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EQUITY RESEARCH: 1&1 AG

MAXIMILIAN SEBASTIAN KEIL

JUNE - 2026

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SUPERVISION:
ANTÓNIO MANUEL FIRMINO CALAPEZ CORREIA

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Abstract

1&1 AG ("1U1" or "Company") is Germany's fourth mobile network operator, engaged in: i) the provision of mobile and broadband telecommunication services; ii) the construction and operation of a 5G Open-RAN network; and iii) fiber backhaul and B2B connectivity.

This report issues a SELL recommendation for 1U1, with a 2027YE Price Target of €12.91/Sh., representing an annualized return of -22.49% against the closing price of €18.94/Sh. as of 30 June 2026, with High Risk.

The SELL recommendation is primarily explained by: i) a standalone Build valuation materially below the current price; ii) a depressed FCF profile during the Peak CapEx phase; and iii) the absence of low-band spectrum constraining coverage and EBITDA margin recovery. However, 1U1's stock currently trades above the SELL target, supported by consolidation optionality and the successful subscriber migration to the own Open-RAN infrastructure.

The valuation was performed using the Integrated FCFF model, complemented by an FCFF Probability-Weighted approach and Multiples-Based Valuation methodologies.

The valuation is subject to significant risks; the regulator’s sub-1 GHz sharing decision is the primary binary catalyst, with an adverse ruling reducing the 2027YE PT significantly. Nevertheless, any binding German telecom consolidation announcement would constitute a discrete upside re-rating catalyst.

JEL Classification: G12; G32; G34; L96

Keywords: Equity Research; Valuation; Mergers & Acquisitions; Telecommunications; Open-RAN; 5G; National Roaming

Resumo

A 1&1 AG ("1U1") é o quarto operador de rede móvel da Alemanha, com actividades em: i) telecomunicações móveis e de banda larga; ii) construção de uma rede 5G Open-RAN; e iii) conectividade B2B em fibra ótica.

Neste relatório é emitida uma recomendação de VENDA para a 1U1, com um preço alvo de €12,91/acção no final de 2027, representando uma rentabilidade anualizada de -22,49% face ao preço de fecho de €18,94/acção, a 30 de Junho de 2026, com risco elevado. A recomendação é essencialmente explicada por: i) uma valorização standalone materialmente inferior ao preço de mercado actual; ii) um perfil de Fluxo de Caixa Livre deprimido na fase de CapEx de Pico; e iii) a ausência de espectro de baixa frequência, condicionando a margem de EBITDA. Não obstante, as acções da 1U1 transaccionam acima do preço alvo, sustentadas pela opcionalidade de consolidação sectorial e pela migração de clientes para a rede Open-RAN própria.

A avaliação foi realizada através do modelo FCFF Integrado, complementado por uma abordagem FCFF Ponderada por Probabilidade e por metodologias de Avaliação por Múltiplos; a decisão regulatória sobre o espectro sub-1 GHz constitui o principal catalisador de risco binário; qualquer anúncio de consolidação sectorial constituiria um catalisador de revalorização.

Classificação JEL: G12; G32; G34; L96

Palavras-Chave: Equity Research; Avaliação de Empresas; Fusões e Aquisições; Telecomunicações; Open-RAN; 5G; Roaming Nacional

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Glossary

	€ or EUR	Euro; Currency of the Eurozone.
	1U1	Germany's 4th MNO; building 5G Open-RAN. Ticker: 1U1 GR.
A	**ARPU**	Average Revenue Per User; Avg. monthly revenue per subscriber.
B	**B2B**	Business to Business; Services sold between companies.
	B2C	Business to Consumer; Services sold to individual customers.
	BEREC	Body of European Regulators for Electronic Communications.
	BMDV	German Federal Ministry for Digital & Transport.
	Bn	Billion(s) (e.g., €1 Bn = €1,000,000,000).
	BNetzA	Germany's Federal Network Agency; regulates telecoms & spectrum.
C	**CAGR**	Compound Annual Growth Rate; Annualised multi-year growth rate.
	CapEx	Capital Expenditures; Investment in physical assets (towers, cables).
	CAPM	Capital Asset Pricing Model; Formula: Re = Rf + β × ERP.
	CDS	Company Default Spread; Extra rate above Rf; reflects credit risk.
	CEO	Chief Executive Officer; Top executive responsible for strategy.
	CFO	Chief Financial Officer; Executive overseeing company finances.
	COO	Chief Operating Officer; Executive overseeing daily operations.
	CPI	Consumer Price Index; Standard measure of consumer price inflation.
	CRP	Country Risk Premium; Extra return for country-specific risk.
	CSRD	Corporate Sustainability Reporting Directive; EU ESG disclosure rule.
D	**D**	Debt; Money borrowed by a company, repaid with interest.
	DACH	Germany, Austria & Switzerland; European telecom market grouping.
	DAX	Deutscher Aktienindex; Germany's flagship 40-company stock index.
	DCF	Discounted Cash Flow; Future cash flows discounted at WACC.
	DDM	Dividend Discount Model; Values stock on discounted future dividends.
	DFMG	Deutsche Funkturm GmbH; DTE's tower subsidiary; leases sites to MNOs.
	DSL	Digital Subscriber Line; Broadband via copper phone lines.
	DTE	Deutsche Telekom AG; Germany's largest telco. Bloomberg: DTE GR.
E	**E**	Equity; Ownership stake in a company after all debts are settled.
	EBIT	Earnings Before Interest & Taxes; Core operating profit.
	EBITDA	Earnings Before Interest, Taxes, Depreciation & Amortisation.
	EBITDAaL	EBITDA after Leases; Adjusted for lease costs per IFRS 16.
	ECB	European Central Bank; Sets Eurozone monetary policy.
	EFCF	Equity Free Cash Flow; Cash available to shareholders after all costs.
	EPS	Earnings per Share; Net income divided by shares outstanding.
	ERP	Equity Risk Premium; Extra expected return on equities above Rf.
	ESG	Environmental, Social & Governance; Sustainability framework.
	ESRS	European Sustainability Reporting Standards; EU ESG reporting rules.
	ETNO	European Telecoms Network Operators' Association; EU industry body.
	EURIBOR	Euro Interbank Offered Rate; Eurozone interbank lending benchmark.
	EV	Enterprise Value; Total value (equity + debt - cash).
F	**F**	Forecast (e.g., 2027F); Projected figure, not yet reported.
	FCF	Free Cash Flow; Cash remaining after operating costs & CapEx.
	FCFF	Free Cash Flow to the Firm; Cash available to all capital providers.
	FMC	Fixed-Mobile Convergence; Bundling of fixed & mobile services.
	FTE	Flow to Equity; Valuation discounting cash flows to equity holders.
	FTTH	Fibre to the Home; High-speed fibre cable directly into the home.
	FWA	Fixed Wireless Access; Broadband delivered via 4G/5G radio signals.
	FY	Fiscal Year; 12-month accounting period. For 1U1: January-December.
G	**g**	Terminal Growth Rate; Perpetual FCF growth rate in DCF model.
	GDP	Gross Domestic Product; Total value of a country's economic output.
H	**HHI**	Herfindahl-Hirschman Index; Measures telecom market concentration.
	HICP	Harmonised Index of Consumer Prices; EU standard inflation measure.
I	**ICT**	Information & Communications Technology; internet, phones, networks.
	IFRS	International Financial Reporting Standards; Global accounting rules.
	ILD	Iliad Group; French telco (Free brand); peer comparator. Ticker: ILD FP.
	IMF	International Monetary Fund; Global economic stability organisation.
	IPTV	Internet Protocol Television; TV delivered over the internet.

K	**KPN**	KPN N.V.; Dutch integrated telco; peer comparator. Ticker: KPN NA.
L	**LSEG**	London Stock Exchange Group; Data platform.
M	**M&A**	Mergers & Acquisitions; Combining companies; key 1U1 upside scenario.
	MBA	MBA-MVNO; MVNO focused on mobile data; 1U1's prior business model.
	MBV	Multiples Based Valuation; Values a company vs. peer financial metrics.
	Mn	Mn(s) (e.g., €100 Mn = €100,000,000).
	MNO	Mobile Network Operator; Owns & operates own mobile network.
	MOCN	Multi-Operator Core Network; Two+ operators share radio equipment.
	MVNO	Mobile Virtual Network Operator; Resells mobile capacity from an MNO.
N	**NCI**	Non-Controlling Interests; Minority stake; deducted in the EV bridge.
	NOPAT	Net Operating Profit After Tax; Operating profit after tax, ex debt.
	NPV	Net Present Value; Present value of all future cash flows.
	NRA	National Roaming Agreement; Allows use of another operator's network.
	NWC	Net Working Capital; Current assets minus current liabilities.
O	**OpEx**	Operational Expenditures; Recurring costs of running the business.
	ORA	Orange S.A.; French multinational telco; peer. Ticker: ORA FP.
	OTT	Over The Top; Digital services delivered via internet (e.g., Netflix).
P	**P**	Price; Current share price; used in multiples (P/E, P/B).
	PMI	Purchasing Managers' Index; Survey indicator; above 50 = expansion.
	PROX	Proximus; Belgian national telco; peer comparator. Ticker: PROX BB.
	PT	Price Target; Analyst's fair value estimate.
	PV	Present Value; Current value of a future amount, discounted.
R	**R&D**	Research & Development; Investment in new products & technologies.
	RAN	Radio Access Network; Antennas & towers connecting phones.
	Rf	Risk-Free Rate; Yield on the 10-year German Bund.
	ROA	Return on Assets; Net income divided by total assets.
	ROCE	Return on Capital Employed; Operating profit divided by capital employed.
	ROE	Return on Equity; Net income divided by shareholders' equity.
	ROIC	Return on Invested Capital; Return on all capital.
S	**SARD**	Sum of Absolute Rank Differences; Peer selection methodology.
	SDAX	Small Cap DAX; German small-cap index; 1U1 (1U1 GR) is a member.
	SIM	Subscriber Identity Module; Chip identifying a subscriber on the network.
	SME	Small & Medium-sized Enterprises; B2B telecom customer segment.
	SOHO	Small Office / Home Office; Very small business telecom segment.
	SoP	Sum of the Parts; Segment-by-segment valuation aggregated to EV.
	SWOT	Strengths, Weaknesses, Opportunities, Threats; Strategic framework.
T	**t**	Corporate Tax Rate; % of profit paid as income tax; Germany c.30%.
	TEF	Telefónica S.A.; telco; Germany operation is O2. Ticker: O2D GR.
	TIT	Telecom Italia S.p.A.; Italian telco; peer comparator. Ticker: TIT IM.
	Tn	Trillion(s) (e.g., €1 Tn = €1,000,000,000,000).
	TTM	Trailing Twelve Months; Most recent 12-month financial period.
	TV	Terminal Value; Value of all cash flows beyond the DCF forecast period.
U	**UBS**	UBS Group AG; bank; source of telecom consensus estimates.
	UTDI	UTDI; 1U1's parent (86.5% stake); provides key financing.
V	**VATM**	German assoc. of alternative telco providers; advocates market access.
	VOD	Vodafone Group PLC; Germany MNO; roaming partner. Ticker: VOD LN.
	VPN	Virtual Private Network; Secure, encrypted remote internet connection.
W	**WACC**	Weighted Average Cost of Capital; DCF discount rate.
	WC	Working Capital; Current assets minus current liabilities.
	WEO	World Economic Outlook; IMF biannual global economic forecast.
Y	**YE**	Year End; End of fiscal year (e.g., 2027YE = 31 Dec 2027).
	YoY	Year-over-Year; Metric compared to same period in the prior year.
	YTD	Year-to-Date; Period from start of fiscal year to present date.

Ticker:	Current Price:	Target Price:	Recommendation:	Return Potential:	Level of Risk:
1U1	€ 18.94 / Sh. (30/06/2026)	€12.91 / Sh. (31.12.2027)	SELL	↓ 31.83% (Ann.: -22.49%)	High

1U1 AG: Asymmetric Optionality in a Four-MNO Market

1. Research Snapshot

1&1 AG has a **SELL recommendation**, with a 2027YE PT of **€12.91/Sh.**, representing a **total downside of -31.83%** and **an annualized return of -22.49%** against the **closing price of €18.94/Sh.** as of 30 June 2026, with High Risk.

1U1's **challenger business model** is characterized by: (i) **Germany's first fully virtualized 5G Open-RAN network**, targeting structural cost advantages upon network completion; (ii) **a vertically integrated platform** of 12.48 Mn mobile subscribers underpinned by Versatel's fiber backhaul; and (iii) **a constrained low-band spectrum position** that remains dependent on the regulators cooperative use decision and the Vodafone national roaming agreement.

Completing the on-net migration ahead of schedule…

1U1 reaffirmed its commitment to own network (5G Open-RAN), completing the largest subscriber migration in German mobile history and reaching 27% 5G household coverage in FY2025 against its **binding 50%-by-2030 regulatory obligation**. Active sites reached 5,500 at FY2025 and are on track for 9,833 by 2027F.

…but financed through leverage, not organic cash flow

This build is not financed by organic cash generation. Net Debt (AL)/EBITDA of 5.6x, CapEx/Revenue at 9.9%, and ROIC of 2.2% **define the current investment phase** in FY2025. The €1,940 Mn United Internet (holding company) promotional loan anchors **DPS at the statutory minimum of €0.05/Sh.** through 2030F, **removing any significant dividend yield for investors**.

The on-net migration pace is the primary value driver…

EBITDA margin recovery is driven by the rate at which on-net traffic displaces national roaming volumes; roaming costs of €402 Mn in FY2025 equal to 75% of EBITDA (€538 Mn). **The Build-only FCFF**, yields a **Base Case PT of €12.91/Sh.**

…and M&A optionality provides asymmetric upside

German telecom consolidation speculation sustains a non-trivial event premium above the standalone path. **A potential M&A scenario** (50% synergies) **implies a PT of €35.50/Sh.** against the SELL base case of €12.91/Sh. **Any binding consolidation announcement would constitute a discrete re-rating catalyst.**

BNetzA sub-1 GHz decision is the primary binary risk

The regulator's pending cooperative use order on sub-1 GHz spectrum remains unresolved. Failure to obtain mandatory sharing would **sustain roaming costs** at €376 Mn in 2026F, **delay EBITDA margin recovery** toward the 26% terminal target, and **reduce the 2027YE PT to €6.84/Sh.** in the worst case.

However, M&A optionality remains a potential key value driver

The base case doesn't assume any M&A probability. However, **potential consolidation options might reassess the Company valuation**.

Table 3 - PT Sensitivity (€/Sh.) to M&A Probability (%)

Buildout	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Price Target (€/Sh.)	12.91	15.17	17.43	19.69	21.95	24.21	26.47	28.73	30.98	33.24	35.50
Ann. Upside Potential	-22.5%	-13.7%	-5.4%	2.6%	10.3%	17.7%	24.9%	31.9%	38.7%	45.4%	51.9%
M&A	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

Source: Author Analysis and Company data

Table 1 - Key Market Figures

Market Cap (€)	3,347.92
Free Float (%)	8.88%
No. shares outstanding (#Mn)	176.8
YTD Performance (%)	-23.48%
52-week range (€/Sh.)	18.44-27.30

Source: Bloomberg

Figure 1 – 52-week stock price vs. PT (€)

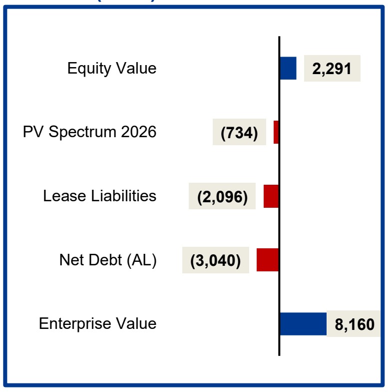
Source: Author Analysis and Bloomberg

Table 2 – Financial Highlights

	FY2025	2026F	2027F
Revenues (€'Mn)	4136	4635	4732
EBITDA (€'Mn)	538	811	908
EBITDA Mg. (%)	13.0%	17.5%	19.2%
Net Income (€'Mn.)	166	211	251
Net Income Mg. (%)	4.0%	4.2%	4.9%
FCF (€'Mn)	195	213	289
CapEx (€'Mn)	411	510	517
Net Debt AL (€'Mn)	3033	3040	3012
Net Debt/EBITDA	5.6x	3.7x	3.3x
Book Debt/Equity	84%	82%	79%
ROIC	2.2%	3.1%	3.6%
ROE	2.7%	3.2%	3.8%
Contracts (Mn)	16.320	16.580	16.910
Mobile ARPU (€/m.)	13,7	13,8	13,9
Fixed ARPU (€/m.)	27,5	27,6	27,7
5G Coverage	27%	35%	45%
5G Antennas	5,500	7,667	9,833

Source: Author Analysis and Company data

Figure 2 - FCFF Integrated Equity Value Breakdown (€'Mn)



Source: Author Analysis and Company data

2. Business Description

Introduction

1U1 (“1U1” or “Company”) is a German telecommunications challenger that focuses on mobile and fixed-line broadband services, operating a digital-first, multi-brand model with a growing own mobile network infrastructure. The Company addresses mass-market private households and small businesses primarily through online channels and a portfolio of brands centered on 1U1, complemented by e-mail and portal brands such as GMX and WEB.DE as well as discount labels.

1U1's access platform serves 16.32 Mn fee-based contracts as of 31 December 2025 (12.48 Mn mobile internet; 3.84 Mn broadband) (Figure 3, Figure 4); historically asset-light, as the company resold capacity over third-party networks without owning infrastructure, with a facilities-based strategy under which 1U1 is rolling out a fully virtualized **5G/Open RAN network**, a next-generation architecture that decouples hardware from software for lower costs and multi-vendor flexibility; a strategic shift that defines its investment case and underpins different valuation scenarios. **Nationwide coverage continuity** is ensured through a national roaming agreement with VOD, which became the exclusive host operator on 1 January 2026 following the completion of the legacy MBA-MVNO arrangement with TEF DE in November 2025 (Table 4). This dual approach positions the Company as **the fourth German Mobile Network Operator ("MNO")** by service revenue market share (FY2025), behind DTE, O2D (TEF DE) and VOD, while retaining a cost-focused, price-value positioning and lean, online-driven distribution (Figure 5). 1U1’s principal business activity is retail telecom access in a **mature, regulated national industry**; its “where to compete” is the **German mass-market consumer and small-business segment**, while its “how to compete” is a **cost-oriented challenger strategy** (1&1 AG, 2025a).

History and M&A

The current group configuration traces back to 2017, when United Internet AG (UTDI), a German internet services holding company and 1U1's majority shareholder with an 86.46% stake, merged its 1U1 Telecommunication activities with Drillisch AG to create a scaled listed challenger, subsequently renamed 1U1. In the years following the transaction, the integrated entity progressively migrated brand presentation and reporting toward a unified 1U1 identity, culminating in today’s 1U1. Historically, the business relied on wholesale access to incumbent operators’ networks, operating as a Mobile Virtual Network Operator (“MVNO”) and fixed-line reseller with limited capital intensity and strong cash conversion. A major **strategic inflection occurred with the German 5G spectrum auction in 2019**, where 1U1 secured 70 MHz at 2.1 / 3.6 GHz for €1.0 Bn that created the technical basis for building an own mobile network. Subsequent agreements for temporary spectrum and national roaming with TEF, and later a long-term roaming arrangement with VOD, ensured customer service continuity during the **transition from pure wholesale to a hybrid model** (United Internet AG, 2026)**.**

Over the period 2023-2025, **1U1 launched its own 5G/Open RAN services** (commercial launch December 2023), accelerated antenna site deployment and completed the largest customer migration in German mobile communications history in **November 2025**, when all 12.48 Mn mobile subscribers were transferred to the own network. **A network outage in May 2024** temporarily disrupted migration operations and resulted in elevated churn and unplanned CapEx (1&1 AG, 2026a).

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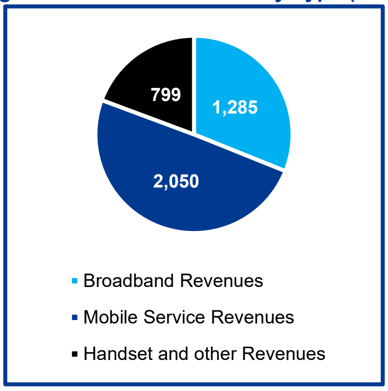
Table 4 – 1U1 Highlights

4th German MNO Market Cap: ~€3,35 Bn	**Revenues** FY2025: €4,16 Bn
Technology Cloud-native 5G Open RAN network; built across 4 datacenters, 24 edge nodes and 281+ antenna sites nationwide.	**Earnings (EBITDA)** FY2025: €538 Mn
	Customers 16.32 Mn contracts
	People nearly 4678 employees

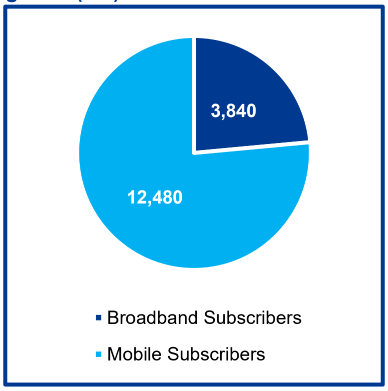
Source: Author Analysis and Company data

Figure 3 – FY2025 Revenue by Type (€’Mn)



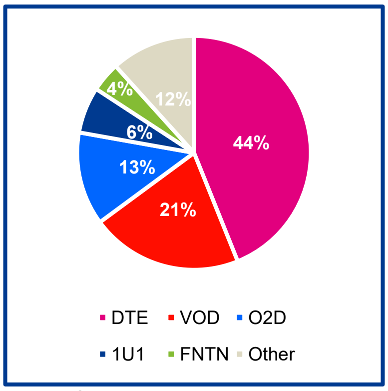
Source: Author Analysis and Company data

Figure 4 – FY2025 Subscribers per Segment (Mn)



Source: Author Analysis and Company data

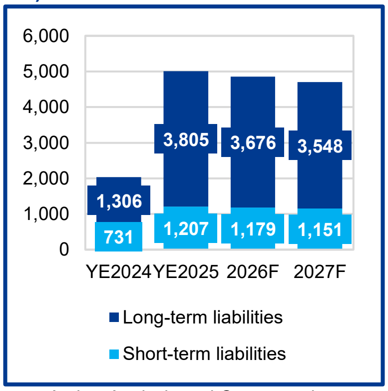
Figure 5 – FY2025 German service Revenue Market Share



Source: UBS

A further structural inflection occurred on **1 December 2025, when 1U1 acquired Versatel GmbH**, a wholesale fiber-optic network operator providing dark fiber, backhaul and connectivity services across Germany, from its parent UTDI in an intra-group transaction, marking the company's transition from a pure retail telecom access provider to **a vertically integrated operator with its own nationwide fiber backbone**. The transaction consolidates Germany's fourth MNO (Figure 5) with one of the country's largest fiber-optic infrastructures under a single listed entity (>68,000 km of fiber routes, available in >350 German cities) (1&1 AG, 2025a). The resulting financial and strategic implications, including the **€1,546 Mn purchase price,** which is subject to a ±€300 Mn earn-out mechanism tied to Versatel's performance over 2027-2029F (final settlement 2030F) and **the step-change in leverage** from 2026F are consolidated in the Enterprises & Networks segment (Figure 6) (1&1 AG, 2026b).

Figure 6 – Total Liabilities Development (€'Mn)



Source: Author Analysis and Company data

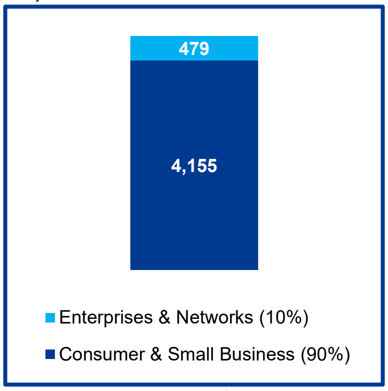
Geographic and Business segments

Geographically, 1U1 operates exclusively in Germany. Operationally, 1U1 reports two segments: i) the Consumer & Small Business segment; and ii) the Enterprises & Network segment (Appendix 1).

Consumer & Small Business segment

The Consumer & Small Business segment represents 90% of the 1U1 revenue, amounting to €4,155 Mn in 2026F, and constitutes the Company's core business (Figure 7). The segment includes revenue streams from: i) **mobile and broadband access**; ii) **value-added services**; and iii) **related hardware sales** (Figure 8). It encompasses the various consumer and small-business brands, product bundles and tariff structures, and bears the customer-facing functions such as marketing, sales, customer service and billing (Appendix 1.1).

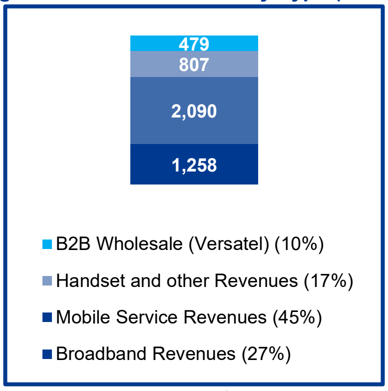
Figure 7 – 2026F Revenue by Segment (€'Mn)



Source: Author Analysis and Company data

The product range is positioned across price points, from flagship 1U1 tariffs with service differentiation through service level and included options, to aggressive discount offerings targeting price-sensitive customer groups. **Distribution is deliberately skewed toward digital channels**, with online acquisition via comparison portals, own websites and partner platforms as a core strength; limited brick-and-mortar presence and a lean call-centre setup support a structurally lower cost base than the store-heavy incumbents (Appendix 1.3).

Figure 8 – 2026F Revenue by Type (€'Mn)



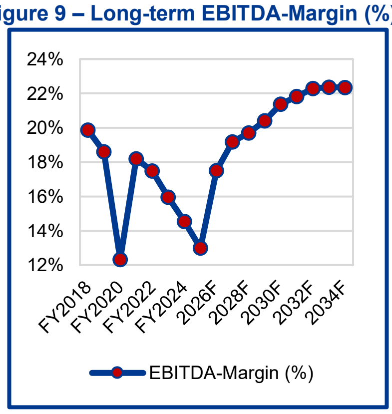
Source: Author Analysis and Company data

The customer base is diversified across millions of mobile and broadband contracts, with a modest but ongoing shift toward higher-speed broadband lines and larger data allowances as usage patterns evolve. **Competition is intense**, as DTE, O2D and VOD operate nationwide networks and adjacent challenger brands, yet 1U1 aims to differentiate through transparent pricing, promotional campaigns and flexible tariff structures (UBS Global Research, 2025).

Enterprises & Network segment

The Enterprises & Network segment is dedicated to the build-out and running of the Company's own 5G/Open RAN infrastructure. The segments' 2026F revenue is projected to €479 Mn, i.e., 10% of total revenue (Figure 7) (Appendix 1.2). Revenues are generated from i) **wholesale mobile services recharged to the Consumer & Small Business segment**; ii) **fibre-optic infrastructure and broadband connectivity for business customers under the Versatel brand**; iii) **managed corporate network solutions** (VPN, leased lines, IP services, cloud connectivity); and iv) **intersegment capacity charges arising from the buildout and operation of the Open-RAN mobile network** (Figure 8) (Appendix 1.4).

Figure 9 – Long-term EBITDA-Margin (%)



Source: Author Analysis and Company data

The Enterprises & Network segment represents the investment phase of the Company's transformation from MVNO to infrastructure owner, combining the Open-RAN mobile network build-out with the intra-group acquisition of Versatel, effective from 1 December 2025. Management has opted for a fully virtualized Open RAN architecture that relies on a private cloud and a dense fiber backhaul and edge computing topology. This design is intended to

deliver lower operating costs per bit and greater vendor flexibility over the long term, at the cost of higher complexity in the initial integration and scaling phases (Rakuten Symphony, 2026). In FY2025, Versatel generated standalone revenue of €580.6 Mn (+2.5% YoY) at an EBITDA margin of 30.2% (€175.6 Mn), **providing a structurally profitable counterweight to the negative EBITDA of the mobile network build-out phase** (Figure 10) (1&1 AG, 2025a).

Beyond its B2B commercial contribution, Versatel serves as the critical fibre backhaul and edge data centre backbone for the Open-RAN antenna sites, directly reducing dependence on external wholesale providers (United Internet AG, 2026b).

Company Key Drivers of Profitability

1U1 major key drivers of profitability are: i) **wholesale-to-on-net offload speed**; ii) **Average Revenue Per User** ("ARPU") and **contract-mix**; iii) **churn and customer-acquisition cost**; and, iv) **CapEx frontload and leverage**.

Wholesale-to-on-net offload speed

Until 1U1 builds sufficient own-network coverage, it purchases mobile capacity from third-party operators under national roaming agreements, first from TEF, then VOD (from August 2024)**. These wholesale charges represent the single largest cost item** in the Access segment and decrease the EBITDA margin during the Peak Investment Phase. Offload speed measures how fast traffic migrates from purchased capacity to the proprietary O-RAN, thereby eliminating the associated per-unit roaming cost. **Although migration of all mobile customers was completed in November 2025, own-network household coverage stood at only 27% at YE2025**, meaning national roaming wholesale costs persist until geographic rollout is complete**. The slower the rollout, the longer and larger the wholesale cost drag**, as demonstrated in 2025, when VOD's below-plan network expansion increased 1U1's proportionate usage share, decreasing EBITDA from €591 Mn in FY2024 to €538 Mn in FY2025 (Figure 11) (1&1 AG, 2025a).

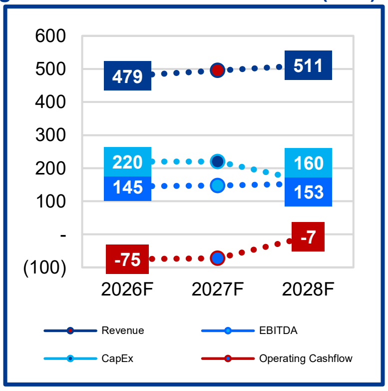
ARPU and contract-mix

Average Revenue Per User ("ARPU"), defined as monthly service revenue divided by average contracts outstanding, and is the **per-unit price component of the revenue model**. **Blended ARPU has decreased** from €17.6/month (FY2018) to €17.0/month (FY2025), **reflecting a competitive German mass-market tariff environment with limited near-term pricing power**. The mix shift from fixed broadband (higher historical ARPU) toward mobile internet (structurally lower ARPU). Broadband contracts declined from 4.34 Mn (FY2018) to 3.84 Mn (FY2025), while mobile grew from 9.20 Mn to 12.48 Mn over the same period. Service revenue growth of +27.5% (€3,635 Mn → €4,136 Mn) **has therefore been volume-driven rather than price-driven**, a distinction material to future growth assumptions (Figure 12) (Deutsche Bank Research, 2022).

Churn and customer-acquisition cost

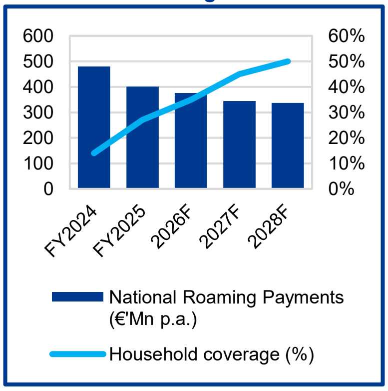
Churn, the rate at which customers terminate contracts, **directly reduces the contract base and forces replacement spend**, making it a revenue and cost driver simultaneously. **The May 2024 network outage triggered an abnormal churn spike**, causing net contract additions to fall from the guided 200-300k to only 130k in FY2024 and -50k in FY2025 as migration-related terminations persisted. **Elevated churn simultaneously compresses service revenue and increases customer acquisition costs**, creating a dual margin headwind that **normalizes only once migration is complete and network quality stabilizes** (Figure 13) (Wagh, et al., 2024).

Figure 10 – Versatel Contribution (80%)



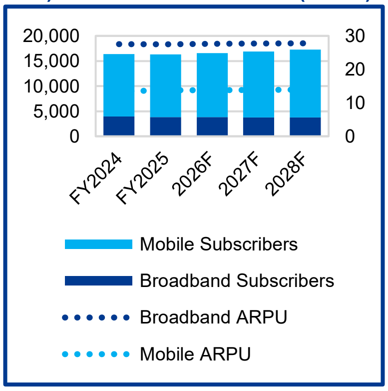
Source: Author Analysis and Company data

Figure 11 – National Roaming Payments vs. Household Coverage



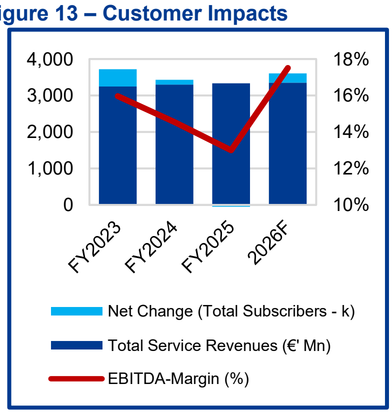
Source: Author Analysis and Company data

Figure 12 – Broadband Subscribers (ARPU) vs. Mobile Subscribers (ARPU)



Source: Author Analysis and Company data

Figure 13 – Customer Impacts



Source: Author Analysis and Company data

CapEx frontload and group leverage

As the Company **executing the largest privately funded mobile infrastructure project in Germany, requiring front-loaded capital expenditure** before the network generates sufficient on-net traffic to recover its fixed costs. CapEx has escalated from €249 Mn (FY2022) to €411 Mn (FY2025), with guidance of €500-550 Mn for 2026F (1&1 AG, 2025a). **This trajectory compresses FCF** financed partly through a €290 Mn JBIC facility drawn in February 2025 (€800 Mn total facility size). Once rollout is complete, CapEx normalizes and wholesale costs fall toward zero, **driving a structural step-up in FCF** (Figure 14).

