Deutsche Telekom AG

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This report does not constitute a rating action.

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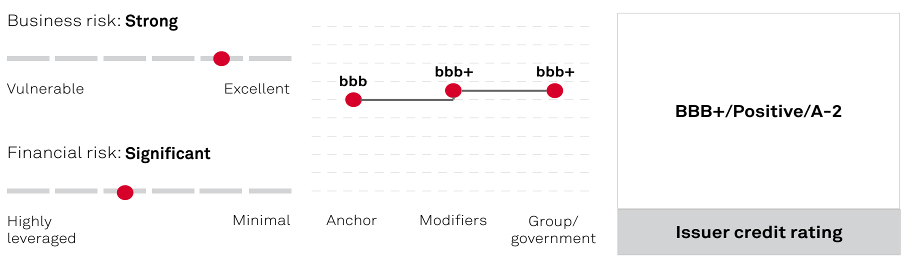
Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Strong incumbent position with an estimated 45% total telecom revenue market share in German market in 2024, according to Bundesnetzagentur.	Deutsche Telekom exceeded the upper limit of its 2.25x-2.75x net debt to EBITDA corridor between 2020-2024, following the Sprint acquisition 2020.
A controlling 51.8% stake in T-Mobile U.S. (TMUS) as of April 2025, the second-largest wireless service provider in the U.S.	Leverage could experience pressure, due to significant M&A activity in the U.S.
High-quality mobile networks across geographies, with close to 100% 5G coverage in Germany and the U.S., complemented with strong spectrum holdings.	Potential need to increase capital expenditure (capex) to intensify the fiber-to-the-home (FTTH) roll-out across geographies.
Diversification and growth opportunities underpinned by leading positions in several European fixed and mobile markets.	
Improving free operating cash flow (FOCF) profile, expected to reach above 15% of debt in 2025.	

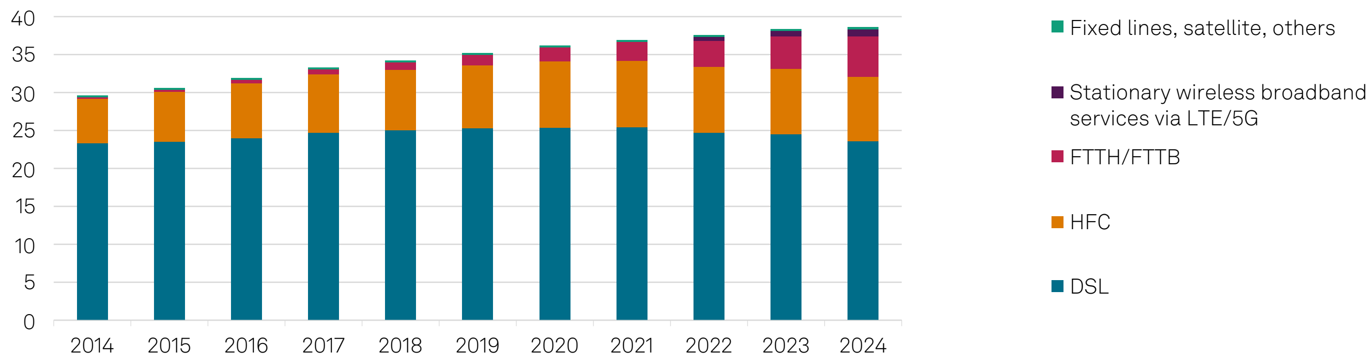
Deutsche Telekom AG (DT) continues to demonstrate mobile service revenue growth across various regions, along with notable fixed wireless access (FWA) expansion in the U.S. We expect robust service revenue growth for DT's controlled subsidiary, TMUS, which reported a 5.1% increase in service revenue during the first quarter of 2025. Subscriber growth has also been strong in TMUS's FWA segment in recent years; TMUS currently has approximately 6.9 million FWA customers and anticipates reaching over 12 million by 2028, implying steady annual customer growth of about 1.4 million. We expect that DT will continue to post mobile service revenue growth in Germany, despite increased promotional activity in the market. In our view, DT will continue to monetize on its well-invested mobile networks, strong brand recognition and family data plans to continue to drive net adds. Furthermore, DT reported a 4.5% increase in mobile service revenue in its European segment during the same quarter, primarily due to its expanding 5G network coverage, which reached 78% of the population in this segment as of March 31, 2025, up from 68% a year earlier.

