-class network, supporting a mix shift toward higher-quality, prime subscribers while continuing to expand into under-penetrated rural America.
- **German fibre monetisation (FTTH):** The decade-long copper-to-FTTH migration acts as a structural value driver, boosting ARPU through higher-speed tiers and convergent bundles, while progressively reducing network maintenance and fault-repair OpEx.
- **Disciplined capital allocation:** While European peers remain constrained by leverage and higher interest rates, DTE is returning ~€2 billion annually via buybacks and steadily increasing its TMUS stake from 50.6% to 52.8%, enhancing exposure to US growth without compromising balance sheet resilience.
- **Artificial intelligence (AI) and data centre optionality:** Strategic partnerships with NVIDIA and Brookfield to build sovereign AI compute infrastructure in Germany provide medium-term upside optionality as European enterprises and governments seek local, secure AI cloud capacity.

As at: 30 March 2026

Ticker	DTE-DE
Share price	€32
Intrinsic value	€37
Upside/(Downside)	18%
Recommendation	Buy

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Key highlights

In this report, we revisit 4Q25 results for DTE, released in February 2026, and how this positions our view in context.

Financial results at a glance:

- **Net revenue:** DTE's net revenue reached €31.7 billion, up 2.5% and beating consensus driven primarily by US growth and T-Systems.
- **Adjusted EPS:** €0.44 per share, down 8% due to USD weakness and acquisition costs, but in line with expectations of €0.42 per share.
- **Germany:** Revenue improved by ~2.7% to €6.8 billion, driven by mobile service revenue growth and fixed broadband. Additional contribution from fibre joint ventures.
- **United States:** T-Mobile revenues rose 2.3% YoY to €20.9 billion, reflecting strong postpaid phone and account growth, with postpaid service revenue increased high single to low double digits. Ongoing 5G leadership and churn boosted ARPU and service revenues.
- **Europe:** Revenues improved by 3.1% to €3.3 billion, driven by service revenue growth: B2C +3.4% and B2B +5.6% supported by convergent bundles and ICT, as well as customer growth in mobile and fixed.
- **Net debt:** €132.5 billion, declined by about 3.5%, reflecting management's focus on debt reduction proceeds from tower disposals, and moderated Capex – partly offset by ongoing investments.
- **Share dividend:** A €1.00 per share dividend was declared for FY25, an estimated 10% increase from €0.90.

Management's outlook:

Management is shifting from heavy 5G/fibre build-out to monetisation and efficiency, targeting ~4% revenue CAGR and 4% to 6% adjusted EBITDA CAGR to FY27. The strategy hinges on three pillars: reducing indirect costs in Europe, €800 million in AI-enabled efficiency savings and monetising fibre by moving from 'homes passed' to 'homes connected', adding ~1 million new FTTH customers by 2027.

Sector outlook:

The telecommunications sector outlook for 2026 focuses more on improving capital efficiency as investment in 5G and fibre stabilise. A key 2026 theme Fixed Wireless Access (FWA) capacity management to prevent speed degradation in dense areas. Meanwhile, the US market is shifting from B2C to B2B, embracing Private 5G, IoT and edge computing beyond basic mobile