Company Strategies

1U1's strategy is designed to convert its current depressed FCF profile into a structurally high-margin infrastructure operator by 2028F, anchored on four interdependent pillars (Appendix 1.5).

Rolling out the 5G/Open RAN network

The Company is deploying Europe's first fully cloud-native 5G network using Open RAN architecture in partnership with Rakuten as general contractor, while bypassing single-vendor legacy equipment. This architecture is projected to deliver 10-30% lower energy consumption per bit relative to traditional networks, enabling a structurally lower long-run unit cost of capacity once the network scales (Bolla, et al., 2024).

By December 2025, the network exceeded the regulator's ("Bundesnetzagentur") **25% coverage threshold,** with management targeting 35% by YE2026 at c.300 new antenna sites per quarter. Over 500 edge data centers have been established, of which 330 are fully operational as of Q1 2026 (Figure 15) (1&1 AG, 2025a).

The Peak Investment Phase (2024-2027) denotes the period in which 1U1 concurrently deploys elevated mobile network rollout CapEx, accelerating spectrum instalments of €128 Mn p.a. from 2026F, and Versatel integration costs, depressing FCF structurally until at least 2028F (Appendix 1.4).

Securing Spectrum & Low-Band Access

The Company's network economics depend on securing low-band spectrum below 1 GHz for cost-efficient indoor and rural coverage. Without it, the company must rely on expensive national roaming capacity on a scale, structurally capping margins.

1U1 currently holds two 10 MHz blocks in the 2 GHz band and five 10 MHz blocks in the 3.6 GHz band as of December 2025. DTE, O2D, and VOD control the majority of Germany's 800 MHz low-band spectrum until 2030. **Recently commercial negotiations between 1U1 and the incumbents failed**. Failure to secure low-band access would add an estimated €80-120 Mn in combined annual OpEx/CapEx and impose a permanent drag on coverage quality (Figure 16) (Kechiche, 2026).

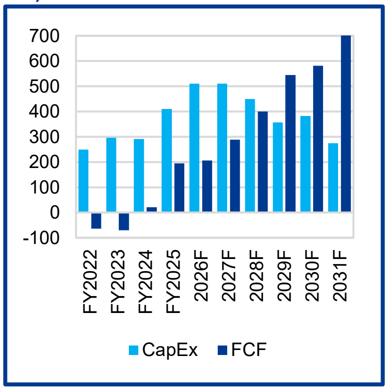
Positioning as a Multi-Brand Digital Challenger

1U1 operates a diversified brand architecture, 1&1 (premium/value), WinSim, Sim.de (price-sensitive) and GMX/WEB.DE (portal/digital), **covering the full spectrum of the German consumer mass market**. The strategy relies on predominantly digital distribution, structurally avoiding the physical retail costs that weigh on DTE and VOD (Figure 17) (Appendix 1.3).

Capital discipline

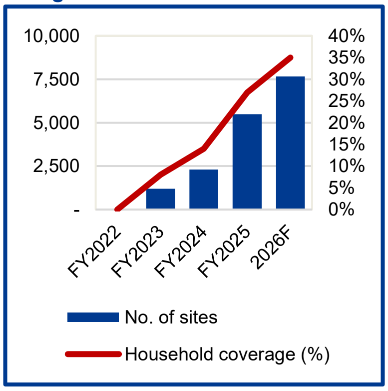
Across these priorities, management emphasizes capital discipline aligned with a structurally constrained balance sheet: following the Versatel consolidation, the Company preserves cash for network investment, and the dividend policy has been anchored at the statutory minimum of €0.05/Sh. until

Figure 14 – CapEx & FCF Development (€'Mn)



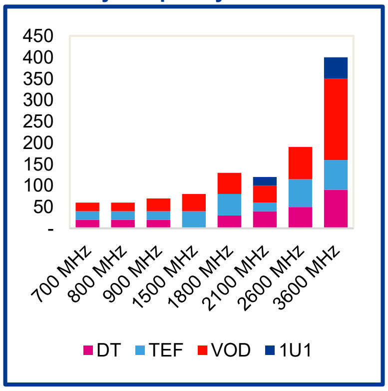
Source: Author Analysis and Company data

Figure 15 – No. of Sites vs. Household Coverage



Source: Author Analysis and Company data

Figure 16 - German Mobile Spectrum Allocation by Frequency Band



Source: Author Analysis and Company data

Figure 17 – 1U1's Brand Architecture

Source: Author Analysis and Company data

the €1,940 Mn in promotional loans is fully repaid (management guidance 2031F) (Figure 19) (1&1 AG, 2019).

Ownership Structure

1U1's capital is dominated by a single majority shareholder. As of December 31, 2025, **UTDI holds 86.46% of the share capital**, with the remaining 13.54% distributed across minor positions and a small free float (8.88%) (Table 5).

United Internet AG (UTDI GR, Frankfurt Stock Exchange, SDAX) **is a German internet and telecommunications holding company founded by Ralph Dommermuth in 1988**. It operates two principal business divisions, Access (broadband and mobile) and Applications (cloud hosting, business applications, email/portal brands including GMX and WEB.DE), with FY2025 Group revenues of c.€6.5 Bn and c.28 Mn customer contracts across Europe. **1U1 is UTDI's primary strategic infrastructure asset**, and Ralph Dommermuth simultaneously serves as CEO of both entities, creating a **unified strategic direction but eliminating any structural independence between the two companies** (Figure 18) (United Internet AG, 2025a).

This ownership configuration has three direct implications for the investment case:

- **Minority shareholder influence is negligible**. All capital measures, structural transactions and strategic decisions can be passed without minority consent.
- **UTDI determines 1U1's investment policy in practice**. Network rollout pace, CapEx phasing, and related-party financing terms reflect group-level capital allocation priorities.
- **The controlled-company structure provides full financial support during the Peak Investment Phase**. UTDI's commitment to regain a minimum 10% free float and rule out any squeeze-out, delisting or domination agreement limits the near-term governance-event risk for minority shareholders.

Dividend Policy

Dividend policy is deliberately conservative. Since FY2019, 1U1 has distributed the statutory minimum dividend of €0.05/Sh. (c.€8.8 Mn p.a.), a payout ratio of 5% of FY2025 reported EPS, **implying no material shareholder return before 2028–2030F** (Figure 19).

Table 5 – Top 5 Shareholders

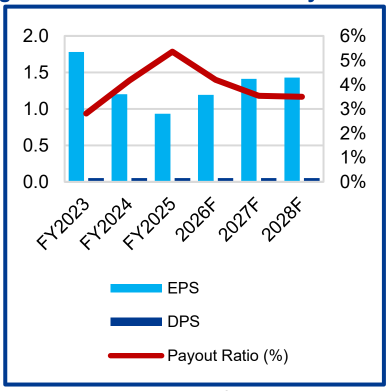
Top 5 Shareholders		
#	Shareholders	Out. (%)
1	United Internet AG	86.46%
2	Renstrop Norman	3.51%
3	Dimensional Fund	0.53%
4	Union Investment	0.42%
5	Vanguard	0.20%
Total		91,12%

Source: Bloomberg

Figure 18 - UTDI's Brand Architecture

Source: Author Analysis and Company data

Figure 19 – 1U1's Dividend Policy



Source: Author Analysis and Company data

3. ESG - Environment, Social and Governance

Overall ESG Profile

1U1's ESG profile is shaped by four structural themes inseparable from its strategic transition: i) **the climate and energy footprint of a greenfield 5G Open RAN network** being deployed at scale across Germany; ii) **supply chain integrity across vendors**; iii) **data privacy obligations on a connectivity provider**; and iv) **human-capital and occupational-safety exposures** arising from a rollout workforce whose subcontractor base manages site development and antenna installation (1&1 AG, 2025b) (Appendix 2.1).

1U1 carries an LSEG ESG Combined Score of 68 (Grade B+) for FY2024, driven by a Social pillar decrease from 76 to 69 caused by the May 2024 network outage. However, the Company continues to outperform the broad sector and SARD median, while the Controversies Score of 100 (A+), unchanged across the available time series (FY2018-2024), remains the clearest competitive differentiator versus VOD, TIT and ORA, which carry material regulatory and labor-related controversies (Figure 20, Figure 21).

On the regulatory front, 1U1 aligned its FY2024 non-financial reporting with the European Sustainability Reporting Standards ("ESRS") under the Corporate Sustainability Reporting Directive ("CSRD"), with the full statutory CSRD report published in March 2025; the FY2025 Annual Report continues the same ESRS presentation (1&1 AG, 2025b).

Environmental

1U1's environmental footprint is the product of deliberate strategic choice rather than operational inefficiency. Scope 1 direct emissions declined as site activation velocity temporarily declined in H1 2024 during the Vantage Towers dispute. Scope 2 indirect emissions, dominated by purchased electricity for the four core data centers and antenna power, increased sharply in FY2024, driven by the activation of 1,139 additional antenna sites to 2,339 sites at YE2024, reflected by an Environmental pillar score of 58 (B) in FY2024 (Figure 22).

The CO2/Revenue intensity ratio increased sharply in FY2024 as a structural characteristic of the Peak Investment Phase, when antenna activation outpaces on-net traffic growth. Intensity is expected to normalize post-2027F once rollout CapEx peaks and renewable power procurement ramps**.**

Open RAN's software-defined architecture supports AI-assisted dynamic power management, with independent studies projecting 10-30% energy saving per site vs. traditional RAN at equivalent traffic load. **This underpins 1U1's long-run energy-cost advantage post-rollout completion** (Bolla, et al., 2024).

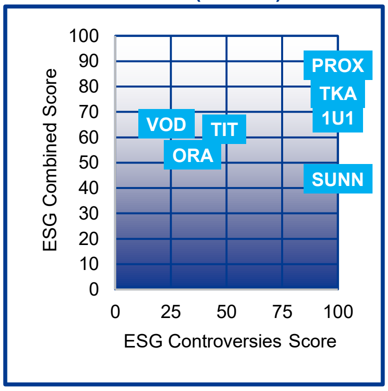
Social

The Social pillar is the most materially changed dimension of the FY2024 dataset. The Social pillar score declined from 76 (A-) in FY2023 to 69 (B+) in FY2024 while the industry median advanced from 53 to 56, narrowing the gap to the sector, driven by the execution disruption caused by the May 2024 network outage, which elevated customer-compensation costs, suppressed net contract additions and strained the operational workforce through an unplanned remediation cycle (Figure 23) (1&1 AG, 2024).

Management and Corporate Governance

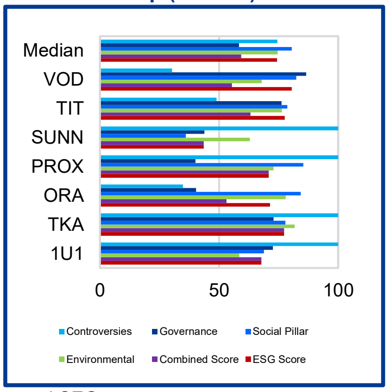
1U1, majority-owned by UTDI, follows the German two-tier system, separating the Executive Board from the Supervisory Board. The Supervisory Board is composed of six members, five of whom are classified as independent (Table 6).

Figure 20 - ESG Combined Score vs. Controversies Score (FY2024)



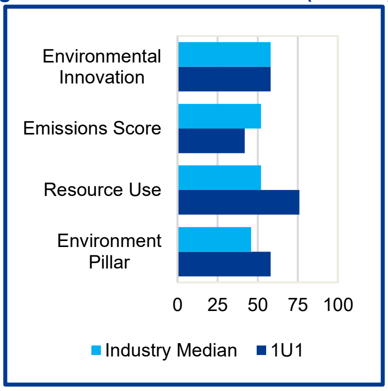
Source: LSEG

Figure 21 - ESG Pillar Scores: 1U1 vs. SARD Peer Group (FY2024)



Source: LSEG

Figure 22 - Environmental Pillar (FY2024)



Source: LSEG

Figure 23 - Social Pillar (FY2024)

Source: LSEG

The Executive Board

The three-member Management Board combines founder-led strategic vision with deep operational and financial expertise relevant to the network rollout.

Ralph Dommermuth (CEO) founded the predecessor business in 1988 and has led both 1U1 and UTDI since January 2018. **He holds an indirect 54.37% stake in UTDI and waives all remuneration at both entities**, aligning his personal economics entirely with long-term value creation.

Sascha D'Avis (CFO) is an internal promotion with over 20 years at UTDI, serving as CFO of the operating subsidiaries.

Alessandro Nava (COO) brings 14 years of Vodafone Germany experience in IT, customer care and product platforms, providing direct operational expertise (1&1 AG, 2026a).

Remuneration & Conflicts of Interest

Management Board remuneration is structured with variable pay comprising at least 60% of total target compensation, tied to Group Service Revenue, EBITDA, customer metrics and ESG targets. The FY2025 Remuneration Report was confirmed by an independent remuneration consultant to be in line with SDAX/TecDAX peer benchmarks. **The Supervisory Board's Audit Committee identified no conflicts of interest in FY2024-2025**.

Related-party transaction risk is concentrated and recurring, spanning earlier acquisitions and the use of UTDI as a related-party lender, none of which has been accompanied by a publicized fairness opinion, **reflected by the corresponding LSEG sub-scores** (Figure 24). **For the Versatel consolidation**, an independent fairness opinion was secured prior to Supervisory Board approval, and Dommermuth formally abstained from all votes at both entities, setting a stronger precedent for future related-party governance (1&1 AG, 2025a).

On the opportunity side, the same controlled-Company structure **delivers strategic continuity, execution speed and implicit financial support** during the Peak Investment Phase that peers exposed to activist pressure or state interference cannot replicate, and the LSEG framework recognizes that. UTDI's commitment, as outlined in Ownership Structure, **limits the near-term governance risk** (Figure 24) (United Internet AG, 2025a).

ESG Impact on Valuation

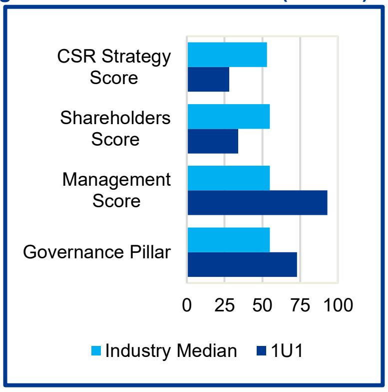
From a valuation perspective, 1U1's ESG profile is broadly neutral. Execution risk stems primarily from the energy-intensive network buildout and exposure to volatile power prices, which are likely to increase OpEx and CapEx over the forecast horizon, supporting conservative, sector-cautious near-term margin assumptions without, by themselves, justifying a WACC premium. The governance setup, majority control by UTDI combined with a Management Score of 93 and a Controversies Score of 100, both above the German country median of 55, justifies avoiding a generic controlled-company discount, while the Shareholders Score of 34 and the 8.88% free float are acknowledged as structural limitations on minority influence but do not, in isolation, provide sufficient reasons for a holding or liquidity discount given UTDI's explicit public commitment to regain a minimum 10% free float and the absence of any planned squeeze-out or delisting. Social risk around network reliability is recognized as execution volatility and reflected in cash-flow and margin paths. In line with the Cornell-Damodaran ESG valuation framework, which reserves a WACC penalty for clearly poor ESG profiles, it is **consistent to keep 1U1's base-case WACC broadly in line with the sector and to internalize current ESG-linked risks through conservative near-term margin assumptions** (Damodaran & Cornell, Valuing ESG: Doing Good or Sounding Good?, 2020)**.**

Table 6 – Executive Board of 1U1

Executive Board of 1U1	
Name	**Function**
Ralph Dommermuth	CEO
Sascha D'Avis	CFO
Alessandro Nava	COO
Supervisory Board of 1U1	
Kurt Dobitsch	Chairman
Norbert Lang	Deputy Chairman
Matthias Baldermann	Member
Vlasios Choulidis	Member
Friedrich Joussen	Member
Christine Schöneweis	Member

Source: Company Information

Figure 24 - Governance Pillar (FY2024)



Source: LSEG

Industry Overview and Competitive Positioning

Economic Outlook Germany

Population

Germany represents the European Union's largest single-country telecommunications addressable market, with a resident population of c.83.6 Mn and c.41.1 Mn households forming the binding denominator for fixed-broadband economics (Statistisches Bundesamt (Destatis), 2026). With 107 Mn active SIMs in circulation**,** equivalent to 1.28 SIMs per capita**,** the **mobile market is structurally saturated**, and industry growth must originate from postpaid up-tiering, fixed-mobile convergence (“FMC”), and share capture rather than net new subscribers (Figure 25) (Bundesnetzagentur, 2024).

German GDP and Consumer Prices

Real GDP contracted by -0.3% in 2023 and stagnated near 0.0% in 2024, with consensus projecting a recovery to 0.3-0.6% in 2025 and 1.0-1.4% in 2026F, anchored by Bundesbank and IMF projections (Figure 26). Consumer-price inflation (HICP) decelerated from 5.9% in 2023 to 2.5% in 2024, converging toward the ECB 2.0% target by 2026-2027F, with disposable income recovering 1.7% in real terms in 2024 after two contractionary years (Deutsche Bundesbank, 2026). The cyclical backdrop is materially weaker than the Eurozone average, manufacturing PMI remained below 50 for most of 2024-2025; directly capping ARPU upside by **suppressing corporate willingness to upgrade mobile tariffs** (Figure 27) (Appendix 5.1).

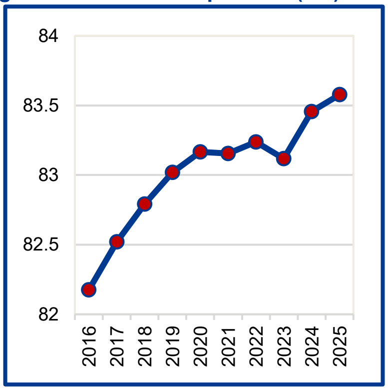
Demand

Mobile data traffic continues to expand at a c.10-12% CAGR, with average smartphone consumption forecasted to reach 40-50 GB/month by 2027F from c.25-30 GB in 2024 (European Telecommunications Network Operator's Association, 2024). Fixed-line traffic per household has more than doubled since 2020, driven by streaming, cloud-gaming, and home-office persistence, anchoring sustained FTTH upgrade CapEx across the industry. **Germany's FTTH coverage continues to trail** France (c.80% homes-passed) and Spain (c.90%), given higher per-home civil-engineering costs, supporting a wholesale-and-partnership deployment model for smaller operators (Figure 36).

Long-term Scenarios

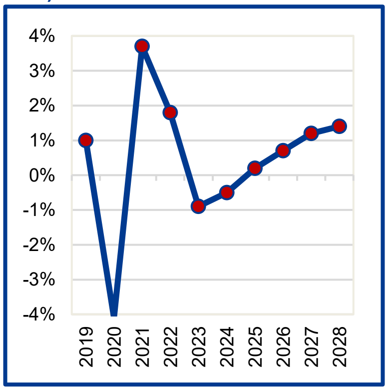
BNetzA, ETNO and Bundesbank/IMF have framed three scenarios for the long-term outlook of the German telecommunications industry through 2030F. Assuming an orderly cyclical recovery and regulatory continuity, with euro area real GDP growth converging toward c.1.3–1.5% by 2027F, HICP stabilizing around the ECB’s 2.0% target, and sector CapEx/Revenue declining from c.19.6% in 2023 to c.17–18% by 2027F as incumbents exit peak fiber and 5G investment, defines a possible **Base Scenario**. Overlaying the Digital Networks Act, with longer and renewable spectrum licenses, lower upfront fees in exchange for binding rollout commitments, together with a moderately accommodative ECB policy stance, a persistent green-bond refinancing window and accelerated IoT/B2B-cloud monetization, defines a possible **Bull Scenario**. Conversely, a possible **Bear Scenario** assumes macro stagnation in Germany (real GDP growth of c.0.0–0.5% in 2026F and inflation remaining above 2.5% on HICP metrics, with only c.30–50% pass-through into mobile postpaid CPI), combined with regulatory friction (BNetzA failing to enforce sub-1 GHz sharing or to fully revoke the 2019 auction framework post-2024) and persistent competitive intensity (ETNO estimating a 1–2 ppt p.a. drag from legacy 2G/3G shutdown and a continued BEREC skeptical stance on in-market mobile consolidation) (Body of European Regulators for Electronic Communications, 2025).

Figure 25 - German Population (Mn)



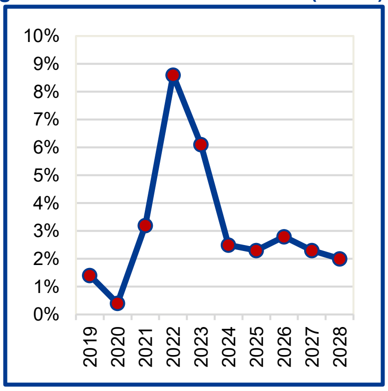
Source: Bloomberg

Figure 26 - German Real GDP Growth (%YoY)



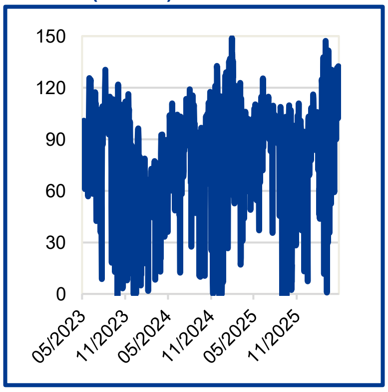
Source: Bloomberg

Figure 27 - German CPI Inflation (%YoY)



Source: Bloomberg

Figure 28 - German Wholesale Electricity Spot Price (€/MWh)



Source: Bloomberg

Supply

On the supply side, ICT-skilled labor remains structurally scarce, with Bitkom tracking 211,675 unfilled IT roles and wage inflation running 4-5% p.a. above HICP for engineering and network-operations profiles (Wintergest, 2024). Wholesale-electricity prices normalized to €80-90/MWh in 2025 but remain c.70% above pre-2021 baselines, maintaining structural energy-cost pressure for operators activating new antenna sites (Figure 28).

Prices

German telecom margins face weak retail pricing. The telecoms HICP sub-index rises only c.1.0-1.5% p.a. against headline inflation, while wholesale and input costs pass through fully. Mobile postpaid ARPU is effectively flat to -1.5% p.a., anchored by aggressive tariff floors (DTE/Congstar 30 GB/€10) and Check24 portal transparency. DTE's late-2025 Family-SIM repricing (€10 → €15) marks the **first credible market-repair signal** since the 2014 O2/E-Plus merger. **Fixed broadband offers a partial offset** via CPI-indexation clauses (c.1.0-1.5 pps p.a.) and FTTH-tier upgrades (€5-10/month uplift) (Morgan Stanley, 2025).

Value Chain

The telecom value chain, **passive infrastructure → active network → wholesale/MVNO → retail distribution → adjacent digital services**, is depicted in Appendix 3.1, highlighting where EBITDA margins accrue across DTE, VOD, O2D, and 1U1. **Passive infrastructure** (towers, fiber duct) and adjacent digital services capture the highest EBITDA margins (>90% co-location margin at Vantage Towers/DFMG; c.30-35% at Versatel fiber backbones), **while active mobile-RAN and retail mass-market** sit in the c.30-40% range and discount-MVNO/wholesale resale typically below 20%. **1U1 is currently positioned across four of the five stages**, owning Versatel fiber backhaul, Open RAN active, retail distribution and digital services, **but lacks proprietary low-band spectrum and remains tower-light** versus DTE and VOD (Figure 29) (PricewaterhouseCoopers, 2026).

German Telecommunication Industry Overview

Industry Structure

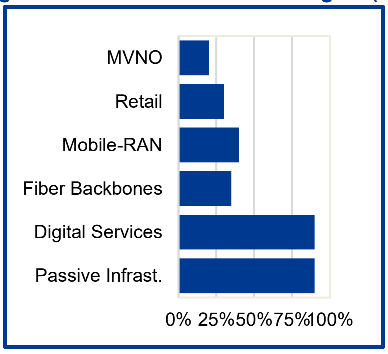
The German telecommunications sector generated total service revenue of c.€61.1 Bn in FY2024 (Bundesnetzagentur, 2024). **The mobile market is a four-MNO oligopoly**, yielding a mobile HHI ("Herfindahl-Hirschman Index") of c.2,720, materially below the three-MNO French (c.3,100) and Dutch (c.3,400) baselines (Appendix 3.2). **Fixed broadband is more fragmented**, with DTE retaining c.40% retail-line share, VOD c.25% (cable-led), and a long tail of regional networks (Figure 30, Figure 31, Figure 32) (Barbutev, Theine, Mast, & Spannuth, 2025).

The regulatory framework governing this structure rests on three structural pillars. The 2019 5G spectrum auction required a €1.07 Bn upfront investment for 70 MHz (2.1/3.6 GHz) and embedded binding 5G household-coverage obligations, 25% by YE2025 (achieved) and 50% by 2030F, for the fourth-MNO license holder (Bundesnetzagentur, 2022). **Spectrum-extension decisions in 2025 renewed DTE, VOD and O2D licenses to 2031** via administrative renewal rather than competitive re-auction. The BNetzA initiated a formal hearing on February 17, 2026 to mandate sub-1 GHz spectrum-sharing access. **The outcome is structurally consequential for the competitive balance between the incumbent three and the fourth-MNO** (Figure 55, Figure 56) (Bundesnetzagentur, 2025).

Mergers and Acquisition Activity

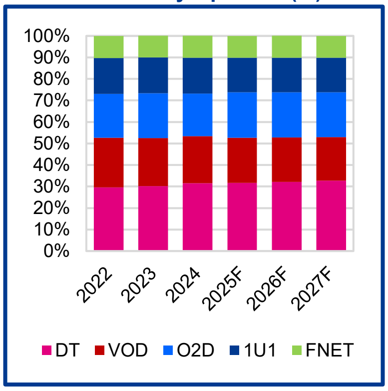
Germany's M&A structure is shaped by the 2014 O2D/E-Plus 4-to-3 merger, which included a mandatory MBA-MVNO carve-out enabling the subsequent formation of 1U1 as a scaled wholesale operator and ultimately a spectrum-

Figure 29 - Indicative EBITDA Margins (%)



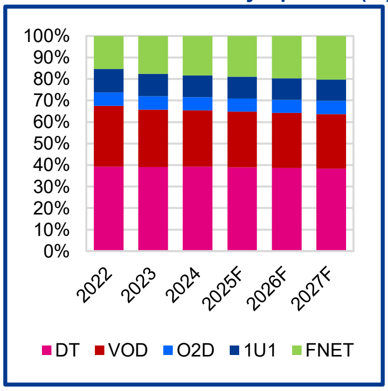
Source: PwC

Figure 30 - German Mobile Market: Retail SIM Market Share by Operator (%)



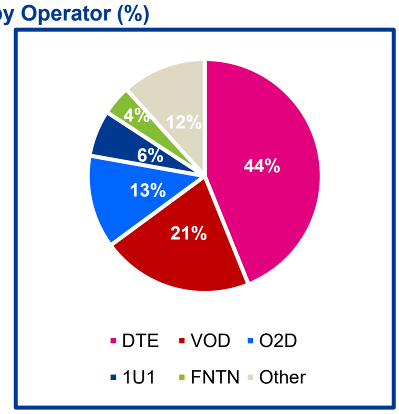
Source: UBSe

Figure 31 - German Broadband Market: Retail Line Market Share by Operator (%)



Source: UBSe

Figure 32 - Service Revenue Market Share by Operator (%)



Source: UBSe

holder. **No further domestic 4-to-3 consolidation has occurred**. A hypothetical German 4-to-3 combination would lift mobile HHI to c.3,500-3,700. Morgan Stanley's cross-European regression of **post-merger ARPU trajectories finds a median service-revenue growth uplift of 300-400 bps** within 24 months of clearance. Synergy NPV estimates and scenario-weighted valuations are analyzed separately in Investment Risks (Morgan Stanley, 2025).

Industry Key Drivers of Profitability

1U1 and the German telecommunications industry share the same fundamental drivers of profitability: (i) **ARPU and service-revenue growth**; (ii) **CapEx intensity** in the Investment Phase; (iii) **wholesale and roaming OpEx share**; (iv) **energy and tower-lease costs**; and (v) **cost of capital and leverage**, collectively determining industry EBITDA margins, ROIC and FCF conversion **across all four German MNOs** (Appendix 3.3).

Although wholesale and roaming costs ("NRA") are the most material near-term factor for 1U1's EBITDA trajectory, 1U1 cannot directly control this cost until own-network traffic reaches critical mass. **Regarding the other drivers, 1U1 holds structural advantages over its German incumbent peers**: it operates the only cloud-native 5G-SA network in the market, with a certified Open RAN energy saving of 10-30% versus traditional RAN deployments; its multi-vendor Open RAN ecosystem eliminates single-vendor concentration risk and its spectrum investment positions it for the sub-1 GHz sharing enforcement pending BNetzA decision in 2026. The ILD and KPN precedents confirm CapEx/EBITDA normalization from peak levels (>35%) to 12-15% post-build, with ROIC crossover occurring within 6-8 years of network entry (Figure 34).

Industry Challenges & Opportunities

Industry challenges are dominated by four structural constraints: RAN-equipment procurement concentration on Ericsson and Nokia post-Huawei phase-out (raising the industry-wide rip-and-replace burden to c.€2.5-3.0 Bn); **tower-market oligopoly**; **ICT-labor scarcity; and BEREC's published stance opposing 4-to-3 consolidation on consumer-price grounds**. Against these constraints, opportunities include the **Digital Networks Act's longer-renewable spectrum licenses and lower upfront fees, sub-1 GHz sharing enforcement** which would reduce below-cost wholesale-roaming burdens for the fourth MNO, the sovereign-AI/cloud spend pool, and the FTTH FMC bundling-driven churn reduction demonstrated across ILD and KPN (Figure 35).

Industry Trends

Four structural trends dominate the German telecommunications industry outlook through 2030F:

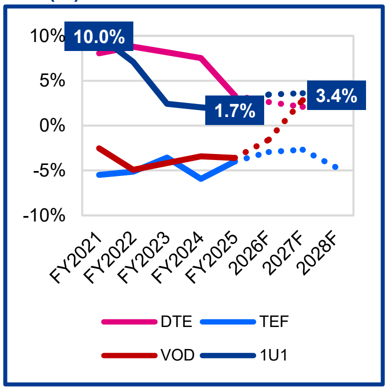
FTTH and Fixed-Mobile Convergence

FTTH penetration and FMC bundling are reshaping the fixed-broadband competitive and margin landscape. Germany's FTTH penetration remains below the EU average, creating a structural investment opportunity underpinned by the Government Gigabit Strategy 2030, which targets nationwide fibre coverage and supports c.€8.5 Bn p.a. of industry infrastructure CapEx (European Telecommunications Network Operator's Association, 2024). **ILD , KPN and DTE demonstrate 20-30% lower churn and 5-10% ARPU uplift on FMC-bundled versus single-play subscribers** (Figure 36).

5G-Standalone and Open RAN Diffusion

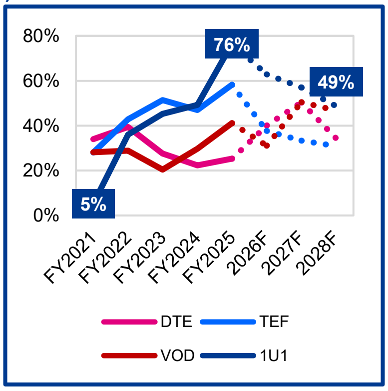
The shift from non-standalone ("NSA") to standalone ("SA") 5G architecture is the defining network-infrastructure transition of the 2025-2028 period. As of YE2025, only 10 commercial 5G-SA networks operate across Europe while 93% of EU 5G traffic still traverses legacy NSA cores (European Telecommunications Network Operator's Association, 2024). **This creates a B2B revenue pool in Germany by 2030F**: 5G-SA enables network slicing, ultra-low-latency enterprise connectivity and private-network services; revenue

Figure 33 – German MNO's 5Y Revenue CAGR (%)



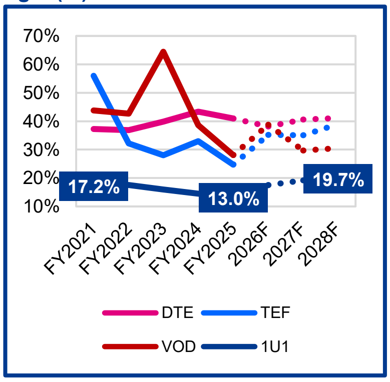
Sources: Bloomberg, 1U1 and Author Analysis

Figure 34 – German MNO's CapEx/EBITDA (%)



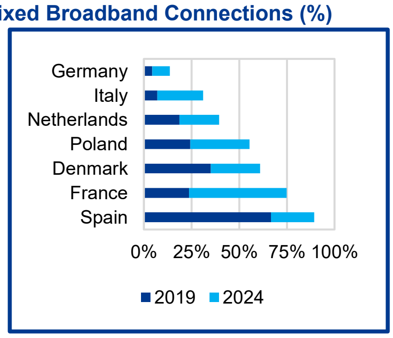
Sources: Bloomberg, 1U1 and Author Analysis

Figure 35 – German MNO's EBITDA Margin (%)



Sources: Bloomberg, 1U1 and Author Analysis

Figure 36 – EU Fibre Broadband Share of Fixed Broadband Connections (%)



Source: Statista

streams structurally unavailable on NSA architectures. **Operators with cloud-native cores carry a first-mover advantage** in capturing this B2B spending ahead of NSA-based incumbents. Open RAN deployments add further cost savings, energy savings and reduce vendor concentration risk following Ericsson/Nokia duopoly consolidation (Figure 37).