Recent regulatory changes to the German market, including TV-deregulation and Spectrum postponement, are primarily credit positive developments for DT. During 2024, DT saw a strong gain in TV subscribers, with a net adds of 0.3 million during 2024, this gain is attributed to its MagentaTV offering, which managed to grab a large intake in subscribers following regulatory changes in the multi-dwelling unit (MDU) TV law, which at the same time led to a significant loss of subscribers for Vodafone and Tele Columbus. Although TV stands for a rather small share of DTs revenue, it could have a positive impact on cross-selling and churn. With the migration of MDU TV customers largely complete, we expect subscriber growth to normalize.

In January 2025, The Federal Network Agency proposed a five-year extension option for a planned spectrum auction. This option is for the 800MHz, 1800MHz, and 2.6GHz bands for all the three players (DT, Telefonica, and Vodafone). It comes with a special condition that one of the three players will be required to open up some of sub-1GHZ spectrum on a cooperative basis with fourth operator 1&1. While the implementation of this is yet to be finalized, this likely means that there will be no need for large spectrum outlays until 2029. Another regulatory change is in the German market, which involves the planned removal of Huawei equipment from Germany's 5G core networks by 2029. However, we expect the impact on DTs capex envelope to be very limited as the timeline is aligned with DT's existing network modernization plans and are not expected to hinder its growth trajectory.

With well invested mobile networks and no major spectrum auction on the horizon, we expect capex will shift toward FTTH roll-out and network densification. To be able to capture future growth opportunities from migrations to faster technologies and protect its market position (DT had a 39% subscriber market share in broadband connections in fixed networks in 2024), we expect DT to continue fiber rollout as it targets an average of 2.5 million additional FTTH connections per annum until 2027 in Germany and 1 million additional FTTH connections in Europe. Apart from the FTTH roll-out, we expect densification of DT's mobile networks across regions will receive the majority of the remaining capex budget.

Active Broadband Connections in Fixed Networks (million households)



Source: S&P Global Ratings & Bundesnetzagentur.

In our base case, we do not expect DTs U.S. arm, TMUS, to allocate capital expenditures to build out fiber. TMUS entered its own JV partnerships with private equity sponsors to acquire fiber-to-the-home (FTTH) providers Lumos and Metronet with the goal of passing 12 million to 15 million locations by 2030, putting the company behind peers in its ability to bundle FTTH broadband service with mobile. That said, TMUS continues to take mobile share even in areas where competitors have fiber and churn reduction is typically a multi-product phenomenon that is not specific to fiber.

We expect the FOCF generation to improve over coming years, supporting DTs ability to maintain its financial policy. In 2024, DT reached an S&P Global Ratings-adjusted leverage of 3.0x at year-end, down from 3.7x in 2022 (company defined net debt to EBITDA of 2.75x in third quarter 2024 from 3.07x in 2022). The improvement was fueled by strong operating performance leading to higher EBITDA, lower restructuring costs, a stronger FOCF profile, and the sale of GD Towers. Although we continue to expect an expansion of EBITDA and FOCF, we anticipate cash outflows related to acquisitions and shareholder distributions to outpace FOCF in 2025. In 2026-2027, when we expect that there will be a larger portion of the FOCF that will be unallocated, unless needed elsewhere we expect that excess capital will be used to increase DT's stake in TMUS. We expect the company to maintain a majority ownership interest between 50%-60%.

Outlook

The positive outlook indicates that we could raise the rating by one notch over the coming 24 months if DT can sustain its strong operating performance and adhere to its financial policy over the coming two years, even amid significant M&A activity at TMUS. If the company maintains its financial policy, we expect this would translate into S&P Global Ratings-adjusted debt to EBITDA of 3.0x or lower, and FOCF to debt above 15%.

Downside scenario

If DT's leverage exceeds 3.0x, we could revise the outlook to stable. This could happen if debt-financed acquisitions or shareholder returns are prioritized above maintaining the financial policy. We could also revise the outlook to stable if the company experiences operational setbacks such as declining revenue or weakening profitability, for example stemming from intensified competition.