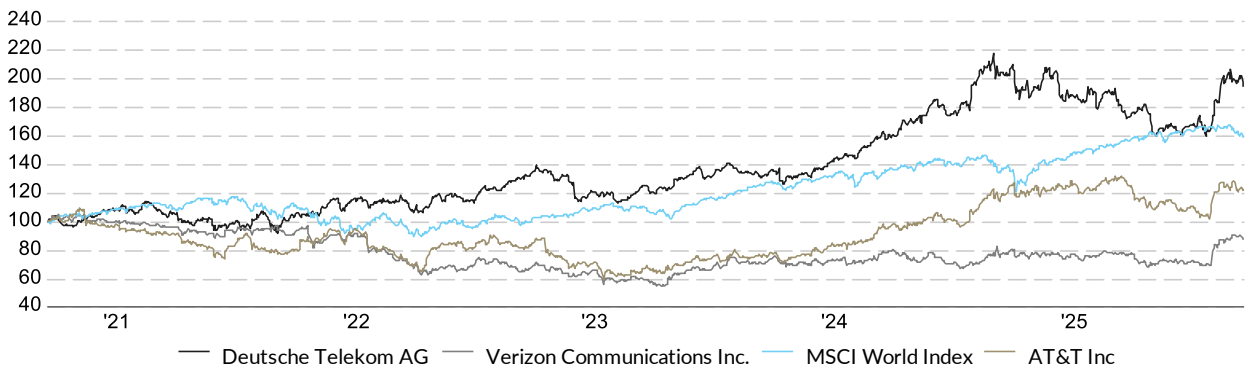
Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	<p>Expected three-year revenue CAGR is 2.8%, and expected three-year EPS CAGR is 10.4%. We expect earnings growth over the next three years to be driven by: B2B Market Share Capture: TMUS targeting a double-digit revenue CAGR for T-Mobile for Business through 2027. FWA expansion: TMUS is targeting 15 million 5G broadband customers by 2030 and expects FWA to act as a wedge into rural markets with weak cable competition, generating high-margin incremental revenue.</p> <p>Fiber joint ventures: JVs like Lumos and Metronet will service revenue convergence, reducing churn by bundling mobile and home fibre, targeting an additional 20% of rural US market share by the end of 2025/early 2026.</p> <p>Emerging growth in cloud-native security and AI-driven cybersecurity markets.</p> <p>FTTH drive: German operations target ~1 million new FTTH customers by 2027, with fibre migrations delivering a typical€5–€10 per month ARPU uplift over legacy DSL.</p>
Valuation	★★★★☆	<p>The share price has 18% upside to the IV.</p> <p>Current NTM P:E of 14.4x is trading at a 11% premium to the five-year average P:E of 13x. Peer company, Verizon Communications (VZ), with a current NTM P:E of 9.9x and a five-year average P:E of 8.8x, is trading at a 12.5% premium to its average.</p>
Dividend	★★★★☆	<p>LTM dividends yield 2.7%.</p> <p>NTM dividends yield 3.4%.</p>
Issuance	★★★★☆	<p>Shares issued have increased by 1% in the past five years.</p>
Catalyst		<p>The structural copper-to-fibre is a medium- to long-term driver, boosting ARPU, while reducing maintenance OpEx.</p> <p>DTE is strategically reviewing opportunities to further increase its stake via TMUS buybacks.</p> <p>DTE is using AI to automate customer service and network maintenance, targeting a €1 billion in structural savings by 2027.</p>
Quality of earnings	★★★★☆	<p>Five-year average ROE 13.7%.</p> <p>Five-year average ROA 2.32%.</p> <p>Five-year average operating margin 18.4%.</p> <p>Five of the past 10 years delivered both positive earnings and growth.</p> <p>Return on equity has risen from low-teens to mid-teens over the past five years, supported by US market growth and strategic acquisitions that have kept margins stable and earnings consistently accretive over time.</p>
Moat	★★★★☆	<p>Deutsche Telekom's competitive advantage stems from scale, spectrum depth and hard-to-replicate infrastructure, best categorised by the Economies of Scale moat. National fibre and mobile networks in Germany and other European markets are natural oligopolies, where only a few large players can earn an adequate return. Replicating such networks at scale would destroy value for new entrants, as it would cost billions and years to build.</p> <p>Additionally, there is a Cost Advantage moat through TMUS, where DTE holds a Spectrum Fortress in the 2.5 GHz mid-band – the 5G infrastructure that can support massive data loads at a lower cost per bit than peers.</p>
Management and governance	★★★★☆	<p>The leadership team is characterised by continuity at the top and strategic synergy between the German parent and its US operations. Timotheus Höttges, CEO, is recognised as the architect of DT's success across Europe and the Americas with the T-Mobile merger and FTTH pivot. In early 2025, the Supervisory Board took the unusual step of extending his contract until December 31, 2028, ahead of schedule – signalling confidence and continuity. Srinu Gopalan, formerly the head of DT's German business, succeeded Mike Sievert as CEO of T-Mobile US in November 2025, underscoring tighter integration between the two regions.</p>
Balance sheet	★★★★☆	<p>Net debt/EBITDA ratio 2.6x, interest coverage ratio 4.1x.</p> <p>The Net debt/EBITDA reflects leverage that sits comfortably within management's target corridor of ≤ 2.75x, indicating that leverage is aligned with the company's financial policy and consistent with its current investment-grade ratings, albeit with limited headroom to the upper end of the range.</p>
Risks		<p>Management has highlighted the risks of regulatory divergence between the US and Europe. In early 2026, the European Commission established the Digital Networks Act (DNA) intended to modernise the sector; however, it exclusively gives the commission more power over national spectrum auctions. While it aims for 20-year license durations (a positive), it adds a layer of centralised bureaucracy that could delay local rollouts in Germany or Poland. The US cellular and Metronet acquisitions were concluded with political concessions, having to appeal to the Republican-led FCC on issues of DEI and committing to specific rural build-out targets.</p> <p>The FCC and US Supreme Court have upheld the fine on telcos for infringing on location data privacy violations. TMUS faces a \$92 million penalty, which it sought to appeal; and adverse outcome could set a precedent for more aggressive in-house regulatory sanctions.</p> <p>Fundamental: The threat of fibre overbuild in Germany from alternative service providers targeting high-density areas with competitive pricing strategies could dampen current ARPU and margins.</p> <p>Under the EU's new Cybersecurity Act (CSA 2.0), DTE has agreed to remove Chinese components from its 5G core. If the timeline extends to 2027, it could trigger a CapEx spike that encroaches on the €2.0 billion share buyback fund.</p>