IoT, B2B-Cloud and Enterprise Monetization

Worldwide IoT-connectivity revenue is forecasted to reach c.€30 Bn by 2034F (from €17 Bn in 2025), with high-bandwidth automotive IoT comprising c.50% of 2025 IoT revenue. Germany's automotive manufacturing concentration positions domestic MNOs as natural infrastructure partners. **EU data-sovereignty preferences reinforce this opportunity**: 67% of organizations prefer telco-led cloud delivery over hyperscalers, creating a defensible market segment for operators with compliant, domestic network infrastructure (Saunders & Kasujee, 2026).

AI-Driven OpEx Deflation and Network Cloudification

AI and machine-learning deployment in network operations is emerging as the primary structural OpEx lever for the 2026-2030F period. 76% of operators rank AI/ML as the top network-migration driver, targeting autonomous network management, predictive maintenance and traffic-optimization use cases that reduce per-unit service delivery costs. **At the infrastructure level, global network-cloud expenditure is projected to grow to €21.5 Bn by 2030F**, as operators migrate from proprietary hardware to cloud-native architectures enabling more granular capacity management. **For operators already running cloud-native infrastructure, this trend represents a structural operational advantage**, while incumbents face additional CapEx to cloudify their networks, widening the per-unit cost gap to cloud-native challengers over time (Figure 34) (Morgan Stanley, 2025).

Competitive Positioning

Peers identification

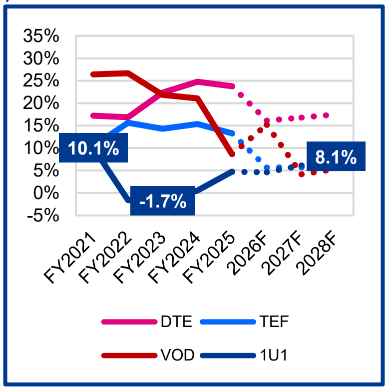
The peer universe is structured across three tiers. **Tier-1 peers** (DTE, O2D/TEF, VOD) share direct German market exposure and host-network economics, providing the primary benchmark for industry strategy, competitive intensity, and qualitative Porter analysis. **Tier-2 peers** (ILD and KPN) isolate structural-comparator effects: ILD as the greenfield fourth-MNO precedent (French entry 2012, cloud-native Open RAN, Cellnex passive carve-out), and KPN as the post-Peak-Investment-Phase three-MNO-market. **Tier-3 peers** (VOD, TIT, SUNN, PROX, ORA, TKA) are selected via the SARD methodology, ranking candidates on five dimensions: Profitability (ROE), Risk (Net Debt/EBIT), Growth (Revenue Growth), Operating Characteristics (EBIT Margin), and Size (Market Cap); these constitute the quantitative comparator sub-set used for Multiples-Based Valuation and Financial Analysis (Appendix 5.7, Appendix 5.8).

Industry Corporate Strategies

European mobile network operators in the German market compete along four strategic axes: network architecture, FMC convergence, B2B/enterprise expansion, and capital allocation discipline.

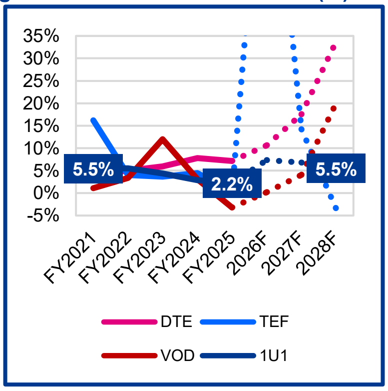
Peer strategies diverge on network investment and FMC execution. (i) **DTE** operates vendor-mix RAN with 12.6 Mn subscribers, as the price-leadership and **convergence benchmark for the German market**; (ii) **VOD** runs a hybrid MOCN/cable-DOCSIS-3.1 network; as 1U1's NRA partner, its traffic trajectory is the **wholesale OpEx driver for 1U1**; (iii) **O2D / TEF DE**, with 32% mobile market share, is the most cited consolidation counterparty; (iv) **ILD**, with cloud-native RAN and c.50% of subscribers on FMC bundles, **defines the long-term fourth-MNO convergence benchmark**; (v) **KPN**, at c.45% EBITDAaL margin, anchors the post-Peak-CapEx normalization benchmark.

Figure 37 – German MNO's FCF Margin (%)



Sources: Bloomberg, 1U1 and Author Analysis

Figure 38 – German MNO's ROIC (%)



Sources: Bloomberg, 1U1 and Author Analysis

Table 7 – BICS "Telecommunications" filtered and ranked by Market Capitalization

Rank	Company	Market Cap (€'Bn)	Ownership	Peer
1	DTE	127	PC	✓
2	ORA	45	PC	✓
3	SCMN	36	PC	
4	VOD	28	NPC	✓
5	BT/A	22	NPC	
6	TEF	21	NPC	✓
7	TEL	18	PC	
8	TELIA	17	PC	
9	TIT	17	PC	✓
10	O2D/TEFDE	6	NPC	✓

Sources: Bloomberg and Author Analysis

Porter's 5 Forces

Threat of new entrants | Low (2)

The threat of new entry into the German mobile market is structurally low, given:

- **Restrictive spectrum-licensing**: the 2019 5G auction required €1.07 Bn upfront for 1U1 alone, with binding 50% household 5G-coverage obligations by 2030;
- **Industry economies of scale**: new operators sustain ROIC below WACC for 6-8 years versus three-MNO incumbents, a lifecycle cost that is prohibitive for new entrants without existing mobile infrastructure;
- **High capital requirements**: passive infrastructure (HHI >3,000) and core network investment collectively set a minimum investment threshold exceeding €3-4 Bn;
- **Expected retaliation from incumbents**: demonstrated by DTE's late-2025 Family-SIM repricing (€10 → €15) and Congstar 30 GB / €10 anchor; incumbents can deploy their financial resources and brand reach to neutralize new entries rapidly.

Bargaining power of buyers | Medium (3)

Buyer power is moderate and heterogenous across consumer and enterprise segments:

- **Atomized consumer base limits individual-customer leverage** and Check24 portal transparency materially compresses effective ARPU and tightens discount-brand pricing floors;
- **Discount sub-brand competition** anchors market floor pricing, structurally limiting 1U1's ARPU uplift potential in the mass-consumer segment.

Bargaining power of suppliers | Very High (5)

Supplier power is the single most binding constraint on 1U1 margin path, because of:

- **NRA (VOD)**: the capacity-based wholesale contract recognizes roaming consumption as immediate OpEx rather than a capitalized prepayment, mechanically transmitting VOD's network underperformance into 1U1's EBITDA;
- **RAN-equipment concentration**: the market is a ERIC/NOK duopoly;
- **Tower oligopoly**: >90% co-location EBITDA margins under 20-year CPI-indexed contracts establish a fixed infrastructure cost floor;
- **State spectrum authority (BNetzA)**: holds discretionary power over extension fees and the critical spring-2026 sub-1 GHz mandated-sharing decision, which could either accelerate or delay 1U1's traffic.

Some factors partially offset supplier power:

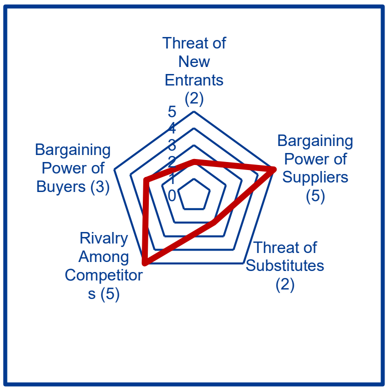
- **Open RAN multi-vendor architecture** (c.100 partners; c.50% German, c.40% rest-of-Europe, c.10% US/Asia) reduces single-vendor lock-in;
- **Vantage Towers co-location agreement** for ≤5,000 sites under ≥20-year terms secures passive capacity;
- **BNetzA mandated sub-1 GHz sharing** caps incumbent spectrum hoarding power.

Threat of substitute products | Low (2)

Direct technology substitution is limited:

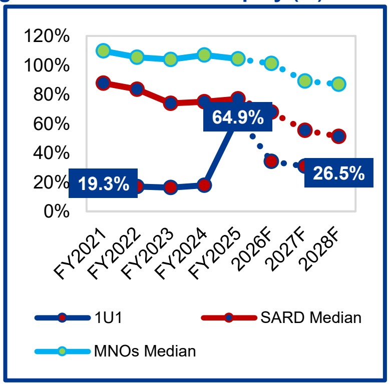
- **No viable substitute for licensed mobile spectrum in mass-market voice-and-data delivery**; Fixed Wireless Access ("FWA") over 5G is offered only by the incumbents themselves;

Figure 39 - Porter's Five Forces: German Telecommunications Market



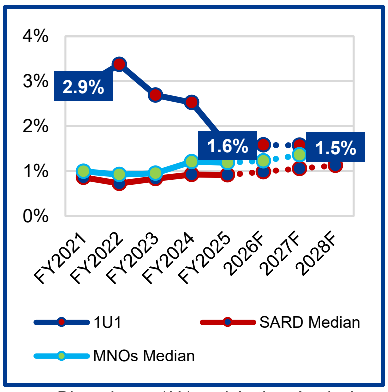
Source: Author Analysis

Figure 40 – Net Debt-to-Equity (%)



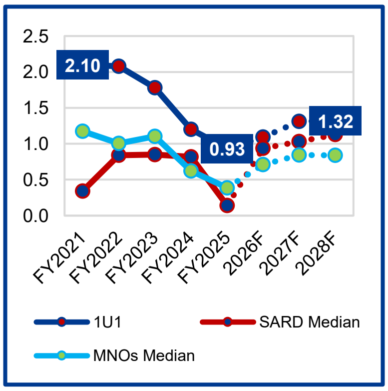
Sources: Bloomberg, 1U1 and Author Analysis

Figure 41 – Peer's Current Ratio (%)



Sources: Bloomberg, 1U1 and Author Analysis

Figure 42 – Peer's EPS (€/Sh.)



Sources: Bloomberg, 1U1 and Author Analysis

- **OTT messaging and voice substitution (i.e. WhatsApp)** is fully mature and already embedded in flat-rate ARPU constructs across all German MNOs;
- **Hyperscaler-led private 5G in industrial verticals** is partially mitigated by 67% of enterprises preferring telco-led delivery over hyperscalers on EU data-sovereignty grounds.

Rivalry among existing competitors | Very High (5)

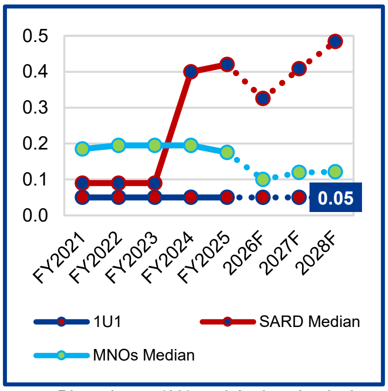
Competitive intensity in the German market is structurally elevated:

- **Four-MNO oligopoly** with mobile market HHI of 2,720, structurally below the 3,300-3,500 HHI of three-MNO markets, which generates more intense rivalry and limits pricing power relative to peers;
- **Low revenue growth**: German mobile service revenue grew only +1.2% YoY in 2025, versus 3-4% in three-MNO European markets, forcing operators to compete for share rather than benefit from market expansion;
- **Retail-portal pricing transparency** structurally floors discounting behavior and prevents ARPU recovery below tariff minimums;
- **Low product differentiation**: competitive differentiation is confined to network coverage and FMC bundling depth, with FMC and FTTH being the only difference from premium to discount positioning;
- **High exit barriers**: long-duration spectrum licenses, 20-year tower MSAs and legacy 2G/3G decommissioning costs create structural barriers to exit.

Factors partially offsetting rivalry:

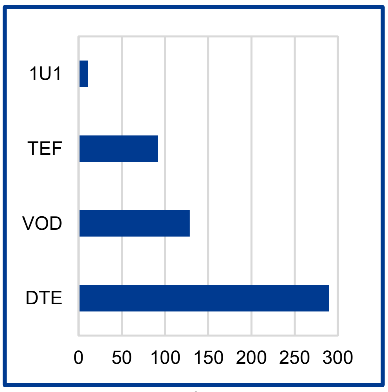
- **DTE Family-SIM repricing** as an ARPU "market-repair" signal;
- **ILD French four-MNO precedent** showing revenue contraction over five years before stabilization as the network-build matured.

Figure 43 – Peer's DPS (€/Sh.)



Sources: Bloomberg, 1U1 and Author Analysis

Figure 44 – German MNO's Total Assets (€'Bn YE2025)



Sources: Bloomberg and Company Data

SWOT Analysis

Table 8 - 1U1's SWOT Analysis

Strengths	Weaknesses
• Open RAN cost architecture; • Versatel vertical integration; • Fee-based access contract base; • Consumer-application franchise (GMX, WEB.DE); • Strategic Open RAN partnerships	• Vodafone-roaming dependency; • Peak Investment Phase; • No low-band (sub-1 GHz) spectrum; • High wholesale OpEx share. • Sub-scale MNO position;
Opportunities	**Threats**
• BNetzA sub-1 GHz mandated sharing; • Enterprises Networks segment launch 2026F; • OXG / Deutsche Glasfaser long-term agreements; • AI-driven network-cloud OpEx deflation; • 5G-Standalone monetization runway; • Sovereign-AI / B2B-cloud premium.	• Vodafone-roaming cost escalation; • Congstar discount aggression; • 2019 5G-auction litigation tail-risk; • BEREC consolidation skepticism; • Energy and tower CPI-indexation; • Cyber Resilience Act and Roam-Like-At-Home compliance.

Source: Author analysis

4. Investment Summary

The **base case** recommendation for **1U1 is to SELL**, with a **2027YE Price Target of €12.91/Sh.**, representing a **total downside of -31.83%** and an **annualized return of -22.49%** against the closing price of €18.94/Sh. as of 30 June 2026, with High Risk (Appendix 7, Investment RisksFigure 45, Figure 46).

Blue and Grey Scenarios were determined with 2027YE Price Targets of **€35.50/Sh. and €6.84/Sh.**, respectively, considering the assumptions in Table 9.

Despite the SELL recommendation, **1U1's stock currently trades at a substantial premium to the Base Case Price Target**, primarily explainable by: (i) **embedded M&A event premium and persistent German consolidation speculation**; (ii) **positive market reaction to the ahead-of-schedule completion of the 12.48 Mn subscriber migration onto own Open RAN infrastructure**; and (iii) **partial pricing-in of BNetzA sub-1 GHz sharing enforcement**, which would materially accelerate EBITDA margin recovery. Nevertheless, **the SELL recommendation rests on four key considerations**:

Standalone DCF is significantly below current price. A WACC of 7.34% and terminal growth rate of 1.42% applied to **the Build-only FCF trajectory yield a fair value of €12.91/Sh.**, **reflecting structural EBITDA compression** during the FY2025-2028F Peak CapEx phase.

Network execution risk remains elevated. Despite 5,500 active sites and 27% 5G household coverage at YE2025, **the ramp to 9,833 sites planned for 2027F** is dependent on Vantage Towers meeting delivery milestones; **further delays would defer the traffic offload inflection** and extend ROIC below WACC.

Regulatory binary risk unresolved. **BNetzA's pending sub-1 GHz mandatory sharing decision is the single largest binary catalyst**; failure to obtain a cooperative use order sustains roaming costs at €376 Mn in 2026F, **delaying EBITDA margin recovery toward the 26% terminal target and reducing the 2027YE PT by an estimated €3.78/Sh** (Table 15).

Leverage overhang eliminates yield support. **Net Debt (AL)/EBITDA of 5.6x at YE2025 and the €1,940 Mn outstanding UTDI promotional loan** anchor DPS at the statutory minimum of €0.05/Sh., removing significant dividend yield for investors (Table A. 24, Table A. 25).

Valuation Methods

Several **absolute and relative valuation methodologies** were computed to determine 1U1's Price Target. The **Build-only FCFF discounted at WACC** constitutes the base case recommendation at €12.91/Sh. **MBV corroborates the SELL range**; combined with the **Scenario Probability-Weighted Approach analysis**, incorporating M&A, the author's analysis depicts a range of €12.91-€35.50/Sh. (Figure 47, Appendix 4.1, Appendix 5,).

Investment Risks

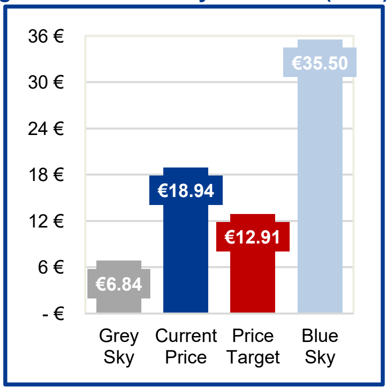
1U1 is exposed to **significant risks** that must be highlighted to investors. **The Price Target is highly sensitive to the terminal EBITDA margin and the traffic offload rate**. **Additionally, an adverse BNetzA ruling** on sub-1 GHz spectrum sharing would sustain roaming costs and shift **the recommendation anchor toward the Grey scenario of €6.84/Sh**. **Execution risk on site delivery also remains material**; a 5% rollout shortfall reduces the 2027YE PT by an estimated €3.78/Sh. (Table 16). However, **potential consolidation options might reassess the Company valuation** (Table 10, Appendix 7).

Table 10 - PT Sensitivity (€/Sh.) to M&A Probability (%)

Buildout	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Price Target (€/Sh.)	12.91	15.17	17.43	19.69	21.95	24.21	26.47	28.73	30.98	33.24	35.50
Ann. Upside Potential	-22.5%	-13.7%	-5.4%	2.6%	10.3%	17.7%	24.9%	31.9%	38.7%	45.4%	51.9%
M&A	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

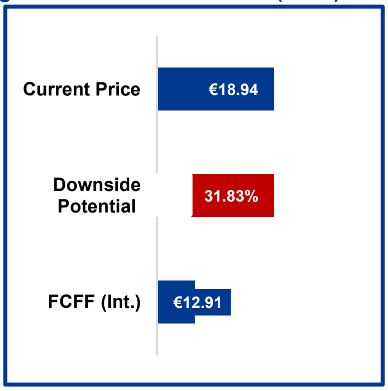
Source: Author Analysis and Company data

Figure 45 – Blue / Grey Scenarios (€/Sh.)



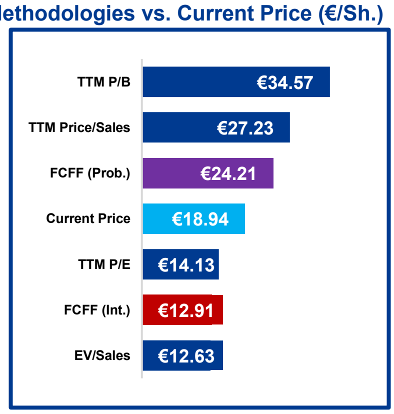
Source: Author Analysis

Figure 46 – 1U1's 2027YE PT (€/Sh.)



Source: Author Analysis

Figure 47 – Summary of relevant Valuation Methodologies vs. Current Price (€/Sh.)



Source: Author Analysis and Bloomberg

Table 9 – Scenario Assumptions

Scenarios Assumptions			
Description	Grey Sky	Base Case	Blue Sky
Strategic Configuration	Build Network	Build Network	TEFDE M&A
Terminal EBITDA Margin	24.0%	26.0%	26.0%
Terminal CapEx/Sales	8.61%	7.61%	-
Terminal Growth Rate (g)	1.42%	1.42%	1.42%
WACC	7.34%	7.34%	7.06%

Source: Author Analysis

5. Valuation

For the valuation of 1U1, the detailed macroeconomic and operational assumptions are presented in Appendix 5.1, the standardized, rearranged and common-size financial statements and supporting tables are shown in Appendix 5.2 and the high-level rationale for all key modelling inputs is set out in Appendix 5.4.

Free Cash Flow to the Firm - Integrated Approach

The core valuation of 1U1 is based on an integrated Free Cash Flow to the Firm (FCFF) **Discounted Cash Flow** (DCF) model under the **WACC approach** (Appendix 5.5). This framework is consistent to value non-financial corporates with changing leverage on an unlevered basis, separating operating performance from financing decisions (Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2024). **The model consolidates all operating activities of the Consumer & Small Business and Enterprises & Networks segments** into a single set of forecast financial statements and derives one FCFF stream for the group. On this basis, pro-forma income statements, balance sheets and cash flow statements for 2026-2034F are generated, with each forecast item linked to explicit business drivers in line with the bottom-up methodology (Damodaran, Narrative and Numbers - The Value of Stories in Business, 2019). From enterprise value to equity value and fair value per share, Enterprise value is obtained by summing the present value of FCFF over the explicit horizon and the present value of the terminal value, **resulting in an Enterprise Value of €8,160 Mn**. To move from EV to equity, the model systematically subtracts all prior-ranking claims in along EV to P (Figure 48).

Three main adjustments are made as of the valuation date:

- Net debt (AL) of €3,040 Mn (2026F), defined as on-balance-sheet interest-bearing financial liabilities minus cash and cash equivalents.
- Lease liabilities of €2,096 Mn, capturing the IFRS 16 present value of tower, site and other long-term operating leases which are economically equivalent to debt (IFRS Foundation, 2024).
- Present value of remaining spectrum payments of €734 Mn, representing the contractual obligation to pay future auction instalments, modelled separately from operating CapEx.

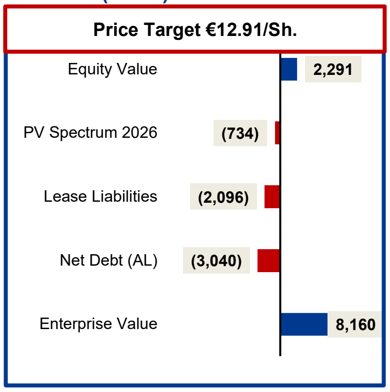
No material non-operating financial assets or associates are added back, as 1U1 does not hold a large portfolio of surplus financial assets. **After these deductions, the implied equity value is €2,291 Mn**. Dividing by 177.4 Mn diluted shares outstanding **yields a base-case fair value of €12.91/Sh.** corresponding to an annualized return of -22.49% (2027YE), against the current price of €18.94/Sh. (Figure 48).

Free Cash Flow to the Firm - Scenario Probability-Weighted Approach

Complementing the Integrated Approach, a probability-weighted valuation was performed, assigning equal 50% weights (existing sell-side consensus) to two structurally distinct outcomes: the standalone network build and a consolidation with TEF DE at 50% synergy capture described and depicted in Table 11 and in detail in Investment Risks and Appendix 7.5.

The same DCF methodology was applied, yielding a 2027YE Price Target of €24.21/Sh. corresponding to an annualized return of 17.72% (2027YE), against the current price of €18.94/Sh. (Figure 49).

Figure 48 – FCFF Integrated Equity Value Breakdown (€'Mn.)



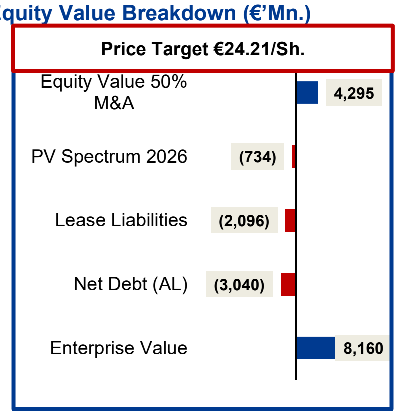
Source: Author Analysis

Table 11 - Sensitivity: €/Sh. by M&A & Buildout Probability

M&A	Price Target (€/Sh.)	Buildout
0%	12.91	100%
10%	15.17	90%
20%	17.43	80%
30%	19.69	70%
40%	21.95	60%
50%	24.21	50%
60%	26.47	40%
70%	28.73	30%
80%	30.98	20%
90%	33.24	10%
100%	35.50	0%

Source: Author Analysis

Figure 49 – FCFF Probability weighted Equity Value Breakdown (€'Mn.)



Source: Author Analysis

1U1's Network Rollout

1U1's financial performance during the Peak Investment Phase is governed by four value drivers that feed directly into the DCF/FCFF model: (i) **site deployment speed**, from 2,309 active antenna sites at YE2024 toward a target of c.12,600 sites required for 50% household coverage by 2030; (ii) **the pace of national roaming reduction**; (iii) **subscriber base stability through the migration**, the Access contract base contracted by c.70,000 to 16.32 Mn during FY2025, driven by transitory churn; and (iv) **CapEx-to-infrastructure conversion efficiency**, which determines how quickly variable roaming costs are replaced by lower fixed per-unit network costs, driving the EBITDA margin recovery from 13.0% in FY2025 toward the 26.0% terminal margin assumption and thereby the terminal value in the base case (Figure 50, Appendix 1.4).

Network Rollout Pace

1U1's original build partnership with Rakuten has since been substantially restructured, with the Company now operating a diversified partner base and retaining full architectural control over its cloud-native core, a shift that reduces single-vendor dependency but places greater demand on internal systems integration capability. **Available international comparables support 1U1's 50% offload target at 12,000 sites** (management guidance), though ILD's strong **low-band spectrum position remains a critical differentiator that 1U1 has yet to secure** (Figure 51).

Reliance on third-party national roaming

National roaming costs represent the single largest cost line in the P&L. Under the TEF MBA MVNO arrangement, a portion of the access fee was capitalized and amortized. The August 2024 transition to VOD NRA removed this mechanism: **all costs are now fully expensed through EBITDA**. The Vodafone agreement carries a minimum annual remuneration of €50 Mn over a five-year base term, with total remaining obligations of €175 Mn at YE2025.

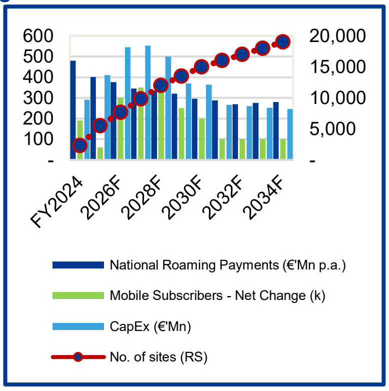
The central challenge is that network coverage expansion does not mechanically reduce roaming payments in proportion to sites deployed. Per-subscriber data consumption growth partially or fully offsets the on-net traffic migration benefit, as illustrated by the Tele2 Netherlands precedent, where roaming payments remained elevated despite coverage exceeding 90%, as data volume growth absorbed the capacity freed by own-network deployment. This challenge is addressed by data usage per subscriber growing at 25% p.a., declining to 10% p.a. by the end of the forecast horizon, **ensuring the National Roaming Cost development reflects realistic volume growth rather than a mechanistic coverage-driven reduction** (Figure 52).

Subscriber Growth through Migration

Mobile net adds of 490-790k p.a. during FY2020-2024 were driven primarily by share gains within the service-provider and MVNO segment (new-to-category customers, students and secondary SIM holders), rather than by defection from DTE or VOD's core contract base. **DB Research's Summer 2022 German Telco Survey found that only c.10% of incumbent MNO subscribers were "extremely likely" to consider switching to 1U1**, and that the most-considered tariff was €10/5GB, not higher-data bundles (Deutsche Bank Research, 2022). This confirms that 1U1's addressable **target customer is concentrated in the price-sensitive, lower-usage segment**. Reported average bundle sizes of c.7GB per subscriber, c.60-70% below comparable O2 and DTE contract customers, are consistent with this profile.

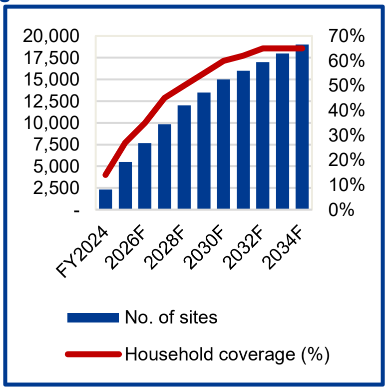
During the FY2025 migration phase, mobile net adds contracted to +40k for the full year (FY2024: +190k), **driven by elevated churn** as customers were transitioned to the own network. The forward recovery to +300-350k p.a. from 2026F onward reflects a return to the structural organic baseline. ARPU growth is modelled at +0.5% p.a., **consistent with 1U1 following the market on pricing rather than leading it** (Figure 53).

Figure 50 - Network Rollout KPIs



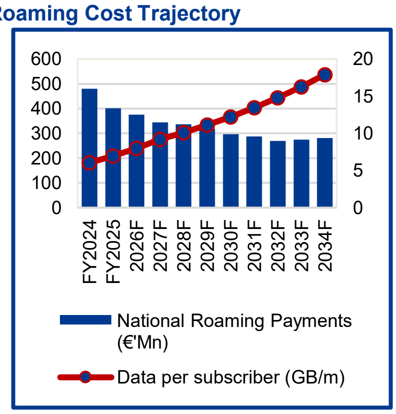
Source: Company Data and Author Analysis

Figure 51 - Own-Network RAN Rollout



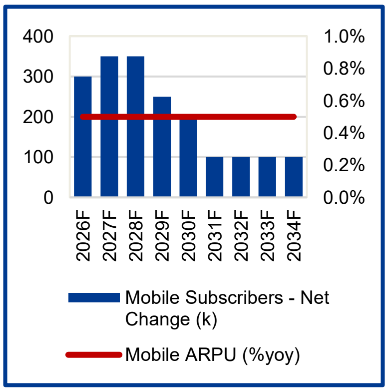
Source: Company Data and Author Analysis

Figure 52 - NRA Unit Economics & Roaming Cost Trajectory



Source: Company Data and Author Analysis

Figure 53 - Mobile Subscriber Net Adds & Mobile ARPU Growth



Source: Company Data and Author Analysis

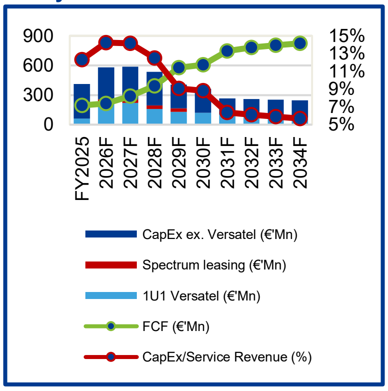
Capital Expenditure

Cash CapEx reached €411 Mn in FY2025, up from €291 Mn in FY2024, against initial FY2025 guidance of €450 Mn. The shortfall against the original schedule reflects continued antenna site delivery delays by Vantage Towers, a dispute unresolved at the report date. **Management guides to €500-550 Mn Cash CapEx for 2026F**, with similar levels expected through 2028F, as the network rollout and Versatel integration accelerate in parallel.

The per-site cost assumption of €150-176k sits at the conservative end of available international comparables. 1U1's Open-RAN architecture supports a cost structure at or below traditional RAN deployments at scale, though this is subject to validation as the 2026-2028F buildout progresses.

The model applies €545 Mn for 2026F, within management's guidance range and consistent with the Versatel integration and the unresolved Vantage Towers site-delivery dispute. **From 2031F, CapEx normalizes toward a post-coverage-obligation maintenance profile** (Figure 54).

Figure 54 - CapEx Decomposition & Intensity and FCF Generation



Source: Company Data and Author Analysis

Spectrum

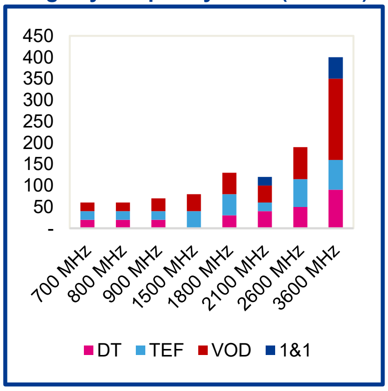
1U1 holds c.6% of total German mobile spectrum, the weakest position among the four MNOs, with no sub-1 GHz frequencies. Without sub-1 GHz coverage, indoor propagation must be compensated through higher antenna site density, directly increasing CapEx per covered household and increasing the dependence on VOD NRA. In March 2025, the BNetzA extended existing 800 MHz, 1800 MHz and 2.6 GHz rights for the three MNOs by five years, **precluding a near-term auction and removing any direct acquisition path for 1U1** (Figure 55, Figure 56, Figure 57).

Both Iliad Italy and Tele2 Netherlands held sub-1 GHz spectrum from launch yet ultimately pursued consolidation regardless, confirming that spectrum constraints are a contributing, not a standalone, **driver of strategic pivots**.

Scenario A - Network Build: 1U1 participates in the delayed 2030 auction acquiring 1 block at 800 MHz, two blocks at 1800 MHz and three blocks at 2600 MHz, totaling €1,110 Mn in spectrum CapEx paid terminal value horizon. **This scenario preserves the standalone MNO strategy but materially increases leverage**; the spectrum outlay is capitalized as an intangible asset and amortized over the remaining license term to 2040-2045.

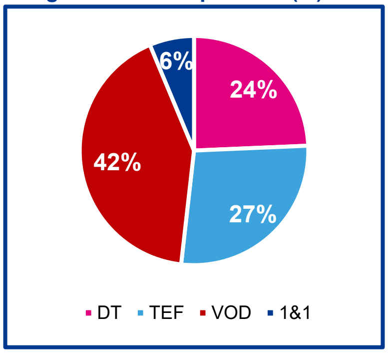
Scenario B - M&A: 1U1 participates in the 2030 auction acquiring only 50% of the standalone spectrum requirement, as the residual spectrum need is addressed through network sharing with a merger partner. The valuation impact depends on deal terms and is modelled separately under the M&A scenario.