Upside scenario

We could raise the rating within two years if credit metrics strengthen, such that S&P Global Ratings-adjusted debt to EBITDA and FOCF to debt before spectrum payments improve to less than 3.0x and to 15%, respectively.

Our Base-Case Scenario

Assumptions

- Real GDP growth in Germany of 0.1% in 2025 and 1.2% in 2026.
- Real GDP growth in the U.S. of 1.5% in 2025 and 1.7% in 2026.
- Real GDP growth in the eurozone of 0.8% in 2025 and 1.2% in 2026.
- Annual revenue growth of 3.5%-4.0% in 2025 and 2.5%-3.0% in 2026, stemming primarily from strong mobile service revenue growth across regions and growth contribution from fiber investments and M&A activities in U.S.
- The adjusted EBITDA margin gradually strengthening to 45% in 2027 compared with 41.6% in 2024, benefiting from mobile service revenue growth and operational efficiency, and partly offset by inflationary pressure on labor costs.
- Capex (excluding spectrum payments) of 13%-14% of sales in 2025-2026, similar to 14% in 2024. We expect capex in Germany and the European division will be higher at about 18%-19% driven by fiber rollout, whereas the U.S. segment will only need 11%-12% in capex.
- We expect DT to maintain a majority ownership interest in TMUS between 50%-60%. In April 2025, this stood at 51.8%
- Acquisitions of about €9.8 billion in 2025 that include ongoing M&A transactions.
- We expect the remaining discretionary cash flow will be spent on a mixture of spectrum, M&A, and shareholder returns.
- We fully consolidate TMUS in our credit metrics.

Key metrics

Deutsche Telekom AG--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	108,794	114,197	111,970	115,769	120,159	123,382	126,179
Gross profit	59,111	61,271	64,769	68,395	72,603	75,901	79,290
EBITDA (reported)	40,538	43,047	44,759	47,671	51,093	53,814	56,703
Plus/(less): Other	(2,240)	(3,189)	351	501	642	642	642
EBITDA	38,298	39,858	45,110	48,172	51,735	54,456	57,345
Less: Cash interest paid	(5,241)	(5,669)	(6,136)	(6,245)	(5,838)	(5,142)	(5,960)

Deutsche Telekom AG--Forecast summary

Less: Cash taxes paid	(893)	(902)	(1,312)	(1,504)	(5,491)	(6,224)	(6,637)
Funds from operations (FFO)	32,164	33,287	37,662	40,423	40,406	43,091	44,748
EBIT	10,666	12,382	18,637	27,018	27,644	29,876	32,347
Interest expense	5,307	5,720	7,021	6,941	6,066	5,369	6,185
Cash flow from operations (CFO)	31,868	35,805	37,255	40,255	39,753	42,644	44,302
Capital expenditure (capex)	26,154	23,989	17,659	19,039	16,292	16,692	17,151
Free operating cash flow (FOCF)	5,714	11,816	19,596	21,216	23,461	25,953	27,151
Dividends	3,145	3,385	4,027	5,592	6,325	6,724	7,457
Discretionary cash flow (DCF)	2,569	8,431	15,569	13,650	5,636	8,229	9,694
Debt (reported)	111,466	113,030	104,523	112,191	118,952	126,324	130,286
Plus: Lease liabilities debt	33,134	38,792	40,793	40,248	38,638	37,093	35,609
Plus: Pension and other postretirement debt	5,877	4,057	3,962	3,107	3,107	3,107	3,107
Less: Accessible cash and liquid Investments	(5,509)	(5,325)	(7,473)	(8,013)	(3,931)	(3,931)	(3,931)
Plus/(less): Other	(1,300)	(1,803)	(323)	(2,184)	(1,671)	(1,671)	(1,671)
Debt	143,668	148,751	141,482	145,349	155,095	160,921	163,399
FOCF (adjusted for lease capex)	228	1,303	13,446	17,423	20,483	21,898	22,479
Interest expense (reported)	5,052	5,679	6,588	6,613	5,738	5,041	5,857
Capex (reported)	26,365	24,114	17,866	19,171	16,424	16,824	17,283
Cash and short-term investments (reported)	7,617	5,772	7,280	8,478	5,000	5,000	5,000
Adjusted ratios							
Debt/EBITDA (x)	3.8	3.7	3.1	3.0	3.0	3.0	2.8
FFO/debt (%)	22.4	22.4	26.6	27.8	26.1	26.8	27.4
FFO cash interest coverage (x)	7.1	6.9	7.1	7.5	7.9	9.4	8.5
EBITDA interest coverage (x)	7.2	7.0	6.4	6.9	8.5	10.1	9.3
CFO/debt (%)	22.2	24.1	26.3	27.7	25.6	26.5	27.1
FOCF/debt (%)	4.0	7.9	13.9	14.6	15.1	16.1	16.6
DCF/debt (%)	1.8	5.7	11.0	9.4	3.6	5.1	5.9
Annual revenue growth (%)	7.7	5.0	(2.0)	3.4	3.8	2.7	2.3
EBITDA margin (%)	35.2	34.9	40.3	41.6	43.1	44.1	45.4