Source: FactSet



Graph 1: Five-year price (Indexed to 100)



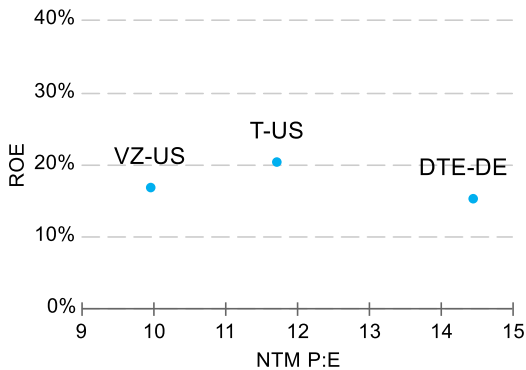
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
DTE-DE	19.2%	-3.3%	23.3%	12.2%	-2.2%	51.2%	51.7%	100.0%	106.4%
VZ-US	25.1%	1.7%	25.1%	16.5%	17.0%	29.1%	39.3%	-8.4%	-4.2%
T-US	11.6%	-1.0%	15.2%	-5.5%	4.3%	62.6%	50.8%	22.4%	-5.3%
MSCI World	-1.1%	-3.3%	-0.2%	3.1%	17.2%	28.2%	62.0%	59.7%	174.3%

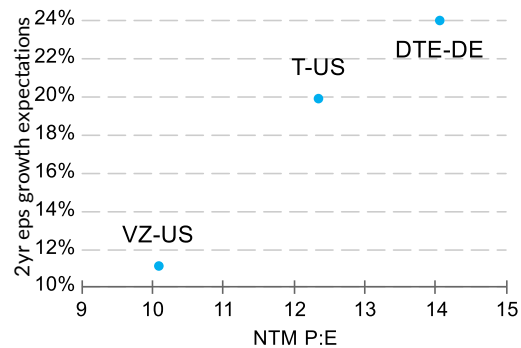
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs consensus EPS 2Y CAGR forecast



Source: FactSet

Valuation

Deutsche Telekom was valued using an EV/EBIT multiple approach model with a weighted probability assumption reflecting varying growth outlooks. The bear case applies a 10x multiple, assuming slower growth and some margin pressure from competition and pricing. The base case uses a 12x multiple, consistent with the upper end of the stock's historical range and assumes DT broadly delivers on its medium-term guidance of low- to mid-single-digit growth. The bull case assumes a 14x multiple, reflecting a re-rating toward a premium telco multiple if Deutsche Telekom sustains above-sector growth, executes on AI and fibre monetisation, and maintains strong capital returns.