Figure 55 - German Mobile Spectrum Holdings by Frequency Band (FY2025)



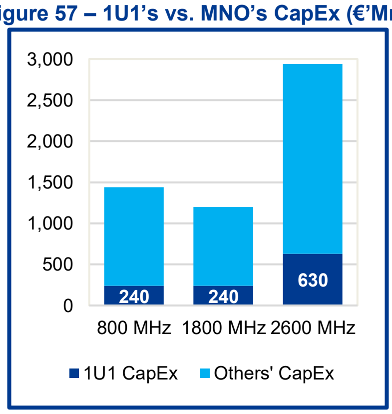
Source: Bundesnetzagentur

Figure 56 – German Mobile Spectrum Holdings of Total Frequencies (%)



Source: Bundesnetzagentur

Figure 57 – 1U1's vs. MNO's CapEx (€'Mn)



Source: Company Data and Author Analysis

WACC rate assumptions

The FCFs were discounted using the WACC method, with capital structure weights transitioning dynamically during the Peak Investment Phase and converging to a long-run target debt weight of 48.3% from 2034F onwards. **It is not reasonable to assume a stable capital structure during the explicit forecast period**, given 1U1's elevated leverage during the network rollout and the progressive deleveraging as the Company transitions toward increased FCF generation post-2028 (Appendix 5.6).

The Cost of Equity was determined using the CAPM. The model includes: i) **a 3.17% Risk-Free Rate**, derived from the 10-year German Bund yield (3.10%), adjusted for a Country Default Spread of 0.07%; ii) **a Market Risk Premium of 11.79%**, estimated via the **Supply-Side Model**; and iii) **an integrated beta (βe) of 0.67**, derived by the **Top-Down Approach** through a regression with the DAX Index and adjusting it according to Blume (Michelfelder & Theodossiou, 2013). **Over time, the model assumes that 1U1's systematic risk remains broadly stable once it is recognized by the market as a network operator**, even though temporary financial leverage varies during the CapEx phase. Combining these inputs yields a **constant cost of equity of 11.1%** (Table 12).

The 4.72% pre-tax Cost of Debt was determined using the **Default Risk Model**, with a FY2025 Interest Coverage Ratio of 3.7x mapping to a Company Default Spread of 1.55% over the Risk-Free Rate of 3.17%, **yielding an after-tax cost of debt of 3.3%** at an assumed corporate tax rate of 30% (Damodaran, Country Default Spreads and Risk Premiums, 2025).

The weighted average cost of capital is then computed year-by-year as: are the forecast market value weights of equity and debt at time t, derived from the model's implied equity value path and the evolution of net debt and leases. **In practice, WACC fluctuates in a relatively narrow band around 6.9-7.3% across the explicit period and converges towards 7.3% in the terminal year**, which is the rate used in the terminal value calculation. This time-varying but smooth WACC profile reflects the temporary leverage peak during the peak CapEx phase (Harrington, Nunes, Aboulamer, & Grabowski, 2021).

Table 12 - WACC determination and Weights

WACC Components - High Level				
Description	**2026F**	**2027F**	**2028F**	**TV**
Cost of Equity (Re)				
RFR	3.17%	3.17%	3.17%	3.17%
Beta (βe)	0.67	0.67	0.67	0.67
MRP	11.8%	11.8%	11.8%	11.8%
Re - Integrated (CAPM)	**11.1%**	**11.1%**	**11.1%**	**11.1%**
Cost of Debt (Rd)				
Cost of Debt	4.72%	4.72%	4.72%	4.72%
Tax Rate	30%	30%	30%	30%
After-tax cost of debt	**3.3%**	**3.3%**	**3.3%**	**3.3%**
WACC				
WACC - Integrated	**6.9%**	**6.9%**	**6.9%**	**7.3%**
Target Weights	**2026F**	**2027F**	**2028F**	**TV**
Debt Weight	54.1%	54.2%	54.0%	48.3%
Equity Weight	45.9%	45.8%	46.0%	51.7%

Source: Author Analysis

Long-run sustainable growth rate and terminal value

The 1.42% long-run sustainable growth rate was determined through three parallel approaches. The Retained Earnings method and the ERR-based approach both indicate a sub-1% organic growth capacity, **reflecting 1U1's limited reinvestment history.** The Reinvestment Rate approach, following Damodaran's Stable Growth Model, **implied a higher rate**; however, consistent with the long-run nominal GDP anchor for the Eurozone and the ECB's medium-term inflation target, the adopted terminal growth rate was capped conservatively, precluding perpetual growth in excess of the broader economy (Table 13).

Table 13 – Sustainable Growth Rate Estimation

Sustainable Growth Rate Estimation		
g	**RE**	**ROE**
0.03%	0.95%	2.74%
g	**ERR**	**ROE**
0.92%	33.70%	2.74%
g	**RR**	**ROIC**
3.30%	152.24%	2.17%
Sustainable Growth Rate		**1.42%**

Source: Author Analysis

Multiples Based Valuation

Besides the absolute valuation model, MBV models were used, including TTM MBV and 2027F MBV models, but **both have limitations** (Appendix 5.9).

Peer Group Selection

The peer group selection was performed combining **corporate intelligence procedures** and the **Top 5 players using the Sum of Absolute Rank Difference** ("SARD") **approach** (Table 14, Appendix 5.7).

Table 14 – MBV 1U1's Peers

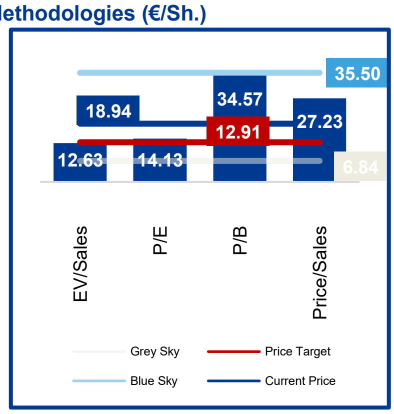
SARD Rank	Company	SARD Result
1	VOD	**25**
2	TIT	**29**
3	SUNN	**25**
4	PROX	**32**
5	ORA	**69**
6	TKA	**81**

Sources: LSEG and Author Analysis

2026F Multiples

The 2026F Multiples-Based Valuation yields structurally inconsistent results across the seven multiples applied (Figure 58). Three of four EV-based multiples produce negative implied equity values and are classified as not meaningful.

Figure 58 - Summary of 2026F MBV Methodologies (€/Sh.)

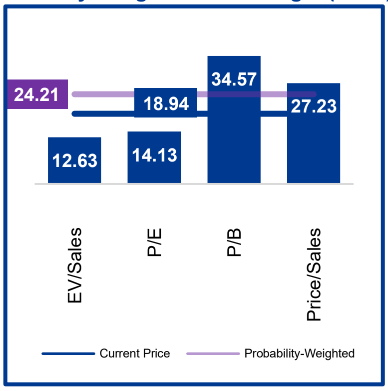


Sources: Bloomberg and Author Analysis

The distortion is mechanically driven by a total equity bridge exceeding the enterprise value implied by peer median multiples applied to 1U1's compressed operating metrics. **EV/Sales (€12.63/Sh.) is the only positive EV multiple**, with 1U1's own multiple of 1.7x broadly in line with the peer median of 1.75x.

Equity multiples all yield positive implied values by bypassing the EV-to-equity bridge. P/E at €14.13/Sh., applying the peer median of 12.9x to forecasted EPS of €1.10, is closely aligned with the Price Target of €12.91/Sh. P/B at €34.57/Sh. corresponds to the Blue Sky ceiling of €35.50/Sh. **Across all methodologies, implied values range from €12.63-€34.57/Sh.** excluding not-meaningful results. At the current price €18.94/Sh., the stock trades below the Probability-Weighted Case of €24.21/Sh. and above the Grey Sky floor of €6.84/Sh., consistent with a market that assigns non-trivial probability to consolidation (Figure 58, Figure 59).

Figure 59 - Summary of 2026F MBV vs. Probability-Weighted Price Target (€/Sh.)



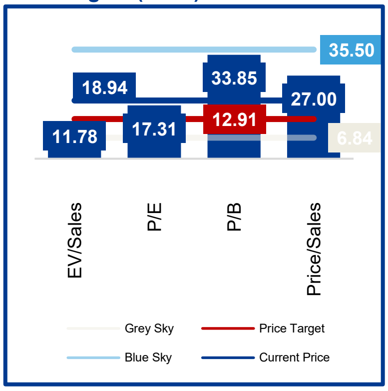
Sources: Bloomberg and Author Analysis

2027F Multiples

The 2027F Multiples-Based Valuation confirms the structural pattern identified in 2026F, with inconsistent results persisting across all seven methodologies (Figure 60). EV/Sales (€11.78/Sh.) remains the only positive EV multiple but narrows from €12.63/Sh. as the peer median contracts from 1.75x to 1.66x.

Among equity multiples, **P/E improves** to €17.31/Sh. from €14.13/Sh., driven by 2027F EPS recovery to €1.31/Sh. applied to the peer median of 13.1x. P/B (€33.85/Sh.) and Price/Sales (€27.00/Sh.) **remain broadly stable** versus 2026F. **Implied values range from €11.78-€33.85/Sh.** excluding not-meaningful results. The progressive narrowing of EV-based distortions across the two forecast years **provides preliminary evidence that the FCF inflection thesis is directionally intact**. The Probability-Weighted Case remains the most analytically robust valuation reference across all methodologies applied (Figure 61).

Figure 60 - Summary of 2027F MBV Methodologies (€/Sh.)



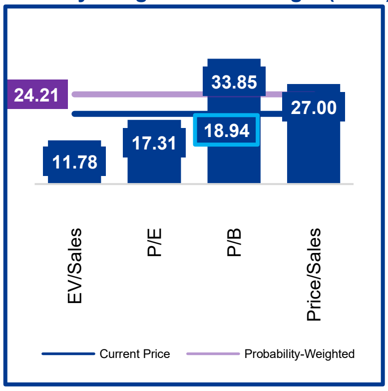
Sources: Bloomberg and Author Analysis

Author vs. Consensus

Author recommendation (Sell) is not aligned with consensus, with 61.5% of Neutral / Hold recommendations.

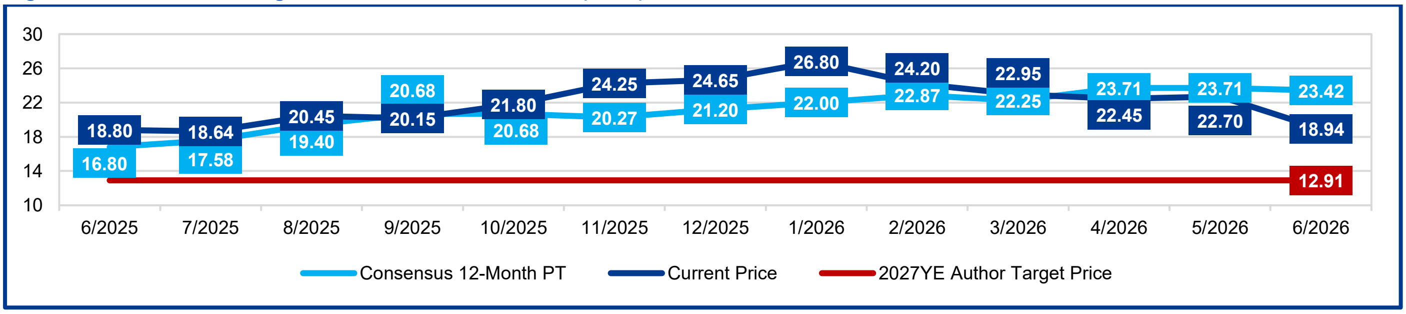
Revenue and EBITDA projections are broadly in line with consensus. For 2026F, the author's revenue of €4,635 Mn sits 3.3% above consensus, while EBITDA of €811 Mn is 1.7% above consensus. **The gap is driven by timing differences on wholesale cost normalization and Versatel synergy recognition**. For 2027F, the revenue divergence widens to 4.5%, with EBITDA 0.9% above consensus, **reflecting a more optimistic mobile net adds recovery assumption of 300-350k p.a.** versus consensus of c.262k. The material divergence arises at EBIT and net income, **explained entirely by a lower D&A charge in the author's model**. Dividend projections of €0.05 DPS are fully aligned with consensus in 2026F and 2027F (Appendix 4.2).

Figure 61 - Summary of 2027F MBV vs. Probability-Weighted Price Target (€/Sh.)



Sources: Bloomberg and Author Analysis

Figure 62 - Consensus Target vs. Stock Price vs. Author (€/Sh.)



Sources: Bloomberg and Author Analysis

6. Financial Analysis

Profitability compression driven by rising access costs and network

Gross margins have historically been below the peer median, reflecting 1U1's earlier reseller model. **The gap widened further as the MBA-MVNO access charges rose:** gross margins contracted from 30.7% in FY2021 to 25.6% in FY2024, against a peer median that remained stable throughout the period. Recovery to 29.2% in 2028F is projected as own-network traffic displaces roaming costs, **though the structural discount to the peer median persists through the forecast horizon** (Appendix 6).

EBITDA margins have similarly been below peers, declining from 17.2% in FY2021 to 13.0% for FY2025. In contrast, EBIT margins were broadly in line with or above the peer median, reflecting 1U1's low historical depreciation base as a historical capital-light MVNO. This advantage has since eroded as D&A on newly commissioned network assets has entered the P&L (Figure 63, Appendix 6).

Net income margins have historically been higher than peers: 9.5% in FY2021, reflecting 1U1's low interest expense and earnings quality relative to peers, who carried material impairment and restructuring charges. **The margin advantage has since eroded** as interest charges increased alongside the network financing program, with 1U1 converging to the peer median by FY2024. **FCF margins are aligned with the peer median in FY2021, before diverging as CapEx accelerated:** 1U1's FCF margin fell to -1.6% in FY2022 and 0.5% in FY2024, placing 1U1 below peers for the first time (Appendix 6).

Capital intensity reaching peak and converging toward MNOs

1U1's CapEx/Revenue expanded from 1.0% in FY2021 to 9.9% in FY2025 and 11.0% in 2026F (Figure 73). DTE, VOD, and TEF, representing the steady-state capital maintenance requirement of fully built MNOs, operated CapEx/Revenue of 9.7%, 11.5%, and 15.5% respectively in FY2024.

The CapEx/EBITDA ratio captures the cash earnings impact most precisely. In FY2021, 1U1 deployed negligible capital relative to earnings; by FY2025 the ratio reaches 0.76x, above all three MNO peers. **EBITDA is reinvested in network infrastructure**, a level that will moderate to 0.49x by 2028F as network construction nears completion and annualized spend normalizes (Figure 64).

Depressed FCF in FY2025 and recovering to converge with peers

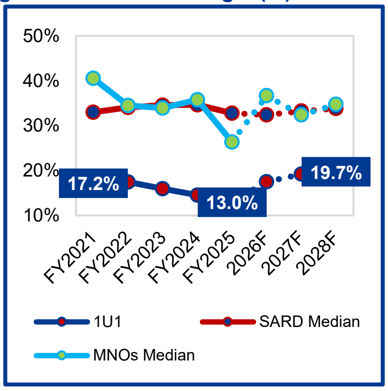
1U1's FCF was aligned with the peer median in FY2021, reflecting the company's MVNO history. **As network investment accelerated, FCF margins diverged sharply:** 1U1 FCF turned **negative** in FY2022 (-€65 Mn) and FY2023 (-€70 Mn), against a peer median of 7.1% and 10.2% respectively. **Operating FCF declined** from €635 Mn in FY2021 to a trough of €127 Mn in FY2025**. In 2028F the gap to the peer median narrows entirely**, driven by declining roaming charges under the VOD NRA and improving own-network utilization (Figure 65).

Broadband ARPU resilience and mobile ARPU under competitive pressure

1U1's subscriber economics show contrasting trends across product lines. Broadband ARPU rose from €23.83 in FY2018 to €27.54 in FY2024, sustained by gradual tariff increases and migration toward high speed. **Mobile ARPU declined** from €14.62 to €13.41 over the same period, reflecting sustained pricing pressure in the German mobile market. **Blended ARPU consequently declined** from €17.57 to €16.82 over FY2018-2024 (Appendix 6).

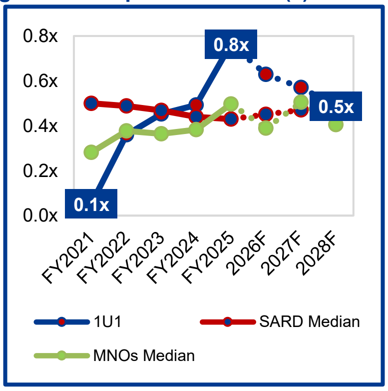
Mobile ARPU is projected to stabilize at €13.72 in FY2025 as 1U1 begins migrating customers to own-network tariff products. Should mobile ARPU compression persist below FY2025 levels, driven by intensified discounting from the three established German MNOs, **the revenue base underpinning the 2026-2028F FCF recovery would require further downward revision** (Figure 66).

Figure 63 – EBITDA Margin (%)



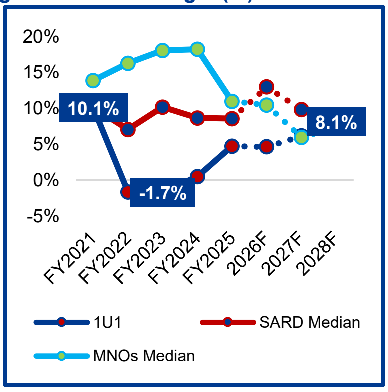
Sources: Bloomberg, 1U1 and Author Analysis

Figure 64 – CapEx-to-EBITDA (x)



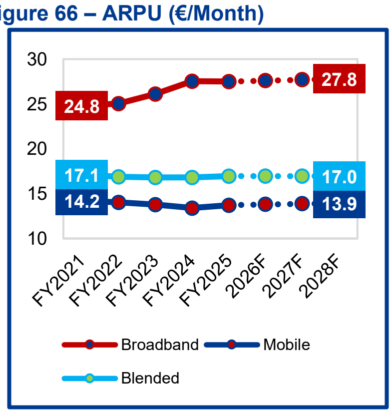
Sources: Bloomberg, 1U1 and Author Analysis

Figure 65 – FCF Margin (%)



Sources: Bloomberg, 1U1 and Author Analysis

Figure 66 – ARPU (€/Month)



Source: Author Analysis

Historically the least leveraged while leverage is building

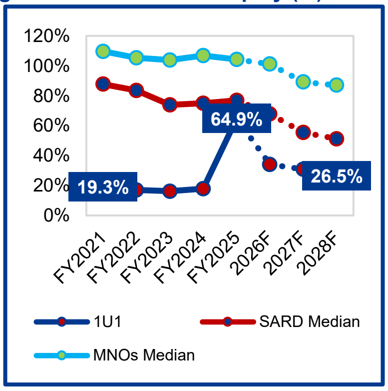
1U1 entered the network investment cycle with the lowest leverage among the peer group, with Net Debt-to-Equity of 8.1% in FY2021 against a peer median of 19.7%. This historical light balance sheet provided 1U1 with the debt headroom to finance the network build. Net Debt/Equity remained at 7.8% through FY2023 before rising to 19.3% in FY2024 as network financing commenced at scale, converging toward, and projected to exceed, the peer median by 2027F. **Additionally, 1U1 is structurally less levered than German MNOs**, which carry the accumulated debt of decades of infrastructure ownership. Leverage development is nonetheless upward, and unlike historically levered peers, **1U1 does not yet generate the recurring FCF to absorb potential financing pressure** (Figure 67).

ROIC and ROE converging during the investment phase

ROIC and ROE have historically exceeded the peer median, reflecting 1U1's asset-light MVNO model. ROIC at 5.5% in FY2021, ROE at 7.3% and ROA of 5.4% in FY2021 exceeded the peer median, as 1U1's light balance sheet generated returns above the peer median on equity, invested capital, and total assets. **These historical advantages reflected the MVNO model: minimal fixed assets, minimal depreciation and thereby high earnings quality.**

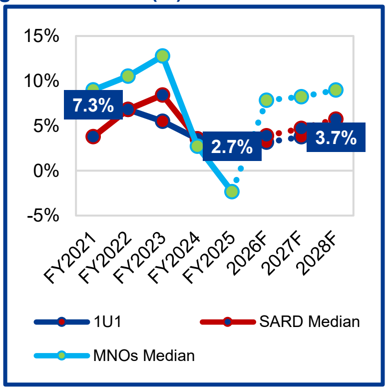
As 5G network assets have entered the balance sheet and D&A has risen, ROIC and ROE have converged toward the peer median: ROIC falls to 2.2% in FY2025 and ROE to 2.7% in FY2025. The investment thesis requires a ROIC return to 5-7% by 2027-2028F as the network asset base transitions from construction to commercial harvest. **Any failure to recover returns above the peer median would undermine the value creation rationale of the network build and risk repricing the equity toward the lower end of the valuation range** (Figure 68, Figure 69, Figure 70).

Figure 67 – Net Debt-to-Equity (%)



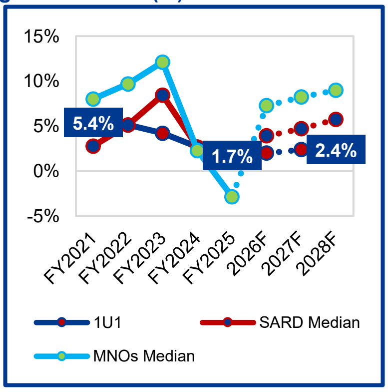
Sources: Bloomberg, 1U1 and Author Analysis

Figure 68 – ROE (%)



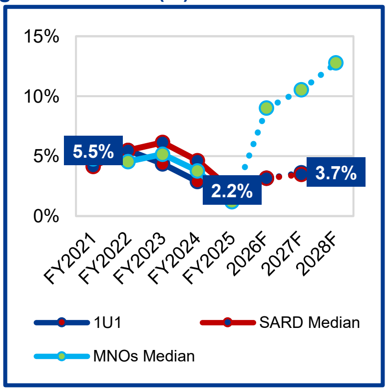
Sources: Bloomberg, 1U1 and Author Analysis

Figure 69 – ROA (%)



Sources: Bloomberg, 1U1 and Author Analysis

Figure 70 – ROIC (%)



Sources: Bloomberg, 1U1 and Author Analysis

7. Investment Risks

Risk Identification and Characterization

1U1 is subject to significant risks that may materially impact its business. Among these risks, it is possible to assemble them by the following categories: i) **Market Risks**; ii) **Political, Legal & Regulatory Risks**; iii) **Operational Risks**; iv) **Financial Risks**; and v) **Geopolitical Risks** (Figure 71), which collectively determine whether the Company can sustain its **transition from a capital-intensive buildout phase to a structurally profitable fourth mobile network operator**. Together, these risks govern the two axes that drive equity value in the DCF model: most importantly the trajectory of EBITDA margins as on-net traffic displaces national-roaming volumes, and the CapEx and leverage path through the Peak Investment Phase (Appendix 7) (Köpsell, Ruzhanskiy, Hecker, Stachorra, & Franchi, 2022).

Market Risks

Wholesale and MVNO Revenue Mix (M1)

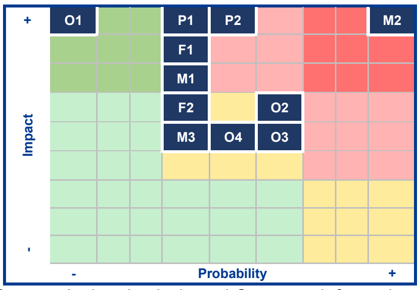
1U1's EBITDA margin trajectory is directly driven by the on-net/roaming traffic split: on-net traffic carries structurally lower unit costs, while national-roaming traffic under the capacity-based VOD agreement determines the variable cost base. A sustained slowdown in on-net migration would delay the margin inflection embedded in the Base Case. The NRA includes a minimum remuneration floor of €50 Mn p.a., capping volume-driven downside, but providing no protection against an unfavorable on-net/roaming mix shift. **Critically, Vodafone is the sole national-roaming counterparty, concentrating commercial, regulatory and operational exposure in a single party with no available hedge within the contract term** (Table 15).

Subscriber Churn & Market Share Erosion (M2)

The German mobile market is structurally competitive: DTE, VOD, and O2D collectively hold c.76% of mobile service revenue, with 1U1 constrained to a c.10% share. Mobile ARPU declined from €14.7 in FY2019 to €13.7 in FY2025, reflecting **persistent price pressure across all operators**. Against this backdrop, 1U1's total contract base contracted by 50k to 16.32 Mn in FY2025, **driven by elevated churn during the migration of 12.48 Mn existing customers to the own network**. The May 2024 network outage caused extraordinary cancellations and thereby suppressed mobile net adds, delaying service revenue growth and compressing the Consumer & Small Business EBITDA by −8.1% (YoY) to €786.8 Mn in FY2025. **A repeat churn event would reduce Service Revenue and simultaneously lower the subscriber base over which network fixed costs are spread, compressing EBITDA margins** (Table 15, Table 17).

The wholesale and churn risks M1 and M2 are tightly linked to the political, operational and financial risks P1, P2, O1 and F1. Low-band spectrum access (P1) and the 50% coverage obligation (P2) determine the feasible pace of on-net migration and thus the roaming intensity that drives the wholesale cost base (M1). Open-RAN integration risk (O1) governs network stability during migration; outages or quality issues trigger churn and market-share erosion (M2). The spectrum licensing and funding profile (F1) constrains the CapEx budget available to accelerate site deployment and absorb execution shortfalls, **amplifying the impact of adverse developments in P1, P2 and O1 on both wholesale dependency and churn dynamics** (Figure 72, Appendix 7.2, Appendix 7.3).

Figure 71 – Risk Matrix

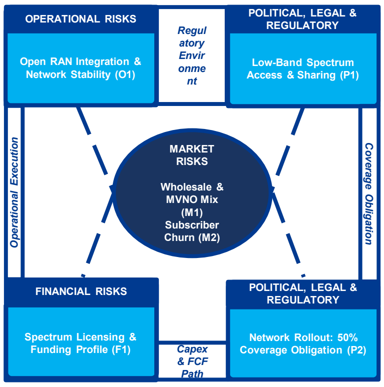


Source: Author Analysis and Company Information

Legend	
	Low: risk limited DCF sensitivity; no model adjustment required
	Moderate risk: partial WACC uplift; captured in sensitivity tables
	High risk: material EBITDA or CapEx impact; reflected in Grey Sky scenario
	Critical risk: primary valuation driver; modelled as Monte Carlo input
	Risk label: dark circle denotes a key identified risk node

Source: Author Analysis and Company Information

Figure 72 – Risk Relationships



Source: Author Analysis and Company Information

Figure 73 – Recommendation System (High Risk)

Investment Recommendation	Threshold (annualized upside potential)
SELL	0%≤
REDUCE	>0% & ≤10%
HOLD	>10% & ≤20%
BUY	>20%

Political, Legal & Regulatory Risks

Low-Band Spectrum Access and Sharing (P1)

1U1's network economics depend critically on access to sub-1 GHz low-band spectrum for cost-efficient wide-area and in-building coverage. Without it, 1U1 must deploy a denser mid-band layer and extend NRA dependency, both of which structurally erode the gross-margin recovery. In March 2025, the BNetzA imposed a mandatory negotiation duty on DTE, VOD and TEF to grant 1U1 low-band sharing access; **a delay or rejection would raise roaming costs and could force management to reassess standalone viability**.

An additional layer of uncertainty arises from the Cologne Administrative Court ruling of November 2025, which declared the 2019 spectrum auction rules unlawful and mandated adjusted regulation, **directly affecting the foundational spectrum assets underpinning 1U1's network plan**. A concurrent delay in low-band sharing and reopening of spectrum proceedings would compound regulatory exposure across multiple dimensions, materially widening valuation outcomes (Table 15).

Network Rollout: 50% Coverage Obligation by 2030 (P2)

1U1 must reach 50% household coverage by end-2030, against 27% achieved as of 31 December 2025, requiring a material acceleration from the current pace of 300+ new sites per quarter. Meeting this obligation demands sustained Cash CapEx of €500-550 Mn p.a. through 2027-2028F, concurrent with spectrum instalment payments and Versatel integration costs, **leaving limited capacity to absorb execution shortfalls**. Failure to meet regulatory milestones risks financial penalties or, in an extreme scenario, **license revocation, the foundational asset of the entire business model**.

Third-party execution risk is material: planning permit delays in Bavaria and Lower Saxony affect c.15% of planned sites (UBS Global Research, 2025), a contractual dispute with one build-out partner arose in 2025, and the Vantage Towers antitrust proceeding illustrates how site commitments can diverge from physical delivery. **Each delay extends national-roaming dependency**, directly inflating cost-of-sales and postponing the EBITDA margin inflection central to the Base Case (Table 17).

Operational Risks

Open RAN Integration and Network Stability (O1)

1U1's fully virtualized Open-RAN architecture targets 10-30% lower energy consumption versus legacy single-vendor networks but **concentrates risk in software orchestration and multi-vendor integration layers absent from conventional architectures**. The May 2024 outage, caused by a misconfigured software update, lasting two to four days, **triggered measurable churn, unplanned remedial CapEx and safety audits that materially slowed on-net migration.**

Network operations risk is classified as Rarely / Extreme damage potential, an asymmetric profile justifying a WACC uplift and margin compression. Mitigating factors include four geographically redundant core data centers and a software rollback protocol (Table 15).

Financial Risks

Spectrum Licensing and Funding Profile to 2030 (F1)

Remaining spectrum liabilities totaled €513.1 Mn as of YE2025, accelerating to €128 Mn in 2026-2029F. This schedule coincides with peak CapEx and Versatel integration costs, leaving negligible FCF available to equity before 2028. Funding gaps may be bridged via the €510 Mn undrawn JBIC facility (floating, 6M-EURIBOR-linked) or UTDI intra-group financing, both of which elevate leverage and introduce refinancing risk.

Interest coverage of 3.7× in FY2025 deteriorates mechanically if EBITDA misses guidance. UTDI's financing commitment mitigates liquidity risk while simultaneously concentrating it in a single related-party counterparty. **Critically, this risk is correlated with roaming cost risk and regulatory risk**: EBITDA compression simultaneously reduces cash available for spectrum instalments (Table 15).

Risk Assessment

Sensitivity Analysis

1U1's main value drivers have significant impacts on the Company's valuation. Therefore, the DCF-derived price target sensitivity was analyzed with respect to changes in: i) **the terminal EBITDA margin**, driven by on-net traffic migration and national-roaming cost reduction; ii) **the terminal traffic offload rate**, which endogenously determines the margin through its impact on NRA fees; iii) **the terminal CapEx/Revenue ratio**, reflecting steady-state Open-RAN capital intensity; and iv) **the Cost of Capital** (WACC)**,** capturing leverage, execution and regulatory risk premia**,** each linked to the risk categories identified in Figure 71 (Appendix 7.2, Appendix 7.3).

TV EBITDA Margin and WACC

The terminal EBITDA margin is the primary value driver of 1U1's DCF valuation, as it directly reflects the long-run profitability achievable once on-net traffic migration is complete and national-roaming costs have normalized. **The base case considers a terminal EBITDA margin of 26.0% and a WACC of 7.3%, yielding a price target of €12.91, consistent with a SELL recommendation under the High-Risk scale**.

Table 15 –Sensitivity: €/Sh. by WACC × Terminal EBITDA Margin

WACC (%)	TV EBITDA Margin (%)						
	20.0%	22.0%	24.0%	26.0%	28.0%	30.0%	32.0%
5.8%	5.58	10.57	15.56	20.54	25.53	30.52	35.51
6.3%	3.97	8.48	12.98	17.48	21.99	26.49	30.99
6.8%	2.67	6.77	10.88	14.99	19.09	23.20	27.31
7.3%	1.58	5.36	9.13	12.91	16.69	20.47	24.25
7.8%	0.66	4.16	7.66	11.16	14.66	18.16	21.66
8.3%	(0.13)	3.14	6.40	9.66	12.92	16.19	19.45
8.8%	(0.81)	2.25	5.31	8.37	11.42	14.48	17.54

Source: Author analysis

It is estimated that an increase (decrease) of **2% in the terminal margin** will increase (decrease) the **price target by c.€3.78/Sh.** (ceteris paribus). There is not a linear relationship between the price target and WACC: the WACC elasticity becomes lower as WACC increases. All other variables remaining equal, the recommendation would **improve to REDUCE at a terminal margin of 28.0% and WACC of 6.8%**, yielding €19.09/Sh., **to HOLD at a terminal margin of 28.0% and WACC of 6.3%**, yielding €21.99/Sh. and **to BUY at a terminal margin of 28.0% and WACC of 5.8%**, yielding €25.53/Sh. (Table 15).

Terminal Traffic Offload Rate

The terminal traffic offload rate is the operative driver of the terminal EBITDA margin: as on-net traffic share rises, capacity-based fees to VOD fall proportionally, directly improving gross margins. **The base case considers a terminal offload rate of 65.0%**, implying a terminal EBITDA margin of 26.0%. It is estimated that an increase (decrease) of **5% in the offload rate** will increase (decrease) the **price target by c.€3.78/Sh.** (ceteris paribus). All other variables remaining equal, the recommendation would **improve to REDUCE at a terminal margin of 30.0% and a terminal offload rate of 75.0%**, yielding €20.47/Sh. and **to HOLD at a terminal margin of 32.0% and a terminal offload rate of 80.0%,** yielding €24.25/Sh. (Table 16).

Table 16 - Sensitivity: €/Sh. by Terminal EBITDA Margin × TV Traffic Offload

TV EBITDA Margin (%)	€/Sh.	TV Traffic Offload (%)
20.0%	1.58	50.0%
22.0%	5.36	55.0%
24.0%	9.13	60.0%
26.0%	12.91	65.0%
28.0%	16.69	70.0%
30.0%	20.47	75.0%
32.0%	24.25	80.0%

Source: Author analysis

Terminal EBITDA Margin and CapEx/Revenue

The terminal CapEx/Revenue ratio determines unlevered FCF together with the terminal EBITDA margin. **The base case considers a terminal CapEx/Revenue ratio of 7.6% and a terminal EBITDA margin of 26.0%**. It is estimated that an increase (decrease) of **1% in the terminal CapEx/Revenue ratio** will decrease (increase) the **price target by c.€1.15/Sh.** (ceteris paribus). All other variables remaining equal, the recommendation would improve **to REDUCE at a CapEx/Revenue of 5.6% and EBITDA margin of 30.0%**, yielding €18.98/Sh. and **to HOLD at a CapEx/Revenue of 4.6% and EBITDA margin of 32.0%**, yielding €22.02/Sh. (Table 17).