Deutsche Telekom AG--Forecast summary

EBITDA/cash interest (x)	7.3	7.0	7.4	7.7	8.9	10.6	9.6
EBIT interest coverage (x)	2.0	2.2	2.7	3.9	4.6	5.6	5.2

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Company Description

DT is one of the world's largest telecom operators, with headquarters in Bonn, Germany. It offers fixed and mobile telecom services to retail and business customers, as well as information technology services. The company's geographic EBITDA split in 2024 was about 23% in Germany, 10% in Europe, and about 68% in the U.S. DT's largest shareholder is the Federal Republic of Germany, which as of Dec. 31, 2024, held a 27.8% stake through its own holdings as well as holdings by the German government-owned bank KfW.

Peer Comparison

In our view, DT has one of the strongest business risk profiles among our rated telecommunication operators. This is supported by its unique dual-market strength in Germany and the U.S., as well as its leading presence across a diverse European footprint. Which bring both stability and diversification. We also assign DT's strong business risk profile to its well invested networks and spectrum holdings, which gives a competitive advantage.

DT is present in high quality markets, although we have witnessed an increase in promotional activity in the German mobile market, we regard the market overall to remain rational, and the fixed-line broadband segment offers relatively stable and predictable conditions. This compares favorably with other major European markets, where infrastructure overlap and pricing competition are more pronounced.

In the U.S., we view TMUS' business risk profile as comparable to Verizon and AT&T. TMUS benefits from a strong mobile network and a leading mid-band spectrum position, which provide a clear competitive edge. However, it lacks fiber coverage which limits its ability to become a converge player. However, we note that TMUS has been successful in expanding its FWA footprint and it has recently announced acquisitions of FTTH providers indicate strategic intent to close this gap and expand its fiber presence.

Deutsche Telekom AG--Peer Comparisons

	Deutsche Telekom AG	Verizon Communications Inc.	AT&T Inc.	Orange S.A.	Vodafone Group PLC
Foreign currency issuer credit rating	BBB+/Positive/A-2	BBB+/Stable/A-2	BBB/Positive/A-2	BBB+/Stable/A-2	BBB/Stable/A-2
Local currency issuer credit rating	BBB+/Positive/A-2	BBB+/Stable/A-2	BBB/Positive/A-2	BBB+/Stable/A-2	BBB/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31	2024-03-31
Mil.	EUR	EUR	EUR	EUR	EUR
Revenue	115,769	128,616	117,394	43,968	36,717
EBITDA	48,172	50,882	51,866	14,704	14,704