Table 3: Valuation summary

Valuation Probabilities			
	Bear	Base	Bull
EV/EBIT multiple	10x	12x	14x
Probability	20%	50%	30%
Share price	€26	€36	€47
Weighted intrinsic value	€37		
Upside/(Downside)	18%		

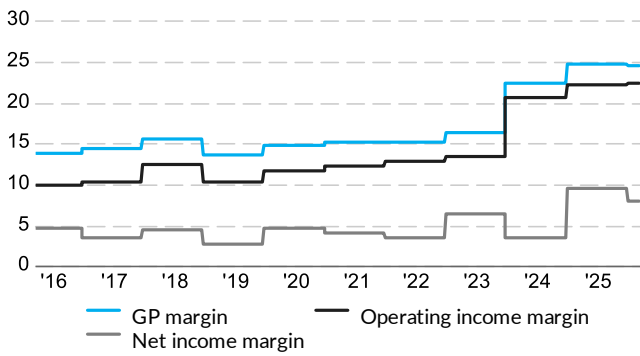


Graph 4: NTM P:E relative to benchmark



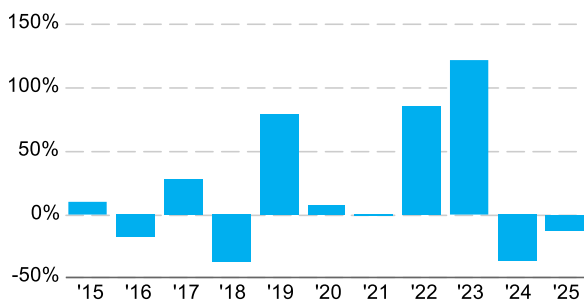
Source: FactSet

Graph 5: Profit margins (%)



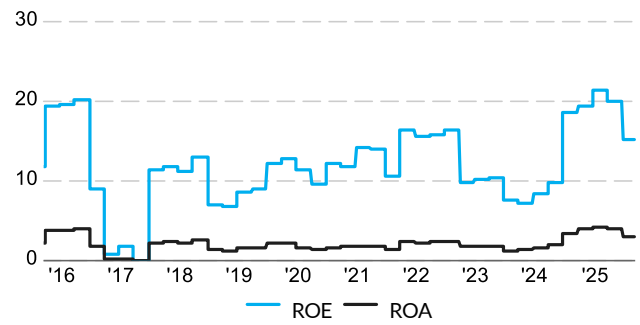
Source: FactSet

Graph 6: 5Y EPS y/y Growth



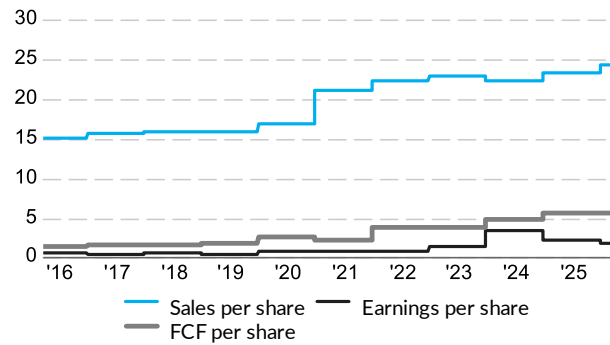
Source: FactSet

Graph 7: ROE and ROA (%)



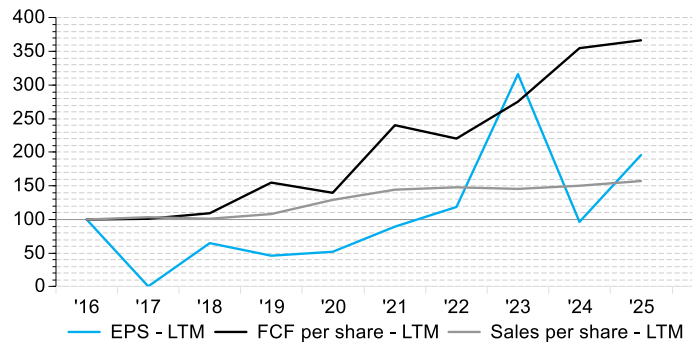
Source: FactSet

Graph 8: Sales, earnings and FCF per share (EUR)