Table 17 - Sensitivity: €/Sh. by TV EBITDA Margin × CapEx/Revenue

TV EBITDA Margin (%)	TV CapEx/Revenue (%)						
	4.6%	5.6%	6.6%	7.6%	8.6%	9.6%	10.6%
20.0%	10.69	9.54	8.39	7.24	6.10	4.95	3.80
22.0%	12.57	11.43	10.28	9.13	7.99	6.84	5.69
24.0%	14.46	13.32	12.17	11.02	9.88	8.73	7.58
26.0%	16.35	15.21	14.06	12.91	11.77	10.62	9.47
28.0%	18.24	17.10	15.95	14.80	13.65	12.51	11.36
30.0%	20.13	18.98	17.84	16.69	15.54	14.40	13.25
32.0%	22.02	20.87	19.73	18.58	17.43	16.29	15.14

Source: Author analysis

Mobile Net Subscriber Additions and ARPU Growth

Mobile ARPU and cumulative mobile net subscriber additions are the operative revenue drivers of 1U1's transition, as they determine Service Revenue growth over the forecast period 2026-2034F and the subscriber base over which network fixed costs are spread. **The Base Case assumes a total ARPU growth of +4.5% and cumulative net adds of 1,850k**. An increase (decrease) of **5% in total mobile ARPU growth** increases (decreases) the **price target by c.€1.10/Sh.** (ceteris paribus). **The relationship between price target and net adds** reflects the fixed-cost leverage embedded in the network. All other variables remaining equal, the recommendation would improve **to REDUCE at a total mobile ARPU growth of 9.50% and cumulative mobile net subscriber additions of 4,850k**, yielding €19.08/Sh. (Table 18).

Table 18 - Mobile ARPU vs. Mobile Net Adds

Total Mobile ARPU Growth (%)	Total Mobile Net Adds (k - 2026-2034F)						
	(1,150)	(150)	850	1,850	2,850	3,850	4,850
-10.5%	5.47	6.85	8.22	9.60	10.98	12.36	13.74
-5.5%	6.34	7.79	9.25	10.71	12.16	13.62	15.07
-0.5%	7.21	8.74	10.28	11.81	13.34	14.87	16.41
4.5%	8.08	9.69	11.30	12.91	14.52	16.13	17.74
9.5%	8.96	10.64	12.33	14.02	15.70	17.39	19.08
14.5%	9.83	11.59	13.36	15.12	16.88	18.65	20.41
19.5%	10.70	12.54	14.38	16.22	18.06	19.90	21.75

Source: Author analysis

Scenario Analysis

Blue and grey scenario are assessed, assuming changes in (i) **consolidation outcome**; (ii) **low-band spectrum access and national roaming economics**; and (iii) **long-run terminal EBITDA margin. The Blue scenario** assumes an **in-market consolidation with TEF DE under 50% synergy capture**, leading to a 2027F price target of €35.50/Sh. **The Grey Sky scenario assumes**: (i) **BNetzA low-band cooperative use order fails**, requiring **additional antenna site density and CapEx** (8.61% TV CapEx/Revenue); (ii) **NRA unit cost declines slower than the Base Case** as data volume growth offsets on-net migration (60.0% TV Traffic Offload); and (iii) **the terminal EBITDA margin compresses** to 24.0%, leading to a **2027YE price target of €6.84/Sh.** (Table 9).

Table 19 – Estimated 1U1's probability and impact in a M&A Scenario

M&A Scenario Probability & Impact	
Probability	Impact on Discounted Cash Flows (€'Mn)
50.0%	8,016

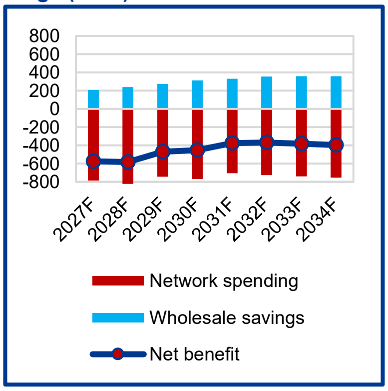
Source: Author analysis

M&A Scenario

In-market consolidation between 1U1 and TEF DE is plausible but not certain. European precedents confirm that new network entrants have repeatedly pursued consolidation when standalone FCF remained structurally depressed through multi-year investment phases. **The probability of a transaction within the forecast horizon is treated as 50%**, reflecting the governance and regulatory constraints described below and sell-side consensus (Table 19).

A full merger model would require pro-forma P&L consolidation, purchase price allocation, goodwill recognition, an integration cost schedule and a formal accretion/dilution analysis at the TEF DE level. Given data constraints, the **analysis adopts a simplified delta cash flow approach, isolating the incremental net benefit to 1U1 shareholders from eliminating the standalone network program** (Figure 74). The approach captures the dominant synergy (avoided CapEx) and is consistent with a full merger model (Figure 75). **The detailed methodology is described in the following and depicted in .**

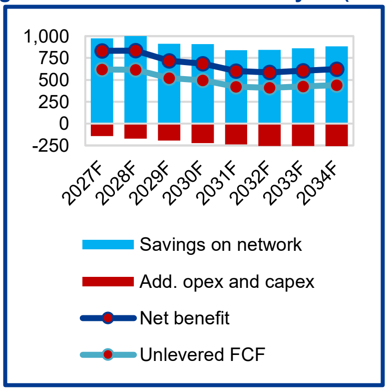
Figure 74 – Network Spending vs. OpEx Savings (€'Mn)



Source: Author analysis and company information

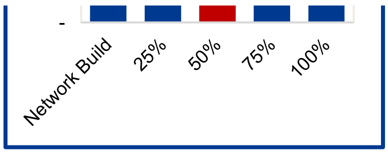
Assuming deal effectiveness in 2027F and 50% synergy capture, the implied price target is €35.50/Sh. (BUY). At 100% capture: €58.09/Sh. At zero capture, the scenario reverts to the standalone base of €12.91/Sh. (SELL) (Figure 76).

Figure 75 – M&A Scenario Analysis (€'Mn)



Source: Author analysis and company information

The M&A scenario requires a dual-perspective assessment. On the acquirer's side, TEF DE standalone fundamentals, based on sell-side estimates anchor the deal rationale (Table 20). **From 1U1's perspective, a combination with TEF DE resolves the two structural constraints underpinning the standalone investment thesis**. The VOD NRA would be replaced by an integrated cost base, **accelerating the EBITDA margin inflection by several years.** Simultaneously, 1U1 would access a fully operational 4G/5G network with established coverage and subscriber density, converting the Peak Investment Phase into **immediate scale and fixed-cost leverage**.



Source: Author analysis

TEF DE's structural challenge is the inverse of 1U1's: it faces wholesale revenue downside as 1U1 migrated traffic to its own network and to VOD, without a corresponding offset in its fixed cost base. **A combination eliminates this erosion and replaces it with a permanent EBITDA uplift.**

Using the Gordon Growth Model applied to the 2027F EFCF yield, the market-implied **cost of equity for TEF DE is c.7.5%.** Combined with an after-tax cost of debt of 4.3% and a capital structure that deleverages massively to near-100% equity by 2034F, the **blended WACC for the combined entity ranges from 6.3% in 2027F to 7.1% in the terminal year**, below 1U1's standalone described before (Table A. 28). This differential generates a structural valuation uplift independent of operating synergies.

The author assumes TEF DE acquires 1U1 in an all-equity transaction at a 50% premium to the current price consistent with precedent European telecom in-market consolidation transactions. TEF DE funds the acquisition entirely through the issuance of new shares, with the share count rising from 2,975 Mn to 5,335 Mn. **Despite this dilution, the deal is EFCF/share accretive for TEF DE from the first full year** as shown in Table A. 26.

The consolidation is modelled as a delta cash flow overlay, comparing incremental costs against avoided standalone network spend (Figure 76). The combined entity bears two incremental cost lines: additional OpEx to serve 1U1 traffic on the TEF DE network (30% of traffic volumes, rising from €63 Mn in 2027F to €108 Mn in 2034F) and additional CapEx for network capacity (€80 Mn in 2027F, stabilizing at €150 Mn p.a. from 2030F), totaling €143 Mn in 2027F and €258 Mn by 2034F. Against these costs, the savings depicted in Figure 74 materialize (Table 20).

The net benefit translates into an unlevered incremental FCF of €618 Mn in 2027F, yielding a PV of forecast-period synergies of €3,182 Mn and a Terminal Value of €9,250 Mn (PV: €4,834 Mn), **for a total synergy NPV of €8,016 Mn at 100% capture** (Table A. 27, Table A. 28).

Meaningful equity value accretion above the current price of €18.94/Sh. materializes only beyond the 40% capture threshold (€21.95/Sh.), **below which deal premium, regulatory remedy costs and mandatory MVNO access obligations absorb the gross synergy NPV accruing to 1U1 shareholders** (Table 21).

Three factors make the M&A scenario a credible upside optionality rather than a Base Case assumption:

1. Governance: UTDI controls the outcome, not minority shareholders. UTDI holds 78% of 1U1 and 69% of TEF DE is held by Telefónica S.A. Any transaction requires approval from both parent companies. UTDI's public communications have not endorsed a transaction. Additionally, the Versatel consolidation does not constitute evidence of deal preparation.

2. Regulatory risk is non-trivial. A combined entity would hold c.35% of German mobile market subscribers. The German precedent (TEF DE/E-Plus, 2014) required structural remedies including MVNO access obligations that **absorbed a material portion of synergy NPV**. Regulatory clearance is not assured, and the remedy design, particularly the scope of any mandated MVNO access, **directly determines the fraction of gross synergies retained by the combining parties.**

3. Uncertain Synergy capture. The negotiation outcome, specifically how synergies are split between 1U1 and TEF DE shareholders, is not observable ex ante and **introduces a binary dispersion around the 50% base assumption that justifies holding the standalone as the primary valuation anchor.**

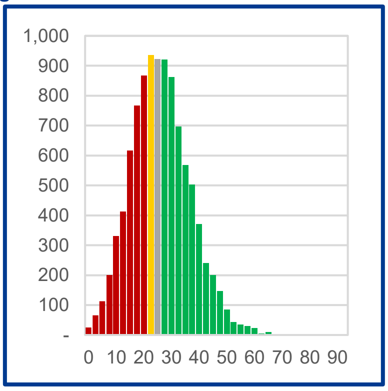
Monte Carlo simulation

Complementing the above risk assessment, a Monte Carlo simulation was performed, simultaneously stressing: i) **TV EBITDA-Margin**; ii) **terminal growth rate (g)**; iii) **WACC**; iv) **the possible event building 1U1's network** vs. a possible consolidation (1-X%); and v) **M&A synergy realization rate**.

The simulation yields a **mean value of €24.92/Sh.** and a **median of €24.39/Sh.**, both above **the base case Price Target**. However, standard deviation of €10.79 and a P10-P90 range of €11.53-€38.63 **reflect material valuation dispersion, driven by the binary nature of 1U1's strategic outcome**, reflected by the Blue Sky price target (Table 22).

47% of trials result in a SELL or REDUCE recommendation, against a **12% HOLD and 41% BUY probability**, corroborating the SELL recommendation on a standalone basis, with meaningful upside optionality conditional on M&A consolidation (Figure 77). The right-skewed distribution captures M&A consolidation optionality on the upside, while the downside tail is anchored by the capital-intensive standalone Building Scenario. **TV EBITDA-Margin and M&A synergy realization emerge as the dominant positive value drivers, while 1U1's WACC and standalone buildout represent the primary downside sensitivities,** followed by TEF WACC and the terminal growth rate g. (Figure 78).

Figure 77 – Monte Carlo Simulation



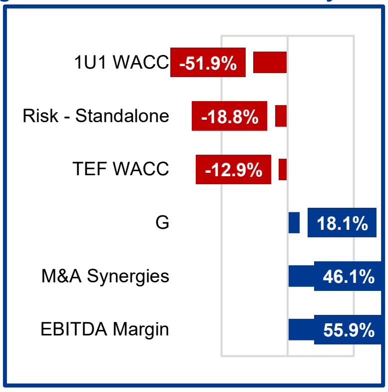
Source: Author analysis

Table 22 – Monte Carlo Statistics

Indicator	Amount
No. of Trials	10,000
Base Case	24.92
Mean	**24.39**
Median	24.56
St. Deviation	10.79
10th Percentile	11.53
90th Percentile	38.63
Upside Potential	20%

Source: Author analysis

Figure 78 – PT Variables Sensitivity



Source: Author analysis

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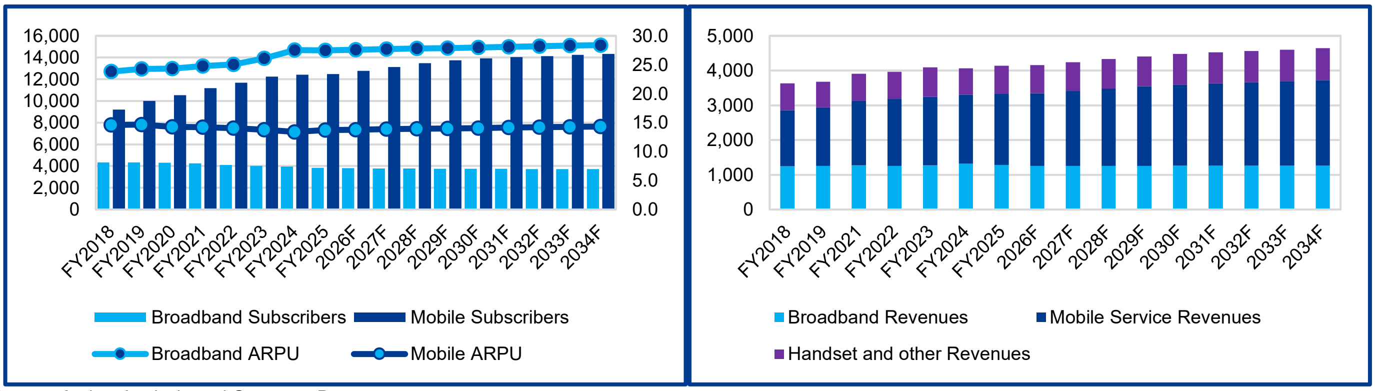
Appendices

Appendix 1: Business Description

Appendix 1.1: Segment Highlights Consumer & Small Business

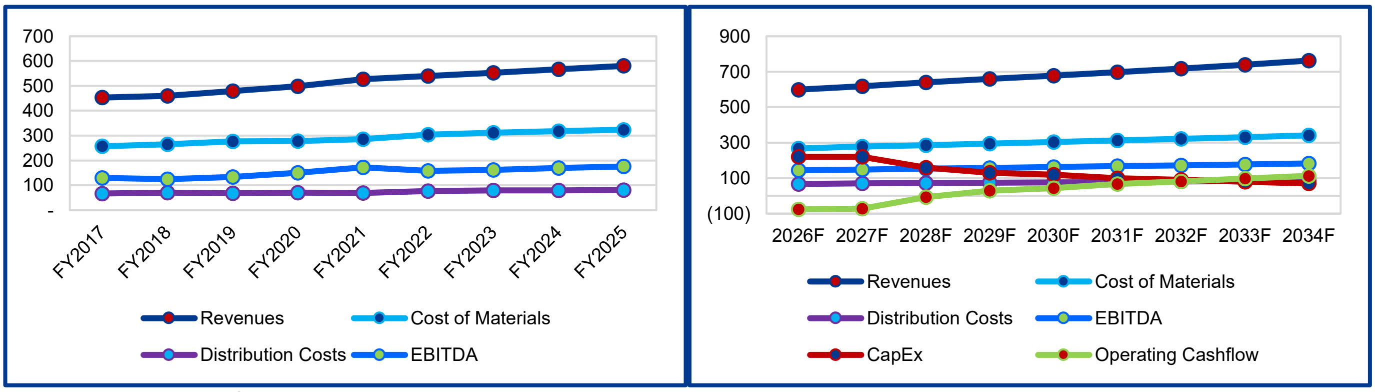
Figure A. 1 - Consumer & Small Business: Subs. (Mn), ARPU (€/m.) and Revenue (€'Mn)



Source: Author Analysis and Company Data

Appendix 1.2: Segment Highlights Enterprise & Networks

Figure A. 2 - Versatel: Historical and forecasted Key Figures (€'Mn)



Source: Author Analysis and Company Data

Appendix 1.3: 1U1's Brand Architecture

Brand	Segment	Category	Target Customer	Description
1&1	Consumer & Small Business	Mobile & Broadband	Residential / SOHO	Flagship premium brand; 5G, DSL, cable & fibre tariffs with bundled applications (IPTV, smart home, cloud storage).
winSIM	Consumer & Small Business	Mobile (Value)	Price-sensitive consumers	SIM-only mobile; targets cost-conscious customers seeking reliable network quality at reduced price points.
sim.de	Consumer & Small Business	Mobile (Discount)	Budget segment	Discount SIM-only mobile tariffs; addresses the lowest price point in the retail portfolio; no-frills offering flexible contract terms.
1&1 versatel	Enterprises & Networks	B2B Fibre / Wholesale	Enterprises / Carriers	Operates Germany's largest fibre-optic network; provides B2B direct fibre connections, carrier wholesale and backhaul infrastructure.
Complementing UTDI Brands				
GMX	Apps	E-Mail	B2C DACH	Free and premium webmail provider; offers e-mail, cloud storage and calendar tools; c.27 Mn active accounts in Germany.

WEB.DE	Apps	Portal	B2C Germany	Germany's largest consumer internet portal; combines webmail with news, finance and sports content; shares ad-sales infrastructure with GMX.
IONOS	Apps	Cloud / Hosting	SME / Developers	Flagship global cloud and hosting brand; full-stack web presence, cloud and domain services across 18 markets; c.8.5 Mn customers worldwide.
STRATO	Apps	Hosting	SME / Freelancer	Established German mid-market hosting brand; shared hosting, managed domain services; targets a more price-sensitive SME segment.

Source: Author Analysis and Company Data

Appendix 1.4: 1U1's Network Rollout

Figure A. 3 - 5G Open Ran Network: No. of sites, Household Coverage and NR Payments

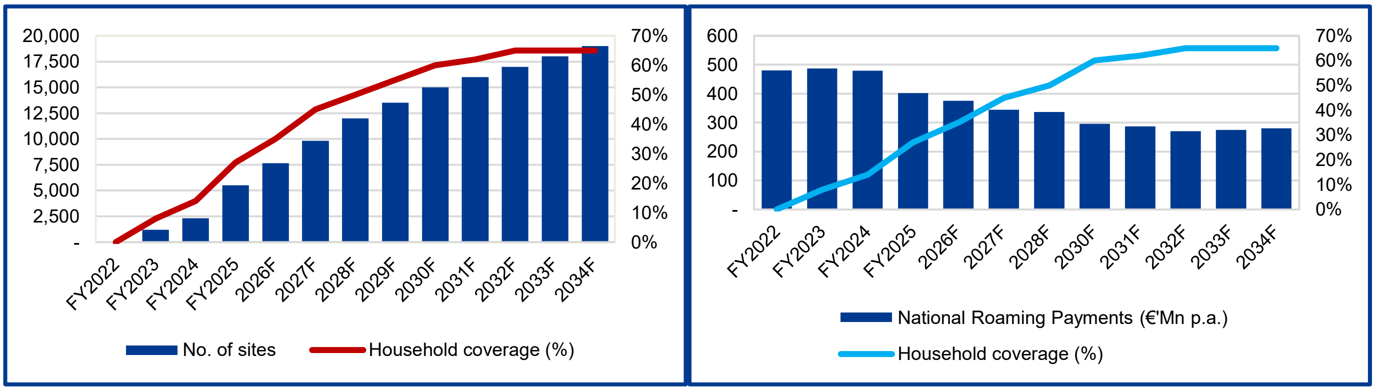
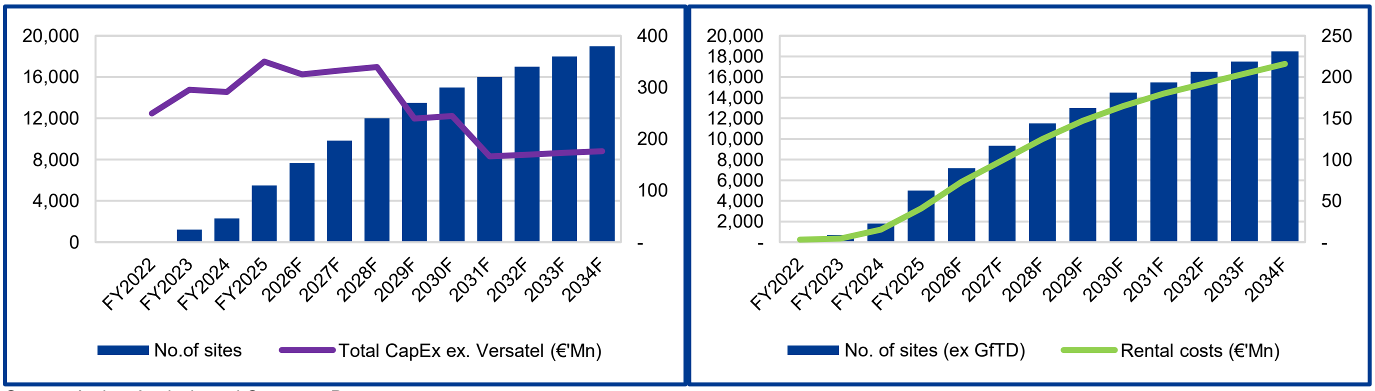


Figure A. 4 - 5G Open Ran Network: No. of sites, CapEx and Rental Costs



Source: Author Analysis and Company Data

Appendix 1.5: Business Segment Strategies

Table A. 1 - Business Segment Strategies

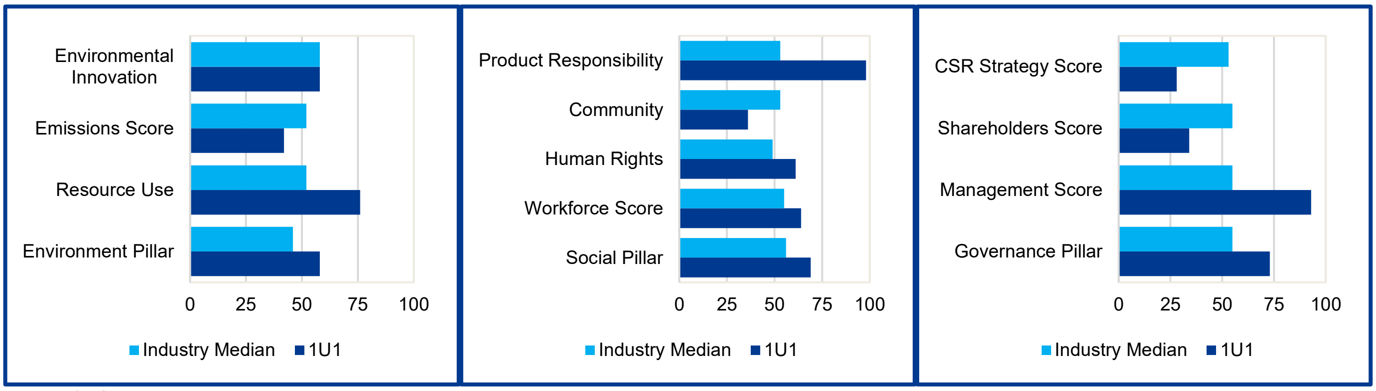
Segment	Strategy	Quantitative Goals
Consumer & Small Business	• Operate as a multi-brand digital challenger to address the full German consumer market; • Drive digital distribution to structurally avoid physical retail costs weighing; • Recover subscriber churn through transparent pricing, campaigns and flexible tariffs; • Expand FMC-bundling to reduce churn and uplift ARPU, leveraging Versatel.	• Recover net contract additions to +200-300k p.a. in 2026-2027F; • Grow mobile subscriber base from 12.48 Mn (FY2025) toward 13.0+ Mn by 2026F; • Achieve 5-10% ARPU uplift on FMC-bundled subscribers, targeting 20-30% lower churn; • Deliver segment revenue of c. €4,155 Mn in 2026F (c. 90% of group total).
Enterprise & Networks	• Deploy Europe's first fully cloud-native 5G Open RAN network; • Secure low-band spectrum access through cooperative-use to achieve cost-efficiency; • Integrate Versatel as fiber backhaul for Open RAN sites and B2B connectivity platform; • Maintain capital discipline during 2024-2027: CapEx €500-550 Mn p.a.	• Reach 35%/50% household 5G coverage by 2026/30YE, 10k total antenna sites by 2027F; • Versatel standalone: providing profitable counterweight during build-out phase; • Limit OpEx/CapEx drag from low-band absence to <€80-120 Mn p.a.; • Deliver segment revenue of €479 Mn in 2026F and normalize CapEx toward maintenance levels.

Source: Author Analysis and Company Data

Appendix 2: ESG

Appendix 2.1: LSEG ESG Scores Breakdown

Figure A. 5 - 1U1 Environmental, Social and Governance Breakdown



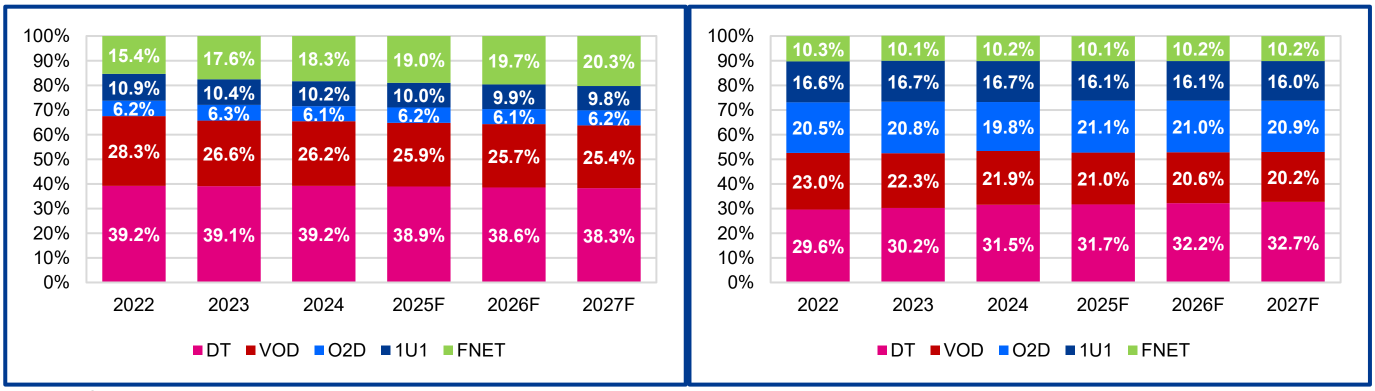
Source: LSEG

Appendix 3: Industry Overview and Competitive Positioning

Appendix 3.1: Telecommunications Industry Value Chain

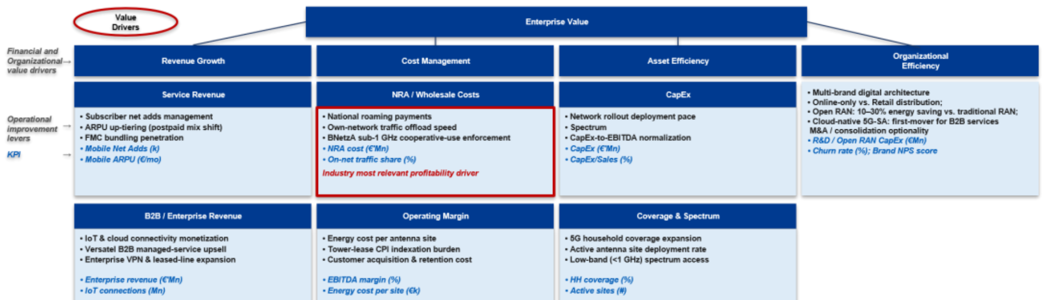
Source: Fortlane Partners

Appendix 3.2: German Telecommunications Industry Market Share



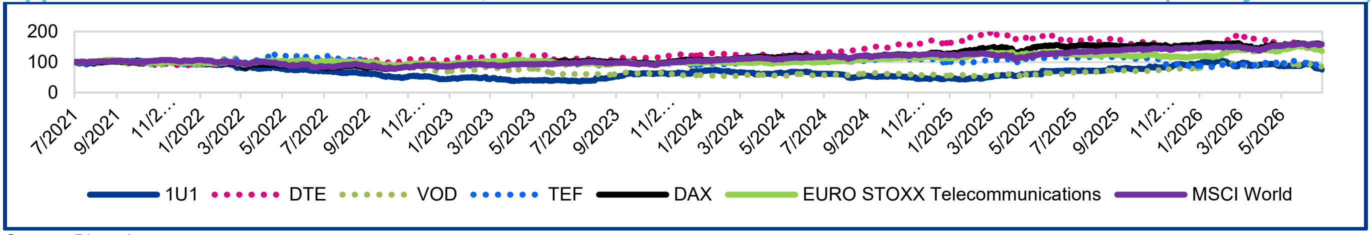
Source: UBS

Appendix 3.3: Telecommunications Industry Key Drivers of Profitability



Sources: ETNO, Analysys Mason, Morgan Stanley and Author Analysis

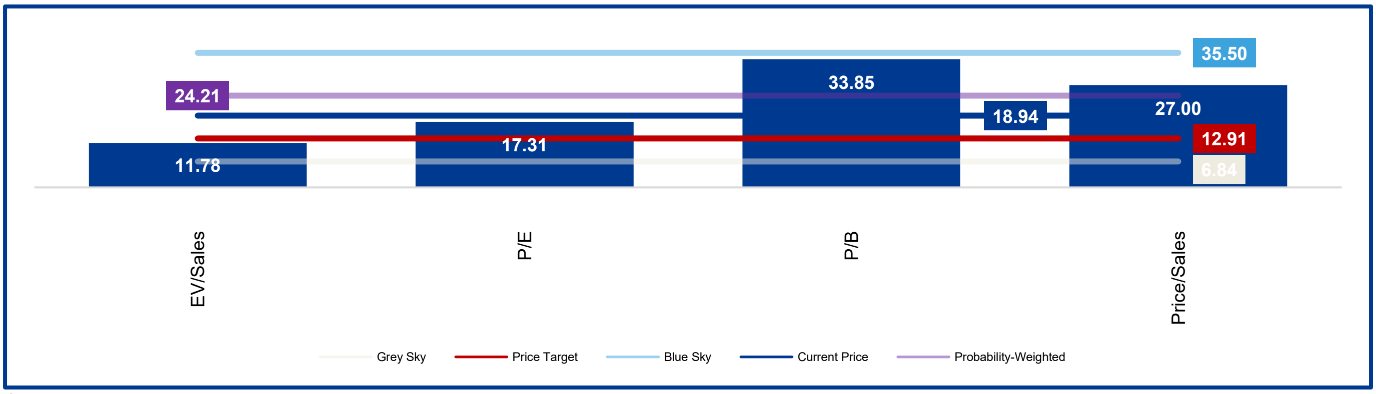
Appendix 3.4: German MNOs vs. DAX, EURO STOXX Telecommunications and MSCI World (Base year - 100)



Source: Bloomberg

Appendix 4: Investment Summary

Appendix 4.1: Summary of Relevant Absolute and Relative Valuation Methodologies (2027F)



Sources: Bloomberg and Author Analysis

Appendix 4.2: Consensus Estimates and Recommendation Summary

Table A. 2 - Consensus vs. Author

Consensus vs. Author	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Operational Data (Mn)							
Total Subscribers	16,402	16,670	16,888	17,104	17,318	17,530	17,740
% Difference	-1.1%	-1.4%	-2.1%	-2.3%	-2.1%	-1.4%	-0.7%
Mobile Subscribers	12,547	12,773	13,159	13,556	13,967	13,570	13,760
% Difference	-1.9%	-2.8%	-2.4%	-1.3%	0.3%	-3.4%	-2.7%
Broadband Subscribers	3,855	3,865	3,875	3,885	3,895	3,960	3,980
% Difference	1.4%	2.2%	2.7%	3.2%	3.7%	5.6%	6.3%
Segment Revenues (€'Mn)							
Consumer & Small Business	4,341	4,398	4,466	4,538	4,604	4,675	4,753
% Difference	4.3%	3.7%	3.1%	2.8%	2.8%	3.2%	4.0%
Enterprises & Networks							
% Difference							
Fundamentals (€'Mn)							
Total Revenue	4,485	4,529	4,624	4,766	4,823	4,937	5,017
% Difference	-3.3%	-4.5%	-4.6%	-3.6%	-4.0%	-2.9%	-2.4%
EBITDA	798	900	1,004	1,076	1,141	1,270	1,378
% Difference	-1.7%	-0.9%	5.0%	6.4%	6.0%	12.7%	16.9%
EBIT	268	331	406	458	509	646	807
% Difference	-53%	-43%	-19%	-12%	-9.1%	10.9%	26.1%
Net Income	91	137	191	266	309	338	513
% Difference	-112%	-70%	-22%	5.8%	13.1%	19.2%	42.9%
Dividends	0.05	0.06	0.06	0.05	0.05	0.41	0.61
% Difference	0.0%	11.1%	12.5%	0.0%	0.0%	87.8%	91.7%