Deutsche Telekom AG--Peer Comparisons

Funds from operations (FFO)	40,423	39,315	41,343	12,603	11,675
Interest	6,941	8,676	7,790	1,920	2,826
Cash interest paid	6,245	6,127	8,151	1,114	2,305
Operating cash flow (OCF)	40,255	39,176	42,363	12,619	11,940
Capital expenditure	19,039	15,577	19,223	7,979	6,860
Free operating cash flow (FOCF)	21,216	23,599	23,140	4,640	5,080
Discretionary cash flow (DCF)	13,650	12,734	15,004	2,254	2,390
Cash and short-term investments	8,478	4,051	3,186	8,435	11,275
Gross available cash	10,191	4,051	3,186	11,458	11,302
Debt	145,349	147,598	172,673	42,793	47,599
Equity	98,640	94,498	98,044	37,223	65,495
EBITDA margin (%)	41.6	39.6	44.2	33.4	40.0
Return on capital (%)	11.3	11.6	9.4	8.3	3.5
EBITDA interest coverage (x)	6.9	5.9	6.7	7.7	5.2
FFO cash interest coverage (x)	7.5	7.4	6.1	12.3	6.1
Debt/EBITDA (x)	3.0	2.9	3.3	2.9	3.2
FFO/debt (%)	27.8	26.6	23.9	29.5	24.5
OCF/debt (%)	27.7	26.5	24.5	29.5	25.1
FOCF/debt (%)	14.6	16.0	13.4	10.8	10.7
DCF/debt (%)	9.4	8.6	8.7	5.3	5.0

Business Risk

DT's strong mobile network and attractive family plans is expected to support its strong market position also in times of more aggressive competitive pressure. For many years we have regarded DT's strong position in a rational German mobile market, with a 32% mobile revenue market share in 2024, as a key strength supporting credit quality. During recent quarters we have noted an intensification of promotional activity. There is some uncertainty on whether this is more of a temporary dip or something that could remain in the market. That said, in our view, the impact of this on DT is limited so far. DT's 5G network now covers 98.3% of the population in Germany, serving as a key driver behind the company's ability to maintain a 3.1% mobile service revenue growth in its domestic market during the first quarter of 2025. We also note that thanks to attractive family plan offers net adds are still positive, while mobile postpaid ARPU (average revenue per user) have remained broadly stable during 2024.

DT continues to roll out FTTH at a constant pace in Germany, defending its fixed market share. We note that the FTTH coverage in Germany is gradually catching-up with the rest of Europe, currently having one of the highest growth paces, adding nearly 4 million homes passed between September 2023 to September 2024. As a result, coverage stood at 42.5% in September 2024, on the way to reach the 50% goal for year-end 2025. However, it is still behind the EU average of 69.1%, which we attribute to a relatively strong legacy network, a rather soft demand and comprehensive bureaucracy to achieve permits. Although the take-up rate still remains weak, at about 20%, we expect the demand for higher speed fixed-line connections to improve over time, as legacy networks will not be able to sufficiently cover future data demands. Meanwhile, DT achieved its target of FTTH coverage with 10.3 million households in 2024 (about 25% of German homes), we regard its DTs commitment to continue to build out its FTTH coverage by 2.5 million annually in Germany as an investment in future growth and a way to protect its market share, which has been rather stable at about 39% since 2019, as competition also in this segment increasing.

DT benefits from TMUS' strong position in the U.S. wireless market. T-Mobile (which represented about 65% of DTs EBITDA in 2025) continue to gain high margin post-paid mobile market share that now is about 30%, modestly higher than AT&T's 27% but still lagging industry leader Verizon's 35%. T-Mobile benefits from its superior mid-band spectrum that help differentiate its 5G network capabilities and offers more competitive pricing relative to peers. We expect T-Mobile will grow its total revenue by mid-single digit in 2025-2026 driven by growth in post-paid market and addition from integration of acquired business that provide fiber offering.

Geographic diversification adds scale and growth opportunities but competition in some markets result in lower earning visibility. Apart from its subsidiary TMUS, DT is present in eight Central and Eastern European markets that adds diversification and expansion opportunities. Increased mobile data consumption and improving demand for higher speed fiber network pose growth opportunities for DT. In these markets, DT continue to grow in net adds supported by increasing fiber coverage (stands at 39.5% in first quarter 2025) and greater high speed 5G coverage (at 79% in first quarter 2025 vs 68.2% a year ago). Nevertheless, mobile revenues in Greece, Poland, Czech Republic, and Austria were somewhat affected by termination rate cuts imposed by the regulatory authority. As a result, while DT is geographically diversified it remains exposed to competitive pressure and regulatory changes that result in lower earnings and cash flow visibility over time.