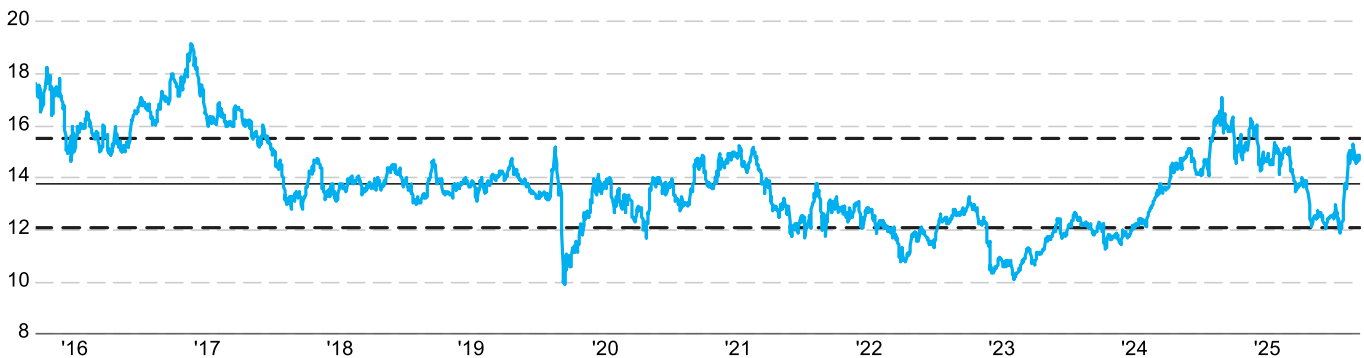
Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (€Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	107 610	114 197	111 970	115 769	119 081	3%	1%	3%
Cost of sales	91 176	95 320	86 759	87 084	89 784	3%	-2%	1%
Gross income	16 434	18 877	25 211	28 685	29 297	2%	16%	14%
EBIT	14 009	15 515	23 155	25 745	26 818	4%	20%	17%
EBITDA	40 206	41 417	46 351	49 084	50 757	3%	7%	6%
Net income	3 969	7 558	4 092	11 209	9 609	-14%	8%	18%
EPS (EUR)	0.9	1.6	3.6	2.3	2.0	-13%	7%	18%
Balance sheet (€Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	299 471	321 030	313 442	328 294	310 829	-5%	-1%	2%
Total shareholders' equity	81 469	87 320	91 237	98 640	92 232	-6%	2%	5%
Total liabilities	218 002	233 710	222 205	229 654	218 597	-5%	-2%	1%
Ratios	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	5Y Avg		
Net debt/EBITDA	3.3	3.4	2.9	2.8	2.6	3.0		
Interest coverage	2.8	2.7	3.5	3.9	4.1	3.4		
Debt/assets (%)	47.4	45.8	44.9	44.6	45.4	45.6		

Source: FactSet



Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
AI	Artificial Intelligence
ARR	Annual Recurring Revenue
ASIC	Application-Specific Integrated Circuit
ARPU	Average Revenue per User
B2B	Business-to-Business
B2C	Business-to-Consumer
CAGR	Compounded annual growth rate
Capex	Capital expenditure
CSA	Cyber Security Act
DCF	Discounted Cash Flow
DNA	Digital Networks Act
DSL	Digital Subscriber Line
DTE-DE	Deutsche Telekom AG
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
EUR/€	Euro - the official currency of the Eurozone
FCC	Federal Communications Commission
FCF	Free cash flow
FTTH	Fiber-to-the-Home
FWA	Fixed Wireless Access
FY	Financial year
GP	Gross profit
IoT	Internet of Things
JV	Joint Venture
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month to date
NTM	Next twelve months (also known as forward)
OpEx	Operating expenditure
OT	Operational Technology
P:E	Price to earnings
R&D	Research & Development
ROA	Return on assets
ROE	Return on equity
SD-WAN	Software-defined wide-area networking
SecOps	Security Operations
T-US	AT&T Inc
TMUS-US	T-Mobile US
USD/\$	United States Dollar
VZ-US	Verizon Communications Inc
Y/y	Year(s)
YTD	Year to date



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*Share price as at closing.

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