Consensus Recommendations		
Recommendation	**#**	**%**
Buy	5	38.5%
Hold	7	53.8%
Sell / Reduce	1	7.7%
Total	**13**	**100%**

Sources: Bloomberg and Author Analysis

Appendix 5: Valuation

Appendix 5.1: Macroeconomic Data

Table A. 3 - Macroeconomic Data

Macroeconomic Data															
Caption	2025	2026F	2027F	2028F	2025	2026F	2027F	2028F	2026F	2027F	2026F	2027F	2028F	2025	2026F	2027F
	Real GDP (yoy %)				CPI (yoy %)				Policy Rate (%)		Unemployment (%)			10-Year Note (%)		
Europe	1.5%	1.0%	1.3%	1.6%	2.2%	2.7%	2.2%	1.9%	2.6%	2.4%	6.3%	6.3%	6.2%	3.3%	3.5%	3.3%
Germany	0.2%	0.6%	1.1%	1.3%	2.3%	2.7%	2.3%	2.0%	2.5%	2.3%	6.3%	6.1%	5.7%	2.9%	3.0%	3.0%

Source: Bloomberg

Appendix 5.2: Financial Statements

Table A. 4 - Historical Income Statement

1&1 AG - Income Statement (€'Mn)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Total Revenues	**3,635**	**3,675**	**3,800**	**3,910**	**3,964**	**4,097**	**4,064**	**4,136**
Broadband Revenues	1,241	1,257	1,269	1,272	1,254	1,269	1,317	1,285
Mobile Service Revenues	1,614	1,686	1,751	1,851	1,921	1,974	1,986	2,050
Handset and other Revenues	780	732	780	786	788	854	761	799
B2B Wholesale (Versatel)								
Consumer & Small Business	3,635	3,675	3,800	3,910	3,964	4,097	4,064	4,134
Enterprises & Networks								
National Roaming		480	480	480	480	487	480	402
Interconnect		120	120	120	120	120	110	100
MVNO Payments		60	60	60	60	49	40	30
Handsets		732	780	786	788	854	761	799
One-off impacts		3	204	(39)	-	0	-	-
Mobile Network Building Costs		-	14	38	52	132	265	265
Cost of Materials		-	-	-	-	-	-	-
Other		1,180	1,224	1,265	1,234	1,296	1,366	1,605
Total Cost of Sales	**2,528**	**2,575**	**2,882**	**2,710**	**2,735**	**2,938**	**3,022**	**3,202**
Other	0	1180	1224	1265	1234	1296	1366	1605
Gross Profit from Revenues	**1,107**	**1,100**	**918**	**1,200**	**1,229**	**1,159**	**1,042**	**934**
Distribution Costs	399	426	442	476	510	513	536	521
Administration Costs	105	92	99	126	111	116	112	123
Other	2	(102)	(92)	(114)	(85)	(124)	(197)	(247)
EBITDA	**722**	**684**	**469**	**711**	**693**	**654**	**591**	**538**
One-off items	-	3	204	(39.400)	-	0	-	-
Operating EBITDA	**722**	**687**	**673**	**672**	**693**	**654**	**591**	**538**
Depreciation	155	155	155	165	158	198	281	329
EBIT	**567**	**528**	**313**	**547**	**535**	**456**	**309**	**208**
EBIT Margin	15.6%	14.4%	8.2%	14.0%	13.5%	11.1%	7.6%	5.0%
Operating EBIT	**567**	**528**	**313**	**507**	**535**	**456**	**309**	**208**
Financial Expenses		7	2	13	8	11	21	46
Cash Interest		0	0	0	0	0	12	11
Tower Leases		0	0	0	0	0	4	10
Financial Income		1	1	1	5	20	16	16
Financial Result		6	0	12	3	(9)	4	30
EBT	**563**	**522**	**313**	**535**	**532**	**465**	**305**	**178**
Tax	-157	(149)	(93)	(165)	(164)	(150)	(92)	(12)
Net Income	**406**	**374**	**220**	**370**	**367**	**315**	**213**	**166**
Profit per Share								
Undiluted	2.30	2.12	1.25	2.10	2.08	1.79	1.21	0.94
Diluted	2.30	2.12	1.24	2.10	2.08	1.78	1.20	0.93
WA No. of Shares outstanding (Mn)								
Undiluted	177	176	176	176	176	176	176	177
Diluted	177	176	176	177	176	176	176	177
Dividends	**1.60**	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**

Table A. 5 - Forecasted Income Statement

1&1 AG - Income Statement (€'Mn)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Total Revenues	**4,635**	**4,732**	**4,839**	**4,937**	**5,017**	**5,082**	**5,137**	**5,194**	**5,251**
Broadband Revenues	1,258	1,256	1,257	1,259	1,260	1,261	1,262	1,263	1,264
Mobile Service Revenues	2,090	2,155	2,224	2,285	2,335	2,372	2,401	2,430	2,459
Handset and other Revenues	807	826	847	865	880	891	900	909	918
B2B Wholesale (Versatel)	479	495	511	527	542	558	575	592	610
Consumer & Small Business	4,155	4,237	4,328	4,409	4,475	4,524	4,563	4,602	4,641
Enterprises & Networks	479	495	511	527	542	558	575	592	610
National Roaming	376	345	336	320	296	288	270	275	280
Interconnect	80	60	60	60	60	60	60	60	60
MVNO Payments	20	20	20	20	10	5	-	-	-
Handsets	807	826	847	865	880	891	900	909	918
One-off impacts	-	-	-	-	-	-	-	-	-
Mobile Network Building Costs	230	220	225	225	225	225	230	230	230
Cost of Materials	274	284	292	301	309	318	328	338	348
Other	1,576	1,609	1,645	1,678	1,706	1,728	1,747	1,763	1,785
Total Cost of Sales	**3,363**	**3,364**	**3,426**	**3,470**	**3,486**	**3,515**	**3,535**	**3,575**	**3,622**
Other	1576	1609	1645	1678	1706	1728	1747	1763	1785
Gross Profit from Revenues	**1,272**	**1,368**	**1,413**	**1,467**	**1,531**	**1,567**	**1,603**	**1,619**	**1,630**
Distribution Costs	588	591	593	595	597	600	602	604	607
Administration Costs	126	129	132	135	137	140	143	146	149
Other	(254)	(260)	(265)	(271)	(276)	(282)	(287)	(293)	(299)
EBITDA	**811**	**908**	**954**	**1,008**	**1,072**	**1,109**	**1,145**	**1,162**	**1,173**
One-off items	-	-	-	-	-	-	-	-	-
Operating EBITDA	**811**	**908**	**954**	**1,008**	**1,072**	**1,109**	**1,145**	**1,162**	**1,173**
Depreciation	401	434	468	494	517	534	549	559	575
EBIT	**410**	**474**	**486**	**514**	**555**	**575**	**596**	**603**	**598**
EBIT Margin	8.9%	10.0%	10.0%	10.4%	11.1%	11.3%	11.6%	11.6%	11.4%
Operating EBIT	**410**	**474**	**486**	**514**	**555**	**575**	**596**	**603**	**598**

Financial Expenses	134	142	151	156	172	185	178	170	162
Cash Interest	115	117	120	119	130	140	130	119	108
Tower Leases	18	25	31	37	41	45	48	51	54
Financial Income	-	-	-	-	-	-	-	-	-
Financial Result	134	142	151	156	172	185	178	170	162
EBT	**277**	**333**	**334**	**358**	**384**	**390**	**419**	**432**	**436**
Tax	(83)	(100)	(100)	(107)	(115)	(117)	(126)	(130)	(131)
Net Income	**194**	**233**	**234**	**251**	**269**	**273**	**293**	**303**	**305**
Profit per Share									
Undiluted	1.10	1.32	1.33	1.42	1.52	1.55	1.66	1.72	1.73
Diluted	1.09	1.31	1.32	1.41	1.51	1.54	1.65	1.71	1.72
WA No. of Shares outstanding (Mn)									
Undiluted	177	177	177	177	177	177	177	177	177
Diluted	177	177	177	177	177	177	177	177	177
Dividends	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**

Source: Author Analysis and Company Data

Table A. 6 - Historical Cashflow Statement

1&1 AG - Cashflow Statement (€'Mn)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Consolidated Profit	406	374	220	370	367	315	213	166
Amortization and Depreciation	27	29	45	65	66	112	72	266
Amortization and Depreciation (M&A)	127	126	110	99	93	86	86	63
Personnel Expenses from Stock Ownership Programs	1	79	2	3	2	1	3	3
Changes in the Adjustment Items for deferred Tax Assets	(12)	(18)	4	(15)	5	(16)	(7)	(28)
Changes in Assets and Liabilities	(2)	(79)	130	1	1	(9)	127	116
Other	(392)	(135)	(61)	(92)	(350)	(263)	(183)	18
Net Inflow from Operating Activities	**156**	**376**	**451**	**432**	**183**	**226**	**311**	**604**
Investments in tangible and intangible Assets	(15)	(20)	(207)	(37)	(249)	(296)	(291)	(411)
Inflow of funds from disposal of intangible and tangible assets	2	0	0	0	2	0	0	2
Investments in other financial Assets	3	0	0	0	4	0	(0)	(4)
Cash flow changes from obtaining control over subsidiaries	(0)	(0)	(0)	(0)	(0)	(0)	-	(0)
Interest received	-	(210)	(190)	(313)	-	-	19	14
Repayments from other financial Assets	(11)	(0)	(0)	(0)	148	171	91	(400)
Net Outflow from Investing Activities	**(21)**	**(231)**	**(397)**	**(351)**	**(95)**	**(125)**	**(181)**	**(799)**
Dividend Payments	(283)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Proceeds from loans from related parties	29	(32)	-	-	-	-	-	340
Interest payments	-	-	-	-	(5)	(20)	(45)	(42)
Repayment of loans from related parties	-	-	-	-	-	-	-	-
Repayment of Lease Liabilities and ROU	(11)	(11)	(11)	(12)	(13)	(12)	(14)	(30)
Acquisition/Disposal of Treasury Shares	(15)	(4)	-	0	-	-	-	-
Repayment of Liabilities related to Acquisition of 5G Spectrum	-	(61)	(61)	(61)	(61)	(61)	(61)	(61)
Net Outflow from Financing Activities	**(280)**	**(117)**	**(81)**	**(81)**	**(88)**	**(102)**	**(130)**	**198**
Net Increase/Decline in Cash and Cash Equivalents	(146)	28	(27)	0	0	(1)	1	4
Cash and Cash Equivalents at Beginning of Fiscal Year	150	4	32	4	5	5	3	4
Cash and Cash Equivalents at End of Reporting Period	**4**	**32**	**4**	**5**	**5**	**3**	**4**	**8**
Operating FCF	706	666	466	635	444	358	300	127
FCF (Management Definition)	**143**	**355**	**244**	**395**	**(65)**	**(70)**	**21**	**195**

Table A. 7 - Forecasted Cashflow Statement

1&1 AG - Cashflow Statement (€'Mn)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Consolidated Profit	194	233	234	251	269	273	293	303	305
Amortization and Depreciation	338	371	405	431	454	471	486	496	512
Amortization and Depreciation (M&A)	63	63	63	63	63	63	63	63	63
Personnel Expenses from Stock Ownership Programs	3	-	-	-	-	-	-	-	-
Changes in the Adjustment Items for deferred Tax Assets	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)
Changes in Assets and Liabilities	18	25	31	37	41	45	48	51	54
Other	134	142	151	156	172	185	178	170	162
Net Inflow from Operating Activities	**722**	**805**	**857**	**909**	**971**	**1,009**	**1,040**	**1,055**	**1,068**
Investments in tangible and intangible Assets	(510)	(517)	(464)	(335)	(1,365)	(266)	(260)	(253)	(246)
Inflow of funds from disposal of intangible and tangible assets	2	2	2	2	2	2	2	2	2
Investments in other financial Assets	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Cash flow changes from obtaining control over subsidiaries	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Interest received	-	-	-	-	-	-	-	-	-
Repayments from other financial Assets	-	7	14	(23)	(18)	(9)	(5)	(2)	1
Net Outflow from Investing Activities	**(512)**	**(512)**	**(452)**	**(360)**	**(1,385)**	**(277)**	**(267)**	**(257)**	**(247)**
Dividend Payments	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Proceeds from loans from related parties	135	90	-	-	-	-	-	-	-
Interest payments	(134)	(142)	(151)	(156)	(172)	(185)	(178)	(170)	(162)
Repayment of loans from related parties	-	-	-	(110)	(110)	(350)	(400)	(400)	(450)
Repayment of Lease Liabilities and ROU	(73)	(99)	(125)	(147)	(165)	(180)	(192)	(204)	(216)
Acquisition/Disposal of Treasury Shares	-	-	-	-	1,000	-	-	-	-
Repayment of Liabilities related to Acquisition of 5G Spectrum	(128)	(128)	(128)	(128)	(128)	-	-	-	-
Net Outflow from Financing Activities	**(209)**	**(288)**	**(413)**	**(550)**	**417**	**(724)**	**(779)**	**(783)**	**(837)**
Net Increase/Decline in Cash and Cash Equivalents	1	5	(9)	(0)	2	8	(6)	15	(16)
Cash and Cash Equivalents at Beginning of Fiscal Year	8	8	13	4	4	7	15	8	23
Cash and Cash Equivalents at End of Reporting Period	**8**	**13**	**4**	**4**	**7**	**15**	**8**	**23**	**7**
Operating FCF	301	390	489	673	708	843	885	909	926
FCF (Management Definition)	**213**	**289**	**394**	**576**	**608**	**744**	**782**	**804**	**823**

Source: Author Analysis and Company Data

Table A. 8 - Historical Balance Sheet

1&1 AG - Balance Sheet (€'Mn)	YE2018	YE2019	YE2020	YE2021	YE2022	YE2023	YE2024	YE2025
Assets								
Cash and cash equivalents	4	32	4	5	5	3	4	8
Trade accounts receivable	230	228	232	248	268	333	340	377
Receivables due from associated companies	42	215	401	718	571	434	327	377
Inventories	90	79	85	96	120	178	120	94
Contract assets	415	498	566	610	639	667	621	565
Costs of obtaining contracts	83	89	-	-	-	-	-	-
Costs of fulfilling contracts	74	61	-	-	-	-	-	-
Prepaid expenses	43	62	187	183	214	251	321	356
Other financial assets	46	29	24	25	25	43	48	51
Other non-financial	39	16	54	13	13	19	63	71
Short-term assets	**1,065**	**1,309**	**1,553**	**1,899**	**1,855**	**1,928**	**1,844**	**1,900**
Other financial assets	1	2	2	2	2	3	3	7
Tangible assets	14	64	123	143	263	501	963	3,222
Intangible assets	747	1,686	1,741	1,609	1,591	1,560	1,437	1,596
Goodwill	2,933	2,933	2,933	2,933	2,933	2,933	2,933	3,331
Contract assets	166	174	196	206	217	206	188	232
Costs of obtaining contracts	85	82	-	-	-	-	-	-
Costs of fulfilling contracts	54	44	-	-	-	-	-	-
Prepaid expenses	182	168	143	273	397	609	762	720
Long-term assets	**4,182**	**5,153**	**5,137**	**5,165**	**5,402**	**5,813**	**6,286**	**9,108**
Total assets	**5,247**	**6,462**	**6,690**	**7,064**	**7,257**	**7,740**	**8,130**	**11,007**
Liabilities and equity								
Trade accounts payable	365	266	320	263	229	277	349	544
Liabilities due to associated companies	129	79	56	85	78	165	163	204
Contract liabilities	46	40	44	49	48	52	55	60
Other provisions	9	7	5	7	4	24	22	29
Other financial liabilities	40	103	106	121	121	128	109	291
Other non-financial liabilities	20	29	17	90	40	9	25	72
Income tax liabilities	38	24	26	42	29	62	6	6
Short-term liabilities	**647**	**549**	**575**	**656**	**550**	**717**	**731**	**1,207**
Liabilities due to associated companies	-	-	-	-	-	-	-	1,940
Contract liabilities	5	5	7	7	7	11	9	23
Other provisions	67	46	46	44	39	42	60	86
Other financial liabilities	0	992	975	918	858	876	1036	1,511
Deferred tax liabilities	248	230	234	219	224	208	201	244
Long-term liabilities	**320**	**1,272**	**1,262**	**1,189**	**1,128**	**1,137**	**1,306**	**3,805**
Total liabilities	**967**	**1,821**	**1,837**	**1,845**	**1,677**	**1,853**	**2,036**	**5,012**
Invested Capital	**4,719**	**6,034**	**6,250**	**6,584**	**6,877**	**7,271**	**7,620**	**10,237**
Total NWC	**383**	**554**	**708**	**755**	**945**	**1,110**	**998**	**739**
Equity								
Share capital	194	194	194	194	194	194	194	194
Capital reserves	2,434	2,430	2,432	2,436	2,438	2,439	(1)	2,186
Treasury Shares						(1)	2,442	(0)
Cumulative consolidated results	1,653	2,018	2,229	2,590	2,949	3,255	3,459	3,616
Other equity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total equity	**4,280**	**4,641**	**4,854**	**5,219**	**5,580**	**5,887**	**6,094**	**5,995**
Total liabilities and equity	**5,247**	**6,462**	**6,690**	**7,064**	**7,257**	**7,740**	**8,130**	**11,007**
Net Debt								
Short-term and long-term debt	39.7	1,094	1,137	1,124	1,057	1,169	1,309	3,947
Short-term investments	45.5	29	24	25	25	43	48	51
Cash and cash equivalents	4.0	247	405	723	575	438	331	385
Lease liabilities	-	-	-	-	-	189	413	478
Net debt (AL)	**(10)**	**818**	**708**	**377**	**456**	**500**	**516**	**3,033**
Lease impacts			59	64	71	189	413	478
Net Debt (IFRS16)	**(10)**	**818**	**767**	**440**	**528**	**689**	**929**	**3,511**

Table A. 9 - Forecasted Balance Sheet

1&1 AG - Balance Sheet (€'Mn)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Assets									
Cash and cash equivalents	8	13	4	4	7	15	8	23	7
Trade accounts receivable	377	377	377	377	377	377	377	377	377
Receivables due from associated companies	377	377	377	377	377	377	377	377	377
Inventories	76	51	20	-	-	-	-	-	-
Contract assets	565	565	565	565	565	565	565	565	565
Costs of obtaining contracts	-	-	-	-	-	-	-	-	-
Costs of fulfilling contracts	-	-	-	-	-	-	-	-	-
Prepaid expenses	335	311	279	243	201	156	108	57	3
Other financial assets	51	44	29	52	70	79	84	86	85
Other non-financial	71	71	71	71	71	71	71	71	71
Short-term assets	**1,861**	**1,809**	**1,723**	**1,690**	**1,669**	**1,640**	**1,591**	**1,557**	**1,486**

Other financial assets	7	7	7	8	8	8	8	8	8
Tangible assets	3,331	3,415	3,411	3,252	4,100	3,832	3,543	3,237	2,909
Intangible assets	1,596	1,596	1,596	1,596	1,596	1,596	1,596	1,596	1,596
Goodwill	3,331	3,331	3,331	3,331	3,331	3,331	3,331	3,331	3,331
Contract assets	232	232	232	232	232	232	232	232	232
Costs of obtaining contracts	-	-	-	-	-	-	-	-	-
Costs of fulfilling contracts	-	-	-	-	-	-	-	-	-
Prepaid expenses	724	728	732	736	740	744	747	751	755
Long-term assets	**9,221**	**9,309**	**9,309**	**9,154**	**10,006**	**9,742**	**9,457**	**9,155**	**8,831**
Total assets	**11,082**	**11,118**	**11,033**	**10,844**	**11,674**	**11,383**	**11,049**	**10,713**	**10,317**
Liabilities and equity									
Trade accounts payable	544	544	544	544	544	544	544	544	544
Liabilities due to associated companies	204	204	204	204	204	204	204	204	204
Contract liabilities	60	60	60	60	60	60	60	60	60
Other provisions	29	29	29	29	29	29	29	29	29
Other financial liabilities	291	291	291	291	291	291	291	291	291
Other non-financial liabilities	72	72	72	72	72	72	72	72	72
Income tax liabilities	(21)	(49)	(77)	(104)	(132)	(160)	(188)	(215)	(243)
Short-term liabilities	**1179**	**1151**	**1124**	**1096**	**1068**	**1040**	**1013**	**985**	**957**
Liabilities due to associated companies	2,075	2,165	2,165	2,055	1,945	1,595	1,195	795	345
Contract liabilities	23	23	23	23	23	23	23	23	23
Other provisions	86	86	86	86	86	86	86	86	86
Other financial liabilities	1,383	1,263	1,149	998	1,852	1,844	1,838	1,836	1,838
Deferred tax liabilities	244	244	244	244	244	244	244	244	244
Long-term liabilities	**3,811**	**3,780**	**3,667**	**3,406**	**4,150**	**3,791**	**3,385**	**2,983**	**2,535**
Total liabilities	**4,990**	**4,931**	**4,790**	**4,502**	**5,218**	**4,831**	**4,398**	**3,968**	**3,492**
Invested Capital	**10,339**	**10,405**	**10,371**	**10,187**	**11,025**	**10,745**	**10,439**	**10,114**	**9,764**
Total NWC	**700**	**643**	**566**	**532**	**509**	**473**	**430**	**381**	**326**
Equity									
Share capital	194	194	194	194	194	194	194	194	194
Capital reserves	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186
Treasury Shares	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Cumulative consolidated results	3,727	3,852	3,952	4,047	4,142	4,226	4,318	4,408	4,489
Other equity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total equity	**6,107**	**6,232**	**6,332**	**6,427**	**6,522**	**6,606**	**6,698**	**6,788**	**6,869**
Total liabilities and equity	**11,082**	**11,118**	**11,033**	**10,844**	**11,674**	**11,383**	**11,049**	**10,713**	**10,317**
Net Debt									
Short-term and long-term debt	3,954	3,924	3,810	3,549	4,293	3,934	3,529	3,127	2,678
Short-term investments	51	44	29	52	70	79	84	86	85
Cash and cash equivalents	385	390	382	381	384	392	385	400	384
Lease liabilities	478	478	478	478	478	478	478	478	478
Net debt (AL)	**3,040**	**3,012**	**2,921**	**2,638**	**3,362**	**2,986**	**2,582**	**2,163**	**1,732**
Lease impacts	438	594	750	882	990	1,080	1,152	1,224	1,296
Net Debt (IFRS16)	**3,478**	**3,606**	**3,671**	**3,520**	**4,352**	**4,066**	**3,734**	**3,387**	**3,028**

Source: Author Analysis and Company Data

Appendix 5.3: Common-size Financial Statements

Table A. 10 - Historic Common-size Income Statement

Common-size Income Statement - 1U1 AG (%)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Broadband Revenues	34.1%	34.2%	33.4%	32.5%	31.6%	31.0%	32.4%	31.1%
Mobile Service Revenues	44.4%	45.9%	46.1%	47.4%	48.5%	48.2%	48.9%	49.6%
Handset and other Revenues	21.5%	19.9%	20.5%	20.1%	19.9%	20.8%	18.7%	19.3%
B2B Wholesale Revenues								
Consumer & Small Business	100%	100%	100%	100%	100%	100%	100%	100%
Enterprises & Networks								
Cost of revenue	**69.5%**	**70.1%**	**75.8%**	**69.3%**	**69.0%**	**71.7%**	**74.4%**	**77.4%**
National Roaming		13.1%	12.6%	12.3%	12.1%	11.9%	11.8%	9.7%
Interconnect		3.3%	3.2%	3.1%	3.0%	2.9%	2.7%	2.4%
MVNO Payments		1.6%	1.6%	1.5%	1.5%	1.2%	1.0%	0.7%
Handsets		19.9%	20.5%	20.1%	19.9%	20.8%	18.7%	19.3%
One-off impacts		0.1%	5.4%	-1.0%	0.0%	0.0%	0.0%	0.0%
Mobile Network Building Costs		0.0%	0.4%	1.0%	1.3%	3.2%	6.5%	6.4%
Other		32.1%	32.2%	32.4%	31.1%	31.6%	33.6%	38.8%
Gross Margin	**30.5%**	**29.9%**	**24.2%**	**30.7%**	**31.0%**	**28.3%**	**25.6%**	**22.6%**
Distribution Costs	11.0%	11.6%	11.6%	12.2%	12.9%	12.5%	13.2%	12.6%
Administration Costs	2.9%	2.5%	2.6%	3.2%	2.8%	2.8%	2.8%	3.0%
Other	0.1%	-2.8%	-2.4%	-2.9%	-2.1%	-3.0%	-4.8%	-6.0%
Operating expenses	**13.9%**	**11.3%**	**11.8%**	**12.5%**	**13.5%**	**12.3%**	**11.1%**	**9.6%**
EBITDA Margin	**19.9%**	**18.6%**	**12.3%**	**18.2%**	**17.5%**	**16.0%**	**14.5%**	**13.0%**
One-off items	0.0%	0.1%	5.4%	-1.0%	0.0%	0.0%	0.0%	0.0%
Operating EBITDA Margin	**19.9%**	**18.7%**	**17.7%**	**17.2%**	**17.5%**	**16.0%**	**14.5%**	**13.0%**
Depreciation	4.3%	4.2%	4.1%	4.2%	4.0%	4.8%	6.9%	8.0%
EBIT Margin	**15.6%**	**14.4%**	**8.2%**	**14.0%**	**13.5%**	**11.1%**	**7.6%**	**5.0%**
Operating EBIT Margin	**15.6%**	**14.4%**	**8.2%**	**13.0%**	**13.5%**	**11.1%**	**7.6%**	**5.0%**
Financial Expenses	0.0%	0.2%	0.0%	0.3%	0.2%	0.3%	0.5%	1.1%
Cash Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-0.3%
Tower Leases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Financial Income	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%	0.4%	0.4%
EBT Margin	**15.5%**	**14.2%**	**8.2%**	**13.7%**	**13.4%**	**11.3%**	**7.5%**	**4.3%**

Income Taxes	4.3%	4.0%	2.4%	4.2%	4.1%	3.7%	2.3%	0.3%
Net Income attributable to 1U1 AG	**11.2%**	**10.2%**	**5.8%**	**9.5%**	**9.3%**	**7.7%**	**5.2%**	**4.0%**

Source: Author Analysis and Company Data

Table A. 11 - Forecasted Common-size Income Statement

Common-size Income Statement - 1U1 AG (%)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%
Broadband Revenues	27.1%	26.5%	26.0%	25.5%	25.1%	24.8%	24.6%	24.3%	24.1%
Mobile Service Revenues	45.1%	45.5%	46.0%	46.3%	46.5%	46.7%	46.7%	46.8%	46.8%
Handset and other Revenues	17.4%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
B2B Wholesale Revenues	10.3%	10.5%	10.6%	10.7%	10.8%	11.0%	11.2%	11.4%	11.6%
Consumer & Small Business	89.7%	89.5%	89.4%	89.3%	89.2%	89.0%	88.8%	88.6%	88.4%
Enterprises & Networks	10.3%	10.5%	10.6%	10.7%	10.8%	11.0%	11.2%	11.4%	11.6%
Cost of revenue	**66.6%**	**65.1%**	**64.8%**	**64.2%**	**63.3%**	**62.9%**	**62.4%**	**62.3%**	**62.3%**
National Roaming	8.1%	7.3%	7.0%	6.5%	5.9%	5.7%	5.3%	5.3%	5.3%
Interconnect	1.7%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%
MVNO Payments	0.4%	0.4%	0.4%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%
Handsets	17.4%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
One-off impacts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mobile Network Building Costs	5.0%	4.6%	4.6%	4.6%	4.5%	4.4%	4.5%	4.4%	4.4%
Other	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Gross Margin	**27.4%**	**28.9%**	**29.2%**	**29.7%**	**30.5%**	**30.8%**	**31.2%**	**31.2%**	**31.0%**
Distribution Costs	12.7%	12.5%	12.3%	12.1%	11.9%	11.8%	11.7%	11.6%	11.6%
Administration Costs	2.7%	2.7%	2.7%	2.7%	2.7%	2.8%	2.8%	2.8%	2.8%
Other	-5.5%	-5.5%	-5.5%	-5.5%	-5.5%	-5.5%	-5.6%	-5.6%	-5.7%
Operating expenses	**9.9%**	**9.7%**	**9.5%**	**9.3%**	**9.1%**	**9.0%**	**8.9%**	**8.8%**	**8.7%**
EBITDA Margin	**17.5%**	**19.2%**	**19.7%**	**20.4%**	**21.4%**	**21.8%**	**22.3%**	**22.4%**	**22.3%**
One-off items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating EBITDA Margin	**17.5%**	**19.2%**	**19.7%**	**20.4%**	**21.4%**	**21.8%**	**22.3%**	**22.4%**	**22.3%**
Depreciation	8.7%	9.2%	9.7%	10.0%	10.3%	10.5%	10.7%	10.8%	10.9%
EBIT Margin	**8.9%**	**10.0%**	**10.0%**	**10.4%**	**11.1%**	**11.3%**	**11.6%**	**11.6%**	**11.4%**
Operating EBIT Margin	**8.9%**	**10.0%**	**10.0%**	**10.4%**	**11.1%**	**11.3%**	**11.6%**	**11.6%**	**11.4%**
Financial Expenses	2.9%	3.0%	3.1%	3.2%	3.4%	3.6%	3.5%	3.3%	3.1%
Cash Interest	-2.5%	-2.5%	-2.5%	-2.4%	-2.6%	-2.7%	-2.5%	-2.3%	-2.1%
Tower Leases	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	0.9%	1.0%	1.0%
Financial Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT Margin	**6.0%**	**7.0%**	**6.9%**	**7.3%**	**7.6%**	**7.7%**	**8.1%**	**8.3%**	**8.3%**
Income Taxes	1.8%	2.1%	2.1%	2.2%	2.3%	2.3%	2.4%	2.5%	2.5%
Net Income attributable to 1U1 AG	**4.2%**	**4.9%**	**4.8%**	**5.1%**	**5.4%**	**5.4%**	**5.7%**	**5.8%**	**5.8%**

Source: Author Analysis and Company Data

Table A. 12 - Historical Common-size Balance Sheet

Common-size Balance Sheet - 1U1 AG (%)	YE2018	YE2019	YE2020	YE2021	YE2022	YE2023	YE2024	YE2025
Assets								
Cash and cash equivalents	0.1%	0.6%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Trade accounts receivable	4.4%	3.5%	3.5%	3.5%	3.7%	4.3%	4.2%	3.4%
Receivables due from associated companies	0.8%	3.3%	6.0%	10.2%	7.9%	5.6%	4.0%	3.4%
Inventories	1.7%	1.2%	1.3%	1.4%	1.7%	2.3%	1.5%	0.9%
Contract assets	7.9%	7.7%	8.5%	8.6%	8.8%	8.6%	7.6%	5.1%
Costs of obtaining contracts	1.6%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Costs of fulfilling contracts	1.4%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid expenses	0.8%	1.0%	2.8%	2.6%	2.9%	3.2%	3.9%	3.2%
Other financial assets	0.9%	0.4%	0.4%	0.4%	0.3%	0.6%	0.6%	0.5%
Other non-financial	0.7%	0.2%	0.8%	0.2%	0.2%	0.2%	0.8%	0.6%
Short-term assets	**20.3%**	**20.3%**	**23.2%**	**26.9%**	**25.6%**	**24.9%**	**22.7%**	**17.3%**
Other financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Tangible assets	0.3%	1.0%	1.8%	2.0%	3.6%	6.5%	11.8%	29.3%
Intangible assets	14.2%	26.1%	26.0%	22.8%	21.9%	20.2%	17.7%	14.5%
Goodwill	55.9%	45.4%	43.8%	41.5%	40.4%	37.9%	36.1%	30.3%
Contract assets	3.2%	2.7%	2.9%	2.9%	3.0%	2.7%	2.3%	2.1%
Costs of obtaining contracts	1.6%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Costs of fulfilling contracts	1.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid expenses	3.5%	2.6%	2.1%	3.9%	5.5%	7.9%	9.4%	6.5%
Long-term assets	**79.7%**	**79.7%**	**76.8%**	**73.1%**	**74.4%**	**75.1%**	**77.3%**	**82.7%**
Total assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Liabilities								
Trade accounts payable	7.0%	4.1%	4.8%	3.7%	3.2%	3.6%	4.3%	4.9%
Liabilities due to associated companies	2.5%	1.2%	0.8%	1.2%	1.1%	2.1%	2.0%	1.9%
Contract liabilities	0.9%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.5%
Other provisions	0.2%	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%
Other financial liabilities	0.8%	1.6%	1.6%	1.7%	1.7%	1.7%	1.3%	2.6%
Other non-financial liabilities	0.4%	0.5%	0.3%	1.3%	0.5%	0.1%	0.3%	0.7%
Income tax liabilities	0.7%	0.4%	0.4%	0.6%	0.4%	0.8%	0.1%	0.1%
Short-term liabilities	**12.3%**	**8.5%**	**8.6%**	**9.3%**	**7.6%**	**9.3%**	**9.0%**	**11.0%**
Liabilities due to associated companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	17.6%
Contract liabilities	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Other provisions	1.3%	0.7%	0.7%	0.6%	0.5%	0.5%	0.7%	0.8%
Other financial liabilities	0.0%	15.3%	14.6%	13.0%	11.8%	11.3%	12.7%	13.7%
Deferred tax liabilities	4.7%	3.6%	3.5%	3.1%	3.1%	2.7%	2.5%	2.2%
Long-term liabilities	**6.1%**	**19.7%**	**18.9%**	**16.8%**	**15.5%**	**14.7%**	**16.1%**	**34.6%**
Total liabilities	**18.4%**	**28.2%**	**27.5%**	**26.1%**	**23.1%**	**23.9%**	**25.0%**	**45.5%**
Equity								