Financial Risk

We forecast DT's S&P Global Ratings-adjusted leverage will remain at about 3.0x in 2025 and that FOCF to debt will increase above 15%, given gradual improvement in FOCF to above €20 billion annually. The improvement in FOCF will primarily stem from an expansion in adjusted EBITDA and lower capex in the U.S. arm. We do not anticipate significant deleveraging and believe the group will maintain the net leverage target of maximum 2.75x, which translates into S&P adjusted leverage of maximum than 3.0x.

Debt maturities

Deutsche Telekom AG (excluding the U.S.)--Debt maturity as of March 31, 2025

Year	Amount
2025	€1.5 billion
2026	€2.2 billion
2027	€3.6 billion
2028	€3.6 billion
Thereafter	€17.9 billion

Deutsche Telekom AG--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024

Deutsche Telekom AG--Financial Summary

Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	80,531	100,999	108,794	114,197	111,970	115,769
EBITDA	27,080	35,036	38,298	39,858	45,110	48,172
Funds from operations (FFO)	22,055	26,760	32,164	33,287	37,662	40,423
Interest expense	3,230	5,157	5,307	5,720	7,021	6,941
Cash interest paid	4,267	7,586	5,241	5,669	6,136	6,245
Operating cash flow (OCF)	22,832	24,361	31,868	35,805	37,255	40,255
Capital expenditure	14,014	18,360	26,154	23,989	17,659	19,039
Free operating cash flow (FOCF)	8,818	6,001	5,714	11,816	19,596	21,216
Discretionary cash flow (DCF)	5,008	2,934	2,569	8,431	15,569	13,650
Cash and short-term investments	5,393	12,939	7,617	5,772	7,280	8,478
Gross available cash	6,333	13,820	8,586	7,596	9,285	10,191
Debt	85,323	134,156	143,668	148,751	141,482	145,349
Common equity	46,231	72,550	81,468	87,320	91,237	98,640
Adjusted ratios						
EBITDA margin (%)	33.6	34.7	35.2	34.9	40.3	41.6
Return on capital (%)	7.3	5.4	4.9	5.4	8.0	11.3
EBITDA interest coverage (x)	8.4	6.8	7.2	7.0	6.4	6.9
FFO cash interest coverage (x)	6.2	4.5	7.1	6.9	7.1	7.5
Debt/EBITDA (x)	3.2	3.8	3.8	3.7	3.1	3.0
FFO/debt (%)	25.8	19.9	22.4	22.4	26.6	27.8
OCF/debt (%)	26.8	18.2	22.2	24.1	26.3	27.7
FOCF/debt (%)	10.3	4.5	4.0	7.9	13.9	14.6
DCF/debt (%)	5.9	2.2	1.8	5.7	11.0	9.4

Reconciliation Of Deutsche Telekom AG Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024									
Company reported amounts	112,191	35,344	115,769	47,671	26,277	6,613	48,172	39,874	5,592	19,171
Cash taxes paid	-	-	-	-	-	-	(1,504)	-	-	-
Cash interest paid	-	-	-	-	-	-	(6,113)	-	-	-
Trade receivables securitizations	1,477	-	-	-	-	-	-	513	-	-
Lease liabilities	40,248	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/	3,107	-	-	41	41	141	-	-	-	-

Reconciliation Of Deutsche Telekom AG Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
deferred compensation										
Accessible cash and liquid investments	(8,013)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	132	(132)	(132)	-	(132)
Share-based compensation expense	-	-	-	701	-	-	-	-	-	-
Asset-retirement obligations	1,164	-	-	-	-	55	-	-	-	-
Nonoperating income (expense)	-	-	-	-	3,449	-	-	-	-	-
Noncontrolling/ minority interest	-	63,296	-	-	-	-	-	-	-	-
Debt: Derivatives	(2,687)	-	-	-	-	-	-	-	-	-
Debt: Debt serviced by third parties	(2,138)	-	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(189)	(189)	-	-	-	-	-
EBITDA: other	-	-	-	(52)	(52)	-	-	-	-	-
D&A: Impairment charges/ (reversals)	-	-	-	-	(2,508)	-	-	-	-	-
Total adjustments	33,158	63,296	-	501	741	328	(7,749)	381	-	(132)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	145,349	98,640	115,769	48,172	27,018	6,941	40,423	40,255	5,592	19,039

Liquidity

We assess DT's liquidity as strong based on our expectation that liquidity sources will exceed uses 1.7x in the 12 months started April 1, 2025, and by more than 1.3x in the subsequent 12 months. In addition, we believe DT enjoys a high standing in capital markets and has well-established and solid relationships with its banks.

Principal liquidity sources	Principal liquidity uses

- Cash and liquid investments of about €5.6 billion (excluding the U.S.);
- €12.0 billion available under undrawn committed credit facilities which do not contain covenants or material adverse clauses; and
- Cash FFO (excluding the U.S.) of about €10 billion.
- Debt maturities of about €2 billion over the 12 months;
- Capex (excluding the U.S. and spectrum payments) of about €7.7 billion; and
- Dividend payments of €6.3 billion.

Covenant Analysis

Requirements

DT is not subject to any maintenance covenants in its outstanding bonds or existing credit facilities.

Government Influence

We do not factor any support from the German government into our rating on DT because we see a low likelihood that Germany, which directly and indirectly controls about 27.8% as of Dec. 2024 of the company's common shares, would provide timely and sufficient extraordinary government support in the event of financial distress.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of quarter ending March 2025, about 73% of DT's consolidated external debt was at the U.S. level. The majority of the remaining debt was at the parent or at Deutsche Telekom International Finance B.V. The latter is used as a finance vehicle, and the parent guarantees its issuances. Based on DT's 51.7% economic stake in TMUS as of quarter ending March 2025, the structural subordination ratio was about 53.8%.

Analytical conclusions

We do not notch down the debt issued at DT (parent) even though the structural subordination ratio now exceeds 50%. In our view, significant mitigants exist to the structural subordination. Firstly, we regard DT's majority stake in TMUS to be highly liquid, given TMUS is a listed company and has considerable equity value. This provides a strong cushion to creditors at the parent level. Furthermore, in the event of a default at TMUS, the European business would have significant network assets and contribute a substantial proportion of cash flow. We think these assets and funds would be largely available to the parent's creditors, given the modest amount of priority debt in European subsidiaries. In addition, we regard the TMUS and DTexUS operations as independent. Furthermore, DT's debt is not cross defaulted with its U.S. subsidiary's debt, and the latter does not benefit from any guarantee from the parent.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Positive/A-2**
Local currency issuer credit rating	**BBB+/Positive/A-2**
Business risk	**Strong**
Country risk	Very Low
Industry risk	Intermediate
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bbb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Positive (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	**bbb+**

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Oct. 23, 2023
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporate | General: Corporate Methodology, Jan. 07, 2024
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 07, 2024
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Deutsche Telekom Outlook Revised To Positive On Stronger Cash Flows To Maintain Leverage; 'BBB+/A-2' Ratings Affirmed, May 28, 2025
- T-Mobile US Inc. Outlook Revised To Positive From Stable On Strong Earnings Growth And Free Cash Flow Generation; Ratings Affirmed, May 28, 2025
- European Telecoms Investment-Grade Portfolio: How Credit Stories Unfolded, Feb. 11, 2025
- Industry Credit Outlook 2025: Telecommunications, Jan. 14, 2025

Ratings Detail (as of June 27, 2025)*

Deutsche Telekom AG	
Issuer Credit Rating	BBB+/Positive/A-2
Commercial Paper	
Foreign Currency	A-2
Senior Unsecured	BBB+
Issuer Credit Ratings History	
28-May-2025	BBB+/Positive/A-2
19-May-2023	BBB+/Stable/A-2
22-Apr-2022	BBB/Positive/A-2
Related Entities	
Deutsche Telekom International Finance B.V.	
Issuer Credit Rating	BBB+/Positive/A-2
Hellenic Telecommunications Organization S.A.	
Issuer Credit Rating	BBB+/Stable/A-2
Sprint Capital Corp.	
Issuer Credit Rating	BBB/Positive/NR
Sprint Communications Inc.	
Issuer Credit Rating	BBB/Positive/NR
Sprint Corp.	
Issuer Credit Rating	BBB/Positive/--
T-Mobile USA Inc.	
Senior Secured	BBB
Senior Unsecured	BBB
T-Mobile US Inc.	
Issuer Credit Rating	BBB/Positive/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.