Share capital	3.7%	3.0%	2.9%	2.7%	2.7%	2.5%	2.4%	1.8%
Capital reserves	46.4%	37.6%	36.4%	34.5%	33.6%	31.5%	0.0%	19.9%
Cumulative consolidated results	31.5%	31.2%	33.3%	36.7%	40.6%	42.0%	42.5%	32.8%
Other equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total equity	**81.6%**	**71.8%**	**72.5%**	**73.9%**	**76.9%**	**76.1%**	**75.0%**	**54.5%**
Total liabilities and equity	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table A. 13 - Forecasted Common-size Balance Sheet

Common-size Balance Sheet - 1U1 AG (%)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Assets									
Cash and cash equivalents	0.2%	0.3%	0.1%	0.1%	0.1%	0.3%	0.2%	0.4%	0.1%
Trade accounts receivable	3.4%	3.4%	3.4%	3.5%	3.2%	3.3%	3.4%	3.5%	3.7%
Receivables due from associated companies	3.4%	3.4%	3.4%	3.5%	3.2%	3.3%	3.4%	3.5%	3.7%
Inventories	0.7%	0.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Contract assets	5.1%	5.1%	5.1%	5.2%	4.8%	5.0%	5.1%	5.3%	5.5%
Costs of obtaining contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Costs of fulfilling contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid expenses	3.0%	2.8%	2.5%	2.2%	1.7%	1.4%	1.0%	0.5%	0.0%
Other financial assets	0.5%	0.4%	0.3%	0.5%	0.6%	0.7%	0.8%	0.8%	0.8%
Other non-financial	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.7%	0.7%
Short-term assets	**16.8%**	**16.3%**	**15.6%**	**15.6%**	**14.3%**	**14.4%**	**14.4%**	**14.5%**	**14.4%**
Other financial assets	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Tangible assets	30.1%	30.7%	30.9%	30.0%	35.1%	33.7%	32.1%	30.2%	28.2%
Intangible assets	14.4%	14.4%	14.5%	14.7%	13.7%	14.0%	14.4%	14.9%	15.5%
Goodwill	30.1%	30.0%	30.2%	30.7%	28.5%	29.3%	30.2%	31.1%	32.3%
Contract assets	2.1%	2.1%	2.1%	2.1%	2.0%	2.0%	2.1%	2.2%	2.2%
Costs of obtaining contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Costs of fulfilling contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid expenses	6.5%	6.5%	6.6%	6.8%	6.3%	6.5%	6.8%	7.0%	7.3%
Long-term assets	**83.2%**	**83.7%**	**84.4%**	**84.4%**	**85.7%**	**85.6%**	**85.6%**	**85.5%**	**85.6%**
Total assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Liabilities									
Trade accounts payable	4.9%	4.9%	4.9%	5.0%	4.7%	4.8%	4.9%	5.1%	5.3%
Liabilities due to associated companies	1.8%	1.8%	1.9%	1.9%	1.8%	1.8%	1.8%	1.9%	2.0%
Contract liabilities	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%
Other provisions	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%
Other financial liabilities	2.6%	2.6%	2.6%	2.7%	2.5%	2.6%	2.6%	2.7%	2.8%
Other non-financial liabilities	0.6%	0.6%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%
Income tax liabilities	-0.2%	-0.4%	-0.7%	-1.0%	-1.1%	-1.4%	-1.7%	-2.0%	-2.4%
Short-term liabilities	**10.6%**	**10.4%**	**10.2%**	**10.1%**	**9.1%**	**9.1%**	**9.2%**	**9.2%**	**9.3%**
Liabilities due to associated companies	18.7%	19.5%	19.6%	19.0%	16.7%	14.0%	10.8%	7.4%	3.3%
Contract liabilities	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Other provisions	0.8%	0.8%	0.8%	0.8%	0.7%	0.8%	0.8%	0.8%	0.8%
Other financial liabilities	12.5%	11.4%	10.4%	9.2%	15.9%	16.2%	16.6%	17.1%	17.8%
Deferred tax liabilities	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%	2.2%	2.3%	2.4%
Long-term liabilities	**34.4%**	**34.0%**	**33.2%**	**31.4%**	**35.5%**	**33.3%**	**30.6%**	**27.9%**	**24.6%**
Total liabilities	**45.0%**	**44.4%**	**43.4%**	**41.5%**	**44.7%**	**42.4%**	**39.8%**	**37.0%**	**33.8%**
Equity									
Share capital	1.8%	1.7%	1.8%	1.8%	1.7%	1.7%	1.8%	1.8%	1.9%
Capital reserves	19.7%	19.7%	19.8%	20.2%	18.7%	19.2%	19.8%	20.4%	21.2%
Cumulative consolidated results	33.6%	34.6%	35.8%	37.3%	35.5%	37.1%	39.1%	41.2%	43.5%
Other equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total equity	**55.1%**	**56.1%**	**57.4%**	**59.3%**	**55.9%**	**58.0%**	**60.6%**	**63.4%**	**66.6%**
Total liabilities and equity	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Author Analysis and Company Data

Table A. 14 - Historical Common-size Cashflow Statement

Common-size Cashflow Statement - 1U1 AG (%)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Consolidated Profit	11.2%	10.2%	5.8%	9.5%	9.3%	7.7%	5.2%	4.0%
Amortization and Depreciation	0.8%	0.8%	1.2%	1.7%	1.7%	2.7%	1.8%	6.4%
Amortization and Depreciation (M&A)	3.5%	3.4%	2.9%	2.5%	2.3%	2.1%	2.1%	1.5%
Personnel Expenses from Stock Ownership Programs	0.0%	2.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
Changes in the Adjustments Items for deferred Tax Assets	-0.3%	-0.5%	0.1%	-0.4%	0.1%	-0.4%	-0.2%	-0.7%
Changes in Assets and Liabilities	0.0%	-2.2%	3.4%	0.0%	0.0%	-0.2%	3.1%	2.8%
Other	-10.8%	-3.7%	-1.6%	-2.3%	-8.8%	-6.4%	-4.5%	0.4%
Net Inflow from Operating Activities	**4.3%**	**10.2%**	**11.9%**	**11.0%**	**4.6%**	**5.5%**	**7.7%**	**14.6%**
Investments in tangible and intangible Assets	-0.4%	-0.6%	-5.5%	-1.0%	-6.3%	-7.2%	-7.2%	9.9%
Inflow of Funds from Disposals of tangible and intangible Assets	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	-0.1%
Investments in other financial Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest received	0.0%	-5.7%	-5.0%	-8.0%	0.0%	0.0%	0.5%	0.3%
Repayments from other financial Assets	-0.3%	0.0%	0.0%	0.0%	3.7%	4.2%	2.2%	-9.7%
Net Outflow from Investing Activities	**-0.6%**	**-6.3%**	**-10.5%**	**-9.0%**	**-2.4%**	**-3.1%**	**-4.4%**	**19.3%**
Dividend Payments	-7.8%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	0.2%
Repayment of Lease Liabilities and ROU	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	0.7%
Acquisition/Disposal of Treasury Shares	-0.4%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repayment of Liabilities related to Acquisition of 5G Spectrum	0.0%	-1.7%	-1.6%	-1.6%	-1.5%	-1.5%	-1.5%	1.5%
Net Outflow from Financing Activities	**-7.7%**	**-3.2%**	**-2.1%**	**-2.1%**	**-2.2%**	**-2.5%**	**-3.2%**	**4.8%**
Net Increase/Decline in Cash and Cash Equivalents	-4.0%	0.8%	-0.7%	0.0%	0.0%	0.0%	0.0%	0.1%
Cash and Cash Equivalents at Beginning of Fiscal Year	4.1%	0.1%	0.8%	0.1%	0.1%	0.1%	0.1%	0.1%
Cash and Cash Equivalents at End of Reporting Period	**0.1%**	**0.9%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.2%**
FCF (Management Definition)	**3.9%**	**9.7%**	**6.4%**	**10.1%**	**-1.6%**	**-1.7%**	**0.5%**	**4.7%**

Table A. 15 - Forecasted Common-size Cashflow Statement

Common-size Cashflow Statement - 1U1 AG (%)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Consolidated Profit	4.2%	4.9%	4.8%	5.1%	5.4%	5.4%	5.7%	5.8%	5.8%
Amortization and Depreciation	7.3%	7.8%	8.4%	8.7%	9.1%	9.3%	9.5%	9.6%	9.7%
Amortization and Depreciation (M&A)	1.4%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%
Personnel Expenses from Stock Ownership Programs	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Changes in the Adjustment Items for deferred Tax Assets	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.5%	-0.5%	-0.5%	-0.5%
Changes in Assets and Liabilities	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	0.9%	1.0%	1.0%
Other	2.9%	3.0%	3.1%	3.2%	3.4%	3.6%	3.5%	3.3%	3.1%
Net Inflow from Operating Activities	**15.6%**	**17.0%**	**17.7%**	**18.4%**	**19.3%**	**19.9%**	**20.2%**	**20.3%**	**20.3%**
Investments in tangible and intangible Assets	11.0%	10.9%	9.6%	6.8%	27.2%	5.2%	5.1%	4.9%	4.7%
Inflow of Funds from Disposals of tangible and intangible Assets	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Investments in other financial Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest received	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repayments from other financial Assets	0.0%	0.2%	0.3%	-0.5%	-0.4%	-0.2%	-0.1%	0.0%	0.0%
Net Outflow from Investing Activities	**11.1%**	**10.8%**	**9.3%**	**7.3%**	**27.6%**	**5.5%**	**5.2%**	**5.0%**	**4.7%**
Dividend Payments	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Repayment of Lease Liabilities and ROU	1.6%	2.1%	2.6%	3.0%	3.3%	3.5%	3.7%	3.9%	4.1%
Acquisition/Disposal of Treasury Shares	0.0%	0.0%	0.0%	0.0%	19.9%	0.0%	0.0%	0.0%	0.0%
Repayment of Liabilities related to Acquisition of 5G Spectrum	2.8%	2.7%	2.6%	2.6%	2.6%	0.0%	0.0%	0.0%	0.0%
Net Outflow from Financing Activities	**-4.5%**	**-6.1%**	**-8.5%**	**-11%**	**8.3%**	**-14%**	**-15%**	**-15%**	**-15%**
Net Increase/Decline in Cash and Cash Equivalents	0.0%	0.1%	-0.2%	0.0%	0.0%	0.2%	-0.1%	0.3%	-0.3%
Cash and Cash Equivalents at Beginning of Fiscal Year	0.2%	0.2%	0.3%	0.1%	0.1%	0.1%	0.3%	0.2%	0.4%
Cash and Cash Equivalents at End of Reporting Period	**0.2%**	**0.3%**	**0.1%**	**0.1%**	**0.1%**	**0.3%**	**0.2%**	**0.4%**	**0.1%**
FCF (Management Definition)	**4.6%**	**6.1%**	**8.1%**	**11.7%**	**12.1%**	**14.6%**	**15.2%**	**15.5%**	**15.7%**

Source: Author Analysis and Company Data

Appendix 5.4: High Level rationale of Assumptions

Table A. 16 - Assumptions: Variables and Rationales

High Level Rationale - Author's Assumptions	
Variable	**Rationale**
Macroeconomic	
Inflation	CPI growth rates sourced from Bloomberg and Deutsche Bundesbank (2018-2034F).
General Macro Approach	Bottom-Up approach prioritized. Given telecom's low GDP-cycle sensitivity, 1U1's value is driven by micro-variables (ARPU, Net Adds, Site Rollout). Macro inputs confined to selective cost inflation; broad GDP assumptions omitted to preserve model precision.
1U1 Specific	
CapEx	
Number of sites	Regulatory obligation: 50% HH coverage by 2030F ≙ c.12,600 sites. Ramp leverages Vantage Towers frame contract (3,800+ by YE2025) at c.2,000-3,000 sites p.a. thereafter. Expansion to c.19,000 sites by 2034F reflects densification post-coverage build.
€/site (k)	Initial costs c.€250k/site declining to €150-175k from 2026F as co-location scale benefits materialize. Consistent with Iliad Italy (€180k), Tele2 NL (€133k), Rakuten Japan (€128k); 1U1 at conservative end of range.
Rental cost/site (k)	€12k/site/year gross, per DB Research (2025); excludes GfTD/American Tower c.500-site framework.
Tax deductibility	50% assumed (IFRS Foundation, 2024); applied to tower RoU obligations and spectrum CapEx in the unlevered FCF bridge.
Versatel CapEx	Consolidated 1 Dec 2025 (acquisition €1,546 Mn). Modelled at €220 Mn p.a. 2026-2027F, declining to €70 Mn by 2034F, covering fiber backhaul and Open RAN site backbone. Absent from all pre-acquisition broker estimates.
Spectrum leasing CapEx	€35 Mn p.a. 2026-2029F for deferred 2 GHz 2019-auction obligations; ceases 2030F upon fulfilment.
OpEx	
TEF DE traffic / MBA-MVNO baseline	Historical wholesale reference. Superseded from Jan 2026 by the Vodafone NRA. TEF DE data retained solely for cost calibration.
Addressable market traffic	Excludes prepaid and non-addressable wholesale segments; proxies the relevant postpaid data market.
Obligatory capacity share	Mandatory 20% minimum capacity share under legacy MBA-MVNO. Superseded by capacity-based VOD NRA from Jan 2026.
Data/subscriber growth (%yoy)	c.4 GB/m (2022A) → c.18 GB/m (2034F), reflecting 5G and data-intensive app adoption. Annual growth declines from c.25% to c.10% to prevent mechanistic NRC over-improvement relative to actual volume.
Traffic offload on own network	On-net share rises from 27% (FY2025) → 35% (2026F) → 50% (2028F) → 65% (2031F+), aligned with c.12,000-site rollout and 50% HH coverage obligation by 2030F. Scenario-specific offload paths modelled in sensitivity analysis.
Price per GB (%yoy)	Wholesale data unit costs decline from c.€1.0/GB (FY2022) to c.€0.29/GB (2034F), consistent with EU wholesale regulation and MVNO benchmarks.
Interconnect payments	Declining from €120 Mn (FY2018) to €60 Mn from 2026F, driven by EU mobile termination rate caps and OTT substitution of off-net voice.
Price offset on cost increase	Partial neutralization of rising NRA/interconnect costs via bundle restructuring and upselling, consistent with historical margin stability.
Spectrum	
Holdings / liabilities	1U1 holds 2×5 MHz @ 2 GHz and 50 MHz @ 3.6 GHz (2019 auction) + leased 2×10 MHz @ 2.6 GHz ≈ 6% of German spectrum (weakest MNO position). Remaining liabilities €513.1 Mn at YE2025: €128 Mn p.a. 2026-2029, c.€130 Mn in 2030. BNetzA 2025 extension of 800/1800/2.6 GHz to 2031 precludes near-term auction. Future auction (c.2030: 800 MHz €240 Mn, 1800 MHz €240 Mn, 2.6 GHz €630 Mn; total c.€1,110 Mn) modelled in scenario analysis only.

Scenarios	
Grey Sky — Network Build (Low Offload)	
Strategic configuration	Network Build; below-trend traffic offload (terminal offload c.60% vs. 65% base case) constraining NRA cost reduction.
Key assumptions	Terminal EBITDA margin 24.0%; Terminal CapEx/Revenue 8.61%; g 1.42%; WACC 7.34%.
Net benefit	NRA savings below baseline; peak negative net benefit ≈ €740 Mn in 2027F. Value generated only in terminal; spectrum charge included.
Base Case — Network Build (Central Offload)	
Strategic configuration	Network Build; traffic offload 27% (FY2025) → 35% (2026F) → 65% (2031F+). Wholesale savings partly offset by CapEx, lease, and spectrum payments.

Key assumptions	Terminal EBITDA margin 26.0%; Terminal CapEx/Revenue 7.61%; g 1.42%; WACC 7.34%.
Net benefit	Net benefit negative throughout 2026-2034F explicit horizon (peak deficit c.€568 Mn in 2027F); terminal value assumes normalized spectrum charge c.€153 Mn p.a.
Probability & evidence	50%. Management 'we are building' commitment; 27% HH coverage achieved YE2025 vs. 25% target; BNetzA spectrum extension to 2031; 2.6 GHz lease with TEF; aligned with broker consensus.
Blue Sky — M&A: Consolidation with Telefónica Deutschland (50% Synergies)	
Strategic configuration	1U1 absorbed into a merged TEF DE entity; 50% synergy capture modelled. Avoided CapEx, lease, and OpEx savings vs. standalone build. No terminal spectrum charge (TEF DE absorbs licenses).
Key assumptions	Terminal EBITDA margin 26.0%; g 1.42%; WACC 7.06% (lower reflecting merged entity's reduced leverage and diversified subscriber base).
Incremental OpEx	30% of incremental traffic revenue absorbed as additional operating costs to carry higher data volumes; growing from c.€34 Mn (FY2025) to c.€258 Mn (2034F).
Incremental CapEx	€40-150 Mn p.a. (FY2025-2034F) to support growing data volumes; avoids full standalone RAN build.
Terminal Value	TV €9,250 Mn (PV €4,834 Mn) reflects permanent market-repair benefit of a three-player German market; spectrum charge excluded; 50% of surplus spectrum disposed.
Probability & evidence	50%. Early TEF-1U1 consolidation talks; incoming O2 DE CEO with infra/M&A background; Telefónica CEO Murtra's pan-European M&A strategy; remedy-dependent regulatory feasibility; three share-price dislocations of 8-12% on consolidation headlines (Oct 2025, Feb 2026, May 2026).
Probability-Weighted SoP	
Blended PT	50% × €12.91 (Base Case Build) + 50% × €35.50 (Blue Sky M&A) = €24.21/Sh. (2027YE). Annualized return +17.72% vs. current price. Not the primary valuation anchor; SELL based on standalone Build.

Financial Assumptions	
Income Statement — Revenue	
Broadband subscribers	Historical + net change. Net adds modelled -110k (FY2025) → -10k (2034F), reflecting broadband market saturation. Market share declining from 10.0% (FY2025) to c.9.8% (2027F).
Broadband ARPU	€27.5 (FY2025) → €28.4 (2034F), +c.€0.10/month p.a. Reflects CPI-indexation clauses and FTTH tier-upgrade mix; flat real pricing otherwise.
Broadband revenues	Broadband Subscribers × ARPU; declining from €1,285 Mn (FY2025), with partial ARPU recovery partially offsetting subscriber attrition.
Mobile subscribers	Net adds recovering from +60k (FY2025) post-migration to +300-350k p.a. (2026-2028F), reflecting 'More for More' pricing discipline rather than volume-led land-grab.
Mobile ARPU	Shift from price-discounter to network owner: ARPU growth +2.4% (FY2025) normalizing to +0.5% p.a. from 2026F. Historical decline -1.3% to -2.6% p.a. (FY2022-2024) reflects legacy MVNO positioning.
Mobile revenues	Mobile Subscribers × ARPU; growing from €2,050 Mn (FY2025) to €2,459 Mn (2034F).
Handset & other revenues	Flat at c.€800-918 Mn p.a. based on historical run-rate.
Income Statement — Cost of Sales	
National Roaming (NRA)	Price per GB × Traffic on TEF/VOD network. Declining from €480 Mn (FY2022) to €376 Mn (2026F) and €280 Mn (2034F) as on-net offload rises. Primary EBITDA swing factor; all costs expensed immediately under VOD capacity-based NRA (effective Jan 2026).
Interconnect	Flat c.€60 Mn from 2026F; driven by EU mobile termination rate caps and OTT substitution.
MVNO payments	Declining from €30 Mn (FY2024) to zero by 2030F following full MBA-MVNO migration completion.
Handsets	Revenue-offsetting; modelled on historical basis.
Network building costs	Peak c.€230 Mn (2026-2027F), stabilizing as core infrastructure is established. Versatel network costs are modelled separately.
Other cost of sales	Flat % of sales based on historicals.
Gross profit margin	Computed; recovering from 22.6% (FY2025) toward 31.0% (2034F) as wholesale OpEx structurally declines.
Income Statement — EBITDA & Below	
Distribution & admin costs	Historical + inflation; Distribution c.€588 Mn (2026F), Administration c.€126 Mn (2026F).
EBITDA margin	Computed: 13.0% (FY2025) → 17.5% (2026F) → 19.2% (2027F) → 26.0% terminal. Recovery driven by NRA cost reduction and operating leverage on fixed Open-RAN cost base.
One-off items	Retroactive price reduction from TEF NRA settlement and non-cash derivative gain (FY2021); no recurring one-offs assumed in forecast.
Depreciation — historic	Legacy asset base declining from €158 Mn (FY2022) to c.€108 Mn (2026F) as assets fully amortize.
Depreciation — Versatel	Consolidated from Dec 2025; c.€73-92 Mn p.a. (2026-2034F) on fiber network asset base.
Depreciation — spectrum (3.6 GHz / 2.1 GHz)	Straight-line: c.€43 Mn p.a. over 17-year term from 2019 (3.6 GHz); c.€24 Mn p.a. over 14-year term (2.1 GHz).
Depreciation — accumulated CapEx	20-year straight-line on Active RAN equipment. Base grows €230 Mn (2026F) → €3,427 Mn (2034F), driving D&A €20 Mn → €171 Mn.
Depreciation — tower RoU (IFRS 16)	RoU asset on leased towers; grows with site count from c.€11 Mn (2026F) to c.€162 Mn (2034F) at €12k/site/year (Bridge Connect, 2025).
EBIT margin	Computed: 5.0% (FY2025) → 8.9% (2026F) → 11.4% (2034F).
Cash interest	Spectrum liabilities + intercompany acquisition loan (€1,940 Mn, floating). c.€90-108 Mn p.a. 2026-2030F, declining as FCF improves. FY2025 interest coverage 3.7× maps to Ba1/BB+ spread of 1.55%.
Tower lease interest	Imputed interest on RoU lease liabilities; grows with site count from c.€25 Mn (2026F) to c.€54 Mn (2034F).
Financial income	Cash-pool interest with UTDI; zero from 2026F as excess cash fully deployed in CapEx.
Tax rate	30.0% effective from 2026F onwards.
EPS (diluted = undiluted)	Computed. Share count stable at c.177.4 Mn (no material dilution or buyback assumed in forecast).
DPS	€0.05/Sh. throughout forecast, consistent with statutory minimum and Management Board guidance (§2,541 AktG).
Cash Flow Statement	
D&A add-back	Fully consistent with income statement depreciation schedule.
Stock-based compensation	Neutral based on historicals.
CapEx (investing outflow)	5G Open-RAN rollout + Versatel CapEx + Spectrum leasing. Total peaks at €545 Mn (2026-2027F), declining to €245 Mn by 2034F. CapEx/Service Revenue: peaks c.14% (2026-2027F), normalizing to c.6% (2034F).
Spectrum lease repayments	Tower lease repayments grow with site count; spectrum instalments €128 Mn p.a. (2026-2029), c.€130 Mn in 2030.
Treasury shares / equity issuance	FY2025 €280 Mn issuance to bridge peak investment gap; 2030F €1,000 Mn for deferred spectrum auction.

Balance Sheet	
Three-statement linkage	Fully linked: Net Income → Retained Earnings; D&A → CF → PP&E; CapEx → PP&E. IFRS 16 RoU assets / lease liabilities grown with site count. Cash above ceiling deployed via dividends/debt repayment consistent with historical maximum €1,176 Mn.
Market Data — Cost of Capital	
Discount factor model	Capital Asset Pricing Model (CAPM).
Cost of Equity (Re)	Re = Rf + βe × MRP
Risk-free rate (Rf)	10Y Bund YTM 3.10% + Country Default Spread 0.07% = 3.17% (Damodaran, 2025).
Beta (βe)	Top-Down regression: 5Y weekly 1U1 AG vs. DAX (260 obs.), raw β = 0.511, Blume-adjusted β = 0.674 (Michelfelder & Theodossiou, 2013). Cross-checked vs. Bottom-Up peer unlevered β median 0.39 (Damodaran, Telecom Wireless/Services) re-levered to target structure.
Market Risk Premium (MRP)	Resulting MRP 11.79%.
Cost of Debt (Rd)	Rf 3.17% + Country Spread 0.07% + Company Default Spread 1.55% (FY2025 ICR 3.7× → Ba1/BB+, Damodaran spread table) = pre-tax 4.72%; after-tax 3.30% at 30% tax.
WACC	Year-by-year dynamic weights: c.50/50 D/E during Peak Investment Phase, long-run D-weight 48.3% from 2031F. Period WACCs: 6.9% (2026F) → 7.3% (2031F).
Long-run growth rate (g)	1.42%, derived via three parallel methods: (i) Retained Earnings × ROE = 0.0% × 3.6% ≈ 0.0%; (ii) ERR × ROE = 38.0% × 3.6% = 1.4%; (iii) RR × ROIC = 27.4% × 2.9% = 0.8%; weighted average 1.42%. Consistent with Eurozone long-run nominal GDP and ECB 2% medium-term inflation anchor.
FCF methodology & EV bridge (Base Case Build)	FCFF (WACC); EV = PV explicit FCFF 2026-2034F (€2,856 Mn) + PV Terminal Value (€5,304 Mn, Gordon Growth, TV EBITDA 26.0%, TV CapEx/Revenue 7.61%) = EV €8,160 Mn. Bridge: EV €8,160 Mn - Net Debt AL €3,040 Mn - Lease Liabilities €2,096 Mn - PV Spectrum 2026 €734 Mn = Equity €2,291 Mn / 177.4 Mn shares = €12.91/Sh.

Source: Author Analysis

Appendix 5.5: Free Cash Flow to the Firm - Integrated Approach Valuation

Table A. 17 - FCFF (WACC), Integrated Approach

€'Mn	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	TV
Revenue	4,635	4,732	4,839	4,937	5,017	5,082	5,137	5,194	5,251	5,251
% YoY	12.1%	2.1%	2.3%	2.0%	1.6%	1.3%	1.1%	1.1%	1.1%	1.4%
EBITDA	811	908	954	1,008	1,072	1,109	1,145	1,162	1,173	1,365
Margin	17.5%	19.2%	19.7%	20.4%	21.4%	21.8%	22.3%	22.4%	22.3%	26.0%
CapEx	(545)	(552)	(499)	(370)	(365)	(266)	(260)	(253)	(246)	(399)
Taxes	(162)	(189)	(211)	(247)	(267)	(293)	(305)	(311)	(315)	(350)
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Unlevered FCF	**104.8**	**165.8**	**243.0**	**391.1**	**440.8**	**549.9**	**580.9**	**598.1**	**611.5**	**616.2**

Source: Author Analysis and Company Data

Table A. 18 - FCFF (WACC) - Price Target Determination (€'Mn), Integrated Approach

€'Mn	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	TV
Unlevered FCF	**104.8**	**165.8**	**243.0**	**391.1**	**440.8**	**549.9**	**580.9**	**598.1**	**611.5**	**616.2**
WACC	6.9%	6.9%	6.9%	7.0%	7.1%	6.7%	6.9%	7.1%	7.3%	7.3%
Disc. Factor	0.97	0.90	0.85	0.79	0.73	0.70	0.65	0.60	0.55	0.51
Discounted FCF	**101.3**	**150.0**	**205.6**	**309.0**	**323.7**	**384.3**	**376.4**	**357.2**	**334.7**	**314.2**

PV TV	**5,304**
PV Forecast Period	**2,856**
Enterprise Value	**8,160**
(-) Net Debt (AL)	**3,040**
(-) Lease Liabilities	**2,096**
(-) PV Spectrum 2026	**734**
Equity Value	**2,291**
Outstanding Shares (Mn)	**177.4**
Target Price	**12.91 €**

Source: Author Analysis and Company Data

Appendix 5.6: WACC Breakdown

Table A. 19 - WACC Determination

WACC Determination	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal
Cost of Equity										
Risk-free Rate	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Beta (βe)	**0.674**	**0.674**	**0.674**	**0.674**	**0.674**	**0.674**	**0.674**	**0.674**	**0.674**	**0.67**
Market Risk Premium	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%
Cost of Equity	**11.1%**	**11.1%**	**11.1%**	**11.1%**	**11.1%**	**11.1%**	**11.1%**	**11.1%**	**11.1%**	**11.1%**
Cost of Debt										
Cost of Debt	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%
Tax Rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
After-tax cost of debt	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**
WACC	6.9%	6.9%	6.9%	7.0%	7.1%	6.7%	6.9%	7.1%	7.3%	7.3%

Weights										
Debt weight	54.1%	54.2%	54.0%	53.3%	51.5%	56.2%	54.1%	51.4%	48.3%	48.3%
Equity weight	45.9%	45.8%	46.0%	46.7%	48.5%	43.8%	45.9%	48.6%	51.7%	51.7%
Debt-to-Equity	118.1%	118.3%	117.4%	114.0%	106.2%	128.4%	117.7%	105.6%	93.5%	80.1%

Source: Author Analysis and Company Data

Table A. 20 - WACC Inputs

Supply Side Model	
Expected Market Return	14.89%
Risk-Free	3.10%
Market Risk Premium	11.79%
Risk-Free Rate	
Germany Treasury Bond 10Y YTM	3.10%
Excess CDS Spread	0.00%
Risk-Free Rate	**3.10%**
Risk-free Rate	3.10%
Country Default Spread	0.07%
Company Default Spread	1.55%
Cost of Debt (DRM)	**4.72%**
Company Default Spread estimation	
Interest Coverage Ratio - 2025	3.7
Company Default Spread - 2025	1.55%

Interest Coverage Ratio			
Greater than	**Less than**	**Rating**	**Default Spread**
(100,000.0)	0.5	D2/D	19.00%
0.5	0.8	C2/C	15.50%
0.8	1.2	Ca2/CC	10.10%
1.3	1.5	Caa/CCC	7.28%
1.5	2.0	B3/B-	4.42%
2.0	2.5	B2/B	3.00%
2.5	3.0	B1/B+	2.61%
3.0	3.5	Ba2/BB	1.83%
3.5	**4.0**	**Ba1/BB+**	**1.55%**
4.0	4.5	Baa2/BBB	1.20%
4.5	6.0	A3/A-	0.95%
6.0	7.5	A2/A	0.85%
7.5	9.5	A1/A+	0.77%
9.5	12.5	Aa2/AA	0.60%
12.5	100,000.0	Aaa/AAA	0.45%

Sources: Damodaran (2025), Author Analysis and Company Data

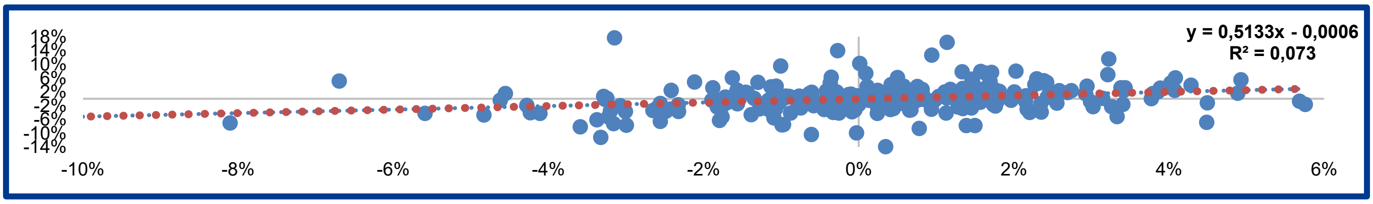
Table A. 21 - Beta Estimation

Beta (Integrated) Top-Down Approach (Regression) Regression Statistics	
Multiple R	0.27
R Square	0.073
Adjusted R Square	0.073
Standard Error	4%
Observations	260

Regression Beta	
Blume Adjustment	0.511
Blume Adjustment	0.674

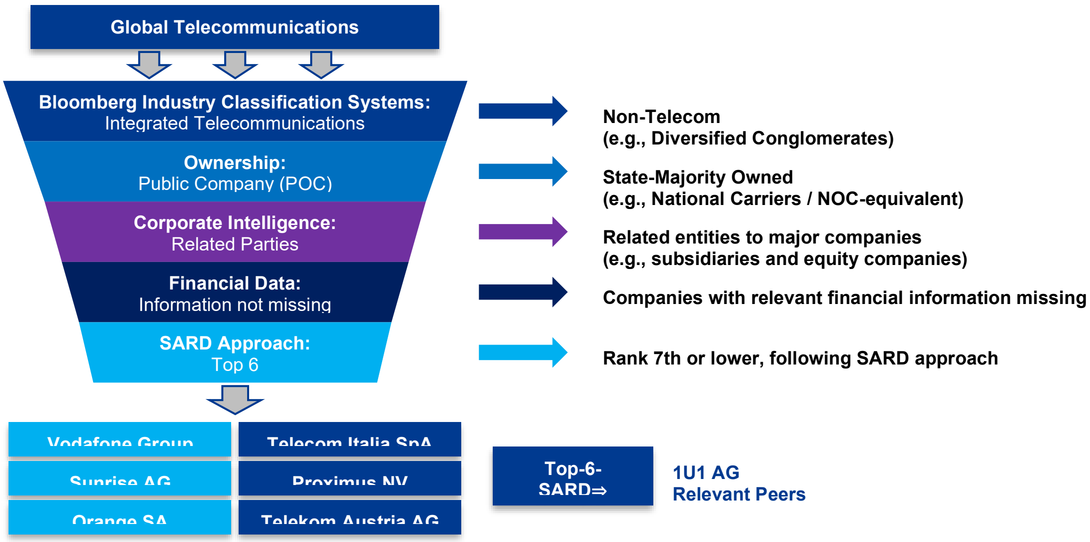
Sources: Bloomberg and Author Analysis

Figure A. 6 - 1U1 Beta (Weekly 5Y, DAX)



Appendix 5.7: Multiple Based Valuation Peer Selection Methodology

Figure A. 7 – Peer Selection Breakdown



Sources: Bloomberg and Author Analysis

Appendix 5.8: Top 6 Peers - SARD Approach

Table A. 22 - SARD Peers Determination Approach

Company	ROE	Net Debt/EBIT	Revenue Growth	EBIT Margin	Market Cap (€'Bn)	Profitability	Risk	Growth	Op. Characteristics	Size	SARD Result	SARD Rank
VOD	3.6%	7.81	12.2%	12.2%	28.08	27	6	7	24	26	**14**	**1**
TIT	4.2%	4.61	2.7%	11.4%	17.08	26	15	13	25	27	**28**	**2**
SUNN	-2.7%	33.19	-2.5%	3.2%	3.26	30	1	23	30	29	**37**	**3**
PROX	9.0%	7.54	-2.2%	10.4%	1.96	23	8	22	26	30	**35**	**4**
ORA	8.6%	5.30	5.5%	9.0%	45.12	24	11	9	27	25	**18**	**5**
TKA	12.6%	1.07	3.1%	15.3%	6.42	19	27	11	20	28	**51**	**6**

Sources: LSEG and Author Analysis

Appendix 5.9: Multiple Based Valuation (2026F and 2027F)

Table A. 23 - Peer Group Multiples

Peer Group Multiples														
Peer Group Selected	**EV/Sales**		**EV/Gross Profit**		**EV/EBITDA**		**EV/EBIT**		**P/E**		**P/B**		**Price/Sales**	
Company Name	**2026**	**2027**	**2026**	**2027**	**2026**	**2027**	**2026**	**2027**	**2026**	**2027**	**2026**	**2027**	**2026**	**2027**
TELEKOM AUSTRIA	1.4x	1.4x	4.0x	3.9x	3.8x	3.8x	9.4x	9.1x	10.0x	9.3x	1.2x	1.1x	1.2x	1.1x
ORANGE	1.9x	1.8x	3.4x	3.2x	5.8x	5.4x	13.0x	11.8x	18.0x	15.4x	1.5x	1.5x	1.0x	1.0x
PROXIMUS	1.0x	1.0x	1.5x	1.5x	3.3x	3.3x	10.6x	10.8x	6.3x	6.8x	0.4x	0.4x	0.3x	0.3x
SUNRISE COMMUNIC	3.1x	3.1x	4.3x	3.8x	8.1x	8.1x	66.2x	30.2x		30.1x	0.8x	0.8x	1.0x	1.0x
TELECOM ITALIA S	2.1x	2.0x	3.8x	3.7x	6.5x	6.1x	18.8x	15.3x	39.3x	24.0x	1.4x	1.2x	1.2x	1.2x
VODAFONE GROUP	1.6x	1.5x	5.2x	4.7x	5.4x	5.1x	12.8x	11.2x	12.9x	10.8x	0.6x	0.6x	0.6x	0.6x
1U1 AG	**1.7x**	**1.7x**	**7.6x**	**7.9x**	**9.8x**	**9.0x**	**30.3x**	**23.6x**	**30.4x**	**22.5x**	**0.6x**	**0.6x**	**0.9x**	**0.9x**
Average	1.9x	1.8x	3.7x	3.5x	5.5x	5.3x	21.8x	14.7x	17.3x	16.1x	1.0x	0.9x	0.9x	0.9x
Mean	1.9x	1.8x	3.7x	3.5x	5.5x	5.3x	21.8x	14.7x	17.3x	16.1x	1.0x	0.9x	0.9x	0.9x
Median	**1.7x**	**1.7x**	**3.9x**	**3.8x**	**5.6x**	**5.2x**	**12.9x**	**11.5x**	**12.9x**	**13.1x**	**1.0x**	**1.0x**	**1.0x**	**1.0x**
Min	1.0x	1.0x	1.5x	1.5x	3.3x	3.3x	9.4x	9.1x	6.3x	6.8x	0.4x	0.4x	0.3x	0.3x
Max	3.1x	3.1x	5.2x	4.7x	8.1x	8.1x	66.2x	30.2x	39.3x	30.1x	1.5x	1.5x	1.2x	1.2x
Valuation - Price Target (€/Sh.)														
Enterprise Value	**8,098**	**7,875**	**4,988**	**5,179**	**4,543**	**4,750**	**5,309**	**5,453**	**8,363**	**8,852**	**11,971**	**11,771**	**10,677**	**10,561**
(-) Net Debt (AL)	3,040	3,012												
(-) Lease Liabilities	2,096	2,050												
(-) PV Spectrum 2026	734	734												
Equity Value	**2,229**	**2,079**	**(882)**	**(616)**	**(1,326)**	**(1,045)**	**(561)**	**(342)**	**2,494**	**3,056**	**6,101**	**5,975**	**4,807**	**4,766**
Number of shares	177	177												
Fair Value (€/Sh.)	**12.6**	**11.8**	**(5.0)**	**(3.5)**	**(7.5)**	**(5.9)**	**(3.2)**	**(1.9)**	**14.1**	**17.3**	**34.6**	**33.8**	**27.2**	**27.0**

Sources: Bloomberg and Author Analysis

Appendix 6: Financial Analysis

Table A. 24 - Historical Financial Ratios

Key Financial Ratios	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Industry Specific Ratios								
Broadband Subscribers (Mn)	4,340	4,340	4,310	4,240	4,100	4,010	3,950	3,840
Broadband ARPU (€)	23.8	24.3	24.3	24.8	25.1	26.1	27.5	27.5
Mobile Subscribers (€)	9,200	9,990	10,520	11,190	11,680	12,250	12,420	12,480
Mobile ARPU (€)	14.6	14.7	14.2	14.2	14.0	13.8	13.4	13.7
Blended ARPU (€)	17.6	17.6	17.2	17.1	16.9	16.8	16.8	17.0
Number of own Sites (k)					5	1,200	2,309	5,500
Traffic on own Network Share (%)					0%	8%	14%	27%
CapEx to Revenue (%)	0.4%	0.6%	5.5%	1.0%	6.3%	7.2%	7.2%	9.9%
CapEx to EBITDA (%)	2.1%	3.0%	44.2%	5.3%	36.0%	45.2%	49.2%	76.4%
Liquidity Ratios								
Current Ratio (%)	1.65	2.39	2.70	2.89	3.37	2.69	2.52	1.57
Quick Ratio (%)	1.51	2.24	2.55	2.75	3.16	2.44	2.36	1.50
Cash Ratio (%)	0.01	0.06	0.01	0.01	0.01	0.00	0.01	0.01
Efficiency Ratios								
Total Assets Turnover (x)	0.7x	0.6x	0.6x	0.6x	0.6x	0.5x	0.5x	0.4x
Trades Receivables Turnover (x)	15.8x	16.0x	16.5x	16.3x	15.4x	13.6x	12.1x	11.5x
DSO (days)	23.1	22.8	22.1	22.4	23.8	26.8	30.2	31.7
Other Receivables Turnover (x)	86.8x	28.6x	12.3x	7.0x	6.2x	8.2x	10.7x	11.7x
DSO - Other (days)	4.2	12.8	29.6	52.2	59.3	44.8	34.2	31.1
Inventory Turnover (x)	28.2x	30.5x	35.0x	29.8x	25.2x	19.7x	20.3x	30.0x
DIO (days)	12.9	12.0	10.4	12.2	14.5	18.5	18.0	12.2
Payables Turnover (x)	6.9x	8.2x	9.8x	9.3x	11.1x	11.6x	9.6x	7.2x
DPO (days)	52.7	44.8	37.1	39.2	32.8	31.4	37.8	50.9
Operating Cash Cycle (days)	(12.5)	2.7	25.0	47.7	64.8	58.6	44.6	24.0
Profitability Ratios								
Gross Profit Margin (%)	30.5%	29.9%	24.2%	30.7%	31.0%	28.3%	25.6%	22.6%
EBITDA Margin (%)	19.9%	18.6%	12.3%	18.2%	17.5%	16.0%	14.5%	13.0%
Operating EBITDA Margin (%)	19.9%	18.7%	17.7%	17.2%	17.5%	16.0%	14.5%	13.0%
EBIT Margin (%)	15.6%	14.4%	8.2%	14.0%	13.5%	11.1%	7.6%	5.0%
Operating EBIT Margin (%)	15.6%	14.4%	8.2%	13.0%	13.5%	11.1%	7.6%	5.0%
EBT Margin (%)	15.5%	14.2%	8.2%	13.7%	13.4%	11.3%	7.5%	4.3%
Net Profit Margin (%)	11.2%	10.2%	5.8%	9.5%	9.3%	7.7%	5.2%	4.0%
FCF Margin (%)	3.9%	9.7%	6.4%	10.1%	-1.6%	-1.7%	0.5%	4.7%
Operating FCF Margin (%)	19.4%	18.1%	12.3%	16.2%	11.2%	8.7%	7.4%	3.1%
ROA (%)	7.7%	6.4%	3.3%	5.4%	5.1%	4.2%	2.7%	1.7%
ROIC (%)	8.7%	7.0%	3.6%	5.5%	5.5%	4.4%	2.9%	2.2%
ROCE (%)	8.7%	7.0%	3.6%	5.5%	5.5%	4.4%	2.9%	2.2%
Capital Turnover	77.0%	68.1%	61.7%	60.9%	58.9%	57.9%	54.6%	46.3%
ROE (%)	9.5%	8.4%	4.6%	7.3%	6.8%	5.5%	3.6%	2.7%
DuPont Analysis								
Net Profit Margin (%)	11.2%	10.2%	5.8%	9.5%	9.3%	7.7%	5.2%	4.0%
Asset Turnover (%)	69.3%	62.8%	57.8%	56.9%	55.4%	54.6%	51.2%	43.2%
Equity Multiplier (X)	1.2x	1.4x	1.3x	1.4x	1.3x	1.3x	1.3x	1.8x
EPS (€)	2.30	2.12	1.24	2.10	2.08	1.78	1.20	0.93
DPS (€)	1.60	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Payout Ratio (%)	69.6%	2.4%	4.0%	2.4%	2.4%	2.8%	4.2%	5.4%

Solvency Ratios								
Total interest bearing Debt Ratio (%)	3.2%	18.2%	17.0%	15.9%	14.6%	15.1%	16.1%	35.9%
Long-term interest bearing Debt Ratio (%)	0.0%	15.3%	14.6%	13.0%	11.8%	11.3%	12.7%	31.4%
Total Debt and debt equivalents Ratio (%)	9.3%	22.5%	21.3%	19.7%	18.3%	18.5%	19.4%	39.1%
Long-term Debt and debt equivalents Ratio (%)	1.4%	16.1%	15.4%	13.7%	12.4%	12.0%	13.6%	32.3%
Short-term Debt Ratio (%)	3.2%	2.8%	2.4%	2.9%	2.7%	3.8%	3.4%	4.5%
Interest bearing Debt to Sh Equity Ratio (%)	3.9%	25.3%	23.4%	21.5%	18.9%	19.9%	21.5%	65.8%
Short-term Debt to Shareholder's Equity Ratio (%)	3.9%	3.9%	3.3%	3.9%	3.6%	5.0%	4.5%	8.3%
Long-term Debt to Shareholder's Equity Ratio (%)	1.7%	22.5%	21.2%	18.6%	16.2%	15.8%	18.1%	59.4%
Total Debt to Shareholder's Equity Ratio (%)	22.6%	28.2%	37.8%	35.3%	30.1%	31.5%	33.4%	83.6%
Equity Multiplier (x)	1.2x	1.4x	1.3x	1.4x	1.3x	1.3x	1.3x	1.8x
Interest bearing Debt to EBITDA (x)	0.2x	1.7x	1.7x	1.7x	1.5x	1.8x	2.2x	7.3x
Total Debt and debt equivalents to EBITDA (x)	0.7x	2.1x	2.1x	2.1x	1.9x	2.2x	2.7x	8.0x
Net Debt (AL) to EBITDA (x)	0.0x	1.2x	1.5x	0.5x	0.7x	0.8x	0.9x	5.6x
Net Debt (AL) to Shareholder's Equity Ratio (x)	0.0x	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x	0.5x
Interest Coverage Ratio (x)	121.9x	72.8x	195.2x	39.1x	64.6x	40.3x	12.7x	3.7x
Cash Flow Ratios								
Interest bearing Debt Coverage (%)	92.0%	32.0%	39.6%	38.4%	17.3%	19.3%	23.8%	15.3%
Debt and debt equivalent Coverage (%)	31.8%	25.8%	31.6%	38.4%	13.1%	15.8%	19.7%	14.1%
Dividend Coverage Ratio (x)	253.8x	7472.4x	4391.9x	7400.4x	7346.6x	6299.0x	4255.3x	3314.1x
Operational Cash to Operating Income (x)	0.3x	0.7x	1.4x	0.9x	0.3x	0.5x	1.0x	2.9x
FCF to Share (€)	0.81	2.02	1.38	2.23	-0.37	-0.40	0.12	1.10
Segment Information	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Broadband Revenues (%)	34.1%	34.2%	33.4%	32.5%	31.6%	31.0%	32.4%	31.1%
Mobile Service Revenues (%)	44.4%	45.9%	46.1%	47.4%	48.5%	48.2%	48.9%	49.6%
Handset and other Revenues (%)	21.5%	19.9%	20.5%	20.1%	19.9%	20.8%	18.7%	19.3%
B2B Wholesale (Versatel) (%)								
Consumer & Small Business (%)	100%	100%	100%	100%	100%	100%	100%	100%
Enterprises & Networks (%)								

Sources: Author Analysis and Company Data

Table A. 25 - Forecasted Financial Ratios

Key Financial Ratios	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Industry Specific Ratios									
Broadband Subscribers (Mn)	3,800	3,780	3,770	3,760	3,750	3,740	3,730	3,720	3,710
Broadband ARPU (€)	27.6	27.7	27.8	27.9	28.0	28.1	28.2	28.3	28.4
Mobile Subscribers (€)	12,780	13,130	13,480	13,730	13,930	14,030	14,130	14,230	14,330
Mobile ARPU (€)	13.8	13.9	13.9	14.0	14.1	14.1	14.2	14.3	14.4
Blended ARPU (€)	17.0	17.0	17.0	17.0	17.0	17.1	17.1	17.2	17.2
Number of own Sites (k)	7,667	9,833	12,000	13,500	15,000	16,000	17,000	18,000	19,000
Traffic on own Network Share (%)	35%	45%	50%	55%	60%	62%	65%	65%	65%
CapEx to Revenue (%)	11.0%	10.9%	9.6%	6.8%	7.3%	5.2%	5.1%	4.9%	4.7%
CapEx to EBITDA (%)	62.9%	57.0%	48.7%	33.2%	34.0%	24.0%	22.7%	21.8%	21.0%
Liquidity Ratios									
Current Ratio (%)	1.58	1.57	1.53	1.54	1.56	1.58	1.57	1.58	1.55
Quick Ratio (%)	1.51	1.53	1.52	1.54	1.56	1.58	1.57	1.58	1.55
Cash Ratio (%)	0.01	0.01	0.00	0.00	0.01	0.01	0.01	0.02	0.01
Efficiency Ratios									
Total Assets Turnover (x)	0.5x	0.5x	0.5x	0.5x	0.4x	0.5x	0.5x	0.5x	
Trades Receivables Turnover (x)	12.7x	12.8x	13.5x	13.1x	13.3x	13.5x	13.6x	13.8x	
DSO (days)	28.8	28.5	27.1	27.9	27.5	27.1	26.8	26.5	
Other Receivables Turnover (x)	9.4x	8.9x	8.4x	13.1x	13.3x	13.5x	13.6x	13.8x	
DSO - Other (days)	39.0	40.9	43.5	27.9	27.4	27.1	26.8	26.5	
Inventory Turnover (x)	33.0x	40.7x	63.9x	74.0x	74.4x	93.1x	139.2x	366.3x	
DIO (days)	11.1	9.0	5.7	4.9	4.9	3.9	2.6	1.0	
Payables Turnover (x)	7.9x	7.9x	8.3x	6.4x	6.4x	6.5x	6.5x	6.6x	
DPO (days)	46.1	46.4	43.9	57.2	57.0	56.5	56.2	55.5	
Operating Cash Cycle (days)	32.8	31.9	32.3	3.5	2.9	1.6	0.1	(1.5)	
Profitability Ratios									
Gross Profit Margin (%)	27.4%	28.9%	29.2%	29.7%	30.5%	30.8%	31.2%	31.2%	31.0%
EBITDA Margin (%)	17.5%	19.2%	19.7%	20.4%	21.4%	21.8%	22.3%	22.4%	22.3%
Operating EBITDA Margin (%)	17.5%	19.2%	19.7%	20.4%	21.4%	21.8%	22.3%	22.4%	22.3%
EBIT Margin (%)	8.9%	10.0%	10.0%	10.4%	11.1%	11.3%	11.6%	11.6%	11.4%
Operating EBIT Margin (%)	8.9%	10.0%	10.0%	10.4%	11.1%	11.3%	11.6%	11.6%	11.4%
EBT Margin (%)	6.0%	7.0%	6.9%	7.3%	7.6%	7.7%	8.1%	8.3%	8.3%
Net Profit Margin (%)	4.2%	4.9%	4.8%	5.1%	5.4%	5.4%	5.7%	5.8%	5.8%
FCF Margin (%)	4.6%	6.1%	8.1%	11.7%	12.1%	14.6%	15.2%	15.5%	15.7%
Operating FCF Margin (%)	6.5%	8.2%	10.1%	13.6%	14.1%	16.6%	17.2%	17.5%	17.6%
ROA (%)	2.0%	2.4%	2.4%	2.3%	2.4%	2.4%	2.6%	2.8%	2.9%
ROIC (%)	3.1%	3.6%	3.7%	3.5%	3.7%	3.8%	4.0%	4.1%	4.2%
ROCE (%)	3.1%	3.6%	3.7%	3.5%	3.7%	3.8%	4.0%	4.1%	4.2%
Capital Turnover	50.8%	51.4%	52.5%	48.3%	47.2%	48.2%	49.2%	50.6%	52.6%
ROE (%)	3.2%	3.8%	3.7%	4.0%	4.3%	4.3%	4.5%	4.6%	4.6%

DuPont Analysis									
Net Profit Margin (%)	4.2%	4.9%	4.8%	5.1%	5.4%	5.4%	5.7%	5.8%	5.8%
Asset Turnover (%)	47.5%	48.3%	49.4%	45.2%	44.2%	45.2%	46.4%	47.8%	0.0%
Equity Multiplier (X)	1.8x	1.8x	1.7x	1.7x	1.8x	1.7x	1.6x	1.6x	1.5x
EPS (€)	1.09	1.31	1.32	1.41	1.51	1.54	1.65	1.71	1.72
DPS (€)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Payout Ratio (%)	4.6%	3.8%	3.8%	3.5%	3.3%	3.2%	3.0%	2.9%	2.9%
Solvency Ratios									
Total interest bearing Debt Ratio (%)	35.7%	35.3%	34.5%	32.7%	36.8%	34.6%	31.9%	29.2%	26.0%
Long-term interest bearing Debt Ratio (%)	31.2%	30.8%	30.0%	28.2%	32.5%	30.2%	27.5%	24.6%	21.2%
Total Debt and debt equivalents Ratio (%)	38.9%	38.5%	37.7%	36.0%	39.8%	37.7%	35.1%	32.5%	29.4%
Long-term Debt and debt equivalents Ratio (%)	32.2%	31.8%	31.0%	29.2%	33.5%	31.2%	28.4%	25.6%	22.2%
Short-term Debt Ratio (%)	4.5%	4.5%	4.5%	4.6%	4.2%	4.4%	4.5%	4.6%	4.8%
Interest bearing Debt to Shareholder's Equity Ratio (%)	64.7%	63.0%	60.2%	55.2%	65.8%	59.6%	52.7%	46.1%	39.0%
Short-term Debt to Shareholder's Equity Ratio (%)	8.1%	8.0%	7.8%	7.7%	7.6%	7.5%	7.4%	7.3%	7.2%
Long-term Debt to Shareholder's Equity Ratio (%)	58.4%	56.7%	54.1%	49.2%	59.9%	53.7%	46.9%	40.4%	33.4%
Total Debt to Shareholder's Equity Ratio (%)	81.7%	79.1%	75.6%	70.0%	80.0%	73.1%	65.7%	58.5%	50.8%
Equity Multiplier (x)	1.8x	1.8x	1.7x	1.7x	1.8x	1.7x	1.6x	1.6x	1.5x
Interest bearing Debt to EBITDA (x)	4.9x	4.3x	4.0x	3.5x	4.0x	3.5x	3.1x	2.7x	2.3x
Total Debt and debt equivalents to EBITDA (x)	5.3x	4.7x	4.4x	3.9x	4.3x	3.9x	3.4x	3.0x	2.6x
Net Debt (AL) to EBITDA (x)	3.7x	3.3x	3.1x	2.6x	3.1x	2.7x	2.3x	1.9x	1.5x
Net Debt (AL) to Shareholder's Equity Ratio (x)	0.5x	0.5x	0.5x	0.4x	0.5x	0.5x	0.4x	0.3x	0.3x
Interest Coverage Ratio (x)	2.7x	2.9x	2.7x	2.7x	2.6x	2.5x	2.6x	2.7x	2.8x
Cash Flow Ratios									
Interest bearing Debt Coverage (%)	18.2%	20.5%	22.5%	25.6%	22.6%	25.6%	29.5%	33.7%	39.9%
Debt and debt equivalent Coverage (%)	16.8%	18.8%	20.6%	23.3%	20.9%	23.5%	26.8%	30.3%	35.2%
Dividend Coverage Ratio (x)	3872.1x	4655.5x	4682.8x	5013.8x	5372.3x	5465.3x	5859.5x	6054.8x	6107.7x
Operational Cash to Operating Income (x)	1.8x	1.7x	1.8x	1.8x	1.7x	1.8x	1.7x	1.8x	1.8x
FCF to Share (€)	1.20	1.63	2.22	3.25	3.43	4.20	4.41	4.53	4.64

Segment Information	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Broadband Revenues (%)	27.1%	26.5%	26.0%	25.5%	25.1%	24.8%	24.6%	24.3%	24.1%
Mobile Service Revenues (%)	45.1%	45.5%	46.0%	46.3%	46.5%	46.7%	46.7%	46.8%	46.8%
Handset and other Revenues (%)	17.4%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
B2B Wholesale (Versatel) (%)	10.3%	10.5%	10.6%	10.7%	10.8%	11.0%	11.2%	11.4%	11.6%
Consumer & Small Business (%)	89.7%	89.5%	89.4%	89.3%	89.2%	89.0%	88.8%	88.6%	88.4%
Enterprises & Networks (%)	10.3%	10.5%	10.6%	10.7%	10.8%	11.0%	11.2%	11.4%	11.6%

Sources: Author Analysis and Company Data

Appendix 7: Investment Risks

Appendix 7.1: Minor risks description and characterization

Versatel Financial Leverage and FCF Drag (F2)

The €1,546 Mn consolidation of Versatel reduced the equity ratio from 75.0% to 54.5% at YE2025 and lifted leverage to 2.5× EBITDA. Net debt is expected to peak at c.€2,100 Mn in 2026F, with Versatel's network expansion absorbing an estimated €100 Mn in FCF annually through 2027F.

Cyber and Information Security (O2)

Upgraded to "Significant" with "Extreme" damage potential in the GB 2025 risk matrix, the cyber risk stems from 1U1's cloud-native Open-RAN architecture across 500+ edge data centers, which widens the attack surface relative to legacy single-vendor networks. A successful incident would trigger: (i) **operational disruption and unplanned remediation OpEx**; (ii) **penalties of up to 2% of revenue**; and (iii) **reputational damage that could reverse recent churn stabilization**.

Partner Management and Vantage Towers Antitrust Proceeding (O3)

On 11 April 2025, the Federal Cartel Office issued a preliminary Statement of Objections **concluding that VOD and Vantage Towers unlawfully delayed contractually agreed antenna site deliveries to 1U1**, generating stranded infrastructure investment and elevated roaming costs. The final authority's decision remains outstanding. **Counterparty concentration is structurally elevated**: Continued failure to receive committed sites would add €50-100 Mn in incremental annual roaming costs.

System Integration Transition Risk (O4)

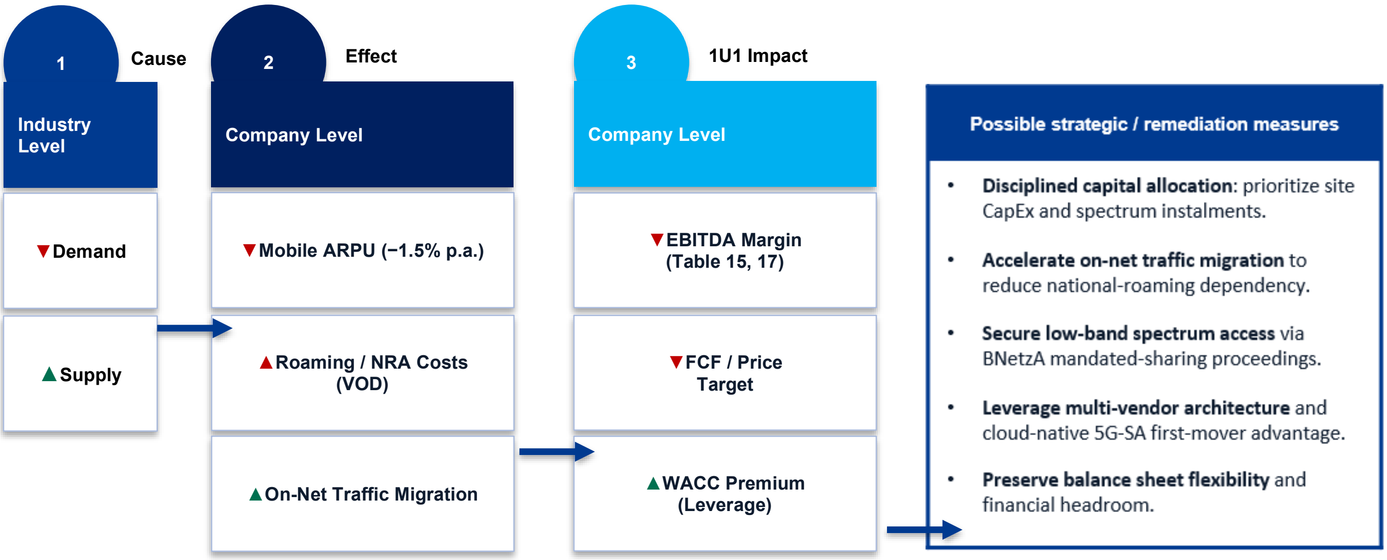
Following delays of up to two years behind schedule, Rakuten Symphony's mandate was restructured: system integration responsibility was transferred to Tech Mahindra, with Rakuten retained solely for Open-RAN software and support. **The resulting multi-vendor ecosystem creates interoperability complexity exceeding that of all three incumbent German operators**. A contingent claim equivalent to six months of integration fees, **estimated at €20-40 Mn, would reduce 2026F reported EBITDA by c.2.5-5% relative to management guidance of c.€800 Mn.**

Geopolitical Macro Shocks: Iran War and US Tariff Policy (M3)

The escalation of the Iran War in February 2026 and unpredictable US tariff policy have disrupted global hardware supply chains. 1U1's Open-RAN multi-vendor procurement model **provides less pricing protection** than the long-term framework agreements maintained by DTE and TEF DE. A **10% increase in per-site hardware costs would raise 2026F Cash CapEx by €25-35 Mn above guidance**; **a 10% increase in energy OpEx would compress EBITDA by €10-15 Mn**.

Appendix 7.2: High level representation of the changes in demand and supply

Figure A. 8 – Effects, Impact and Measures of changes in demand in supply



Appendix 7.3: High level risks Impacts on 1U1's Key Value Drivers

Category		Risk Factor	Trigger Variable	Intermediate Impact	Model Value Driver	DCF Linkage
Market Risk	M 1	Wholesale & MVNO Revenue Mix (VOD NRA)	▼ On-net % → ▲ ROA Margin Fees to VOD	▼ Gross Margin / Cost of Sales	▼ EBITDA Margin	Terminal Margin (Table 14)
	M 2	Subscriber Churn & Market Share Erosion	▲ Churn Rate → ▼ Contract Base (16.32 Mn)	▼ Service Revenue −8.1% FY25	▼ Revenue Growth / FCF	Net Adds + ARPU (Table 17)
Political / Regulatory Risk	P 1	Low-Band Spectrum Access & BNetzA Ruling	No Sub-1GHz → Dense Mid-Band	▲ NRA Dependency & ROA Margin	▲ WACC Premium	WACC × Terminal g (Table 14)
	P 2	50% Coverage Obligation by 2030	27% HH 2025 → 300+ sites per quarter	▲ CapEx €500–550 Mn p.a. 2027–28F	▼ FCF / Price Target	CapEx/Sales (Table 15, 16)
Operational Risk	O 1	Open-RAN Integration & Network Stability	May 2024 Outage (2–4d) Config Error	▲ Churn + CapEx + Audit Costs	▼ EBITDA ▲ WACC Uplift	Margin × WACC Sensitivity (Table 14)
Financial Risk	F 1	Spectrum Licensing & Funding to 2030	€513 Mn Spec. Liab. FY25 / €128 Mn p.a.	▼ ICR 3.7× → Refinancing Risk	▲ Leverage / UTDI Reliance	WACC & Debt (Table 14)

Appendix 7.4: Consolidation Scenario Breakdown

Table A. 26 - High-level Group Financials: 1U1 and TEF DE combined

Group financials (€'Mn)	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
TEF DE revenues	7,999	8,092	8,187	8,283	8,380	8,479	8,579	8,680
1U1 revenues	4,732	4,839	4,937	5,017	5,082	5,137	5,194	5,251
Intercompany revenues	345	336	320	296	288	270	275	280
New TEF DE revenues	**13,076**	**13,268**	**13,443**	**13,595**	**13,750**	**13,886**	**14,048**	**14,212**
TEF DE EBITDA	2,402	2,450	2,505	2,573	2,636	2,694	2,754	2,815
1U1 EBITDA	908	954	1,008	1,072	1,109	1,145	1,162	1,173
Removal network OpEx (1U1)	60	60	60	60	60	60	60	60
Other	-	-	-	-	-	-	-	-
New TEF DE EBITDA	**3,370**	**3,464**	**3,573**	**3,705**	**3,805**	**3,899**	**3,975**	**4,048**
TEF DE CapEx	980	1,030	1,050	1,020	1,020	1,020	975	900
1U1 CapEx	517	464	335	365	266	260	253	246
Removal of 1U1 CapEx	(517)	(464)	(335)	(365)	(266)	(260)	(253)	(246)
Incremental CapEx	150	150	150	150	150	150	150	150
New TEF DE CapEx	**1,130**	**1,180**	**1,200**	**1,170**	**1,170**	**1,170**	**1,125**	**1,050**
TEF DE Leases	848	877	908	940	963	987	1,012	1,037
1U1 Leases	74	94	110	124	135	144	153	162
Removal of 1U1 Leases	(74)	(94)	(110)	(124)	(135)	(144)	(153)	(162)

1U1 AG		TEF DE
Share price	20.4	2.3
Acquisition price	30.6	2.3
Shares (Mn)	177	2,975
Equity value	5,429	6,843

Leases for sites kept	74	74	74	74	74	74	74	74
New TEF DE Leases	**922**	**952**	**982**	**1,014**	**1,038**	**1,062**	**1,086**	**1,112**
Old DPS	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
New DPS	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
TEF DE number of shares	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975
New TEF DE number of shares	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335
TEF DE EFCF	452	413	407	449	467	493	566	669
New TEF DE EFCF	**1,011**	**1,010**	**1,046**	**1,140**	**1,189**	**1,241**	**1,323**	**1,433**
Current TEF DE EFCF/share	0.15	0.14	0.14	0.15	0.16	0.17	0.19	0.23
New TEF DE EFCF/share	**0.19**	**0.19**	**0.20**	**0.21**	**0.22**	**0.23**	**0.25**	**0.27**
% difference	25%	37%	43%	42%	42%	40%	30%	19%
Current TEF DE EPS	0.06	0.09	0.12	0.16	0.19	0.23	0.26	0.30
New TEF DE EPS	**0.10**	**0.13**	**0.17**	**0.21**	**0.24**	**0.28**	**0.32**	**0.36**
% difference	75%	49%	38%	32%	27%	24%	22%	19%
Old Net Debt/EBITDA	1.0	0.9	0.8	1.0	0.8	0.6	0.4	0.1
New Net Debt/EBITDA	**1.3**	**1.6**	**1.3**	**1.1**	**0.9**	**0.7**	**0.5**	**0.3**
Change in EFCF (€'Mn)								
EBITDA	908	954	1,008	1,072	1,109	1,145	1,162	1,173
CapEx	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Interest (Δ in Tower Leases)	(25)	(31)	(37)	(41)	(45)	(48)	(51)	(54)
Tax	(100)	(100)	(107)	(115)	(117)	(126)	(130)	(131)
Restructuring costs (DBe)	-	-	-	-	-	-	-	-
Change in leases	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(74)
Change in EFCF	**559**	**598**	**639**	**692**	**723**	**747**	**757**	**764**
Net Debt Bridge (€'Mn)								
Old Net Debt	2,519	2,244	1,975	2,614	2,147	1,654	1,088	418
1U1 (2026F Net debt)	3,040							
Other	-	-	-	-	-	-	-	-
Change in EFCF	559	598	639	692	723	747	757	764
Change in dividends	694	694	694	694	694	694	694	694
Closing net debt (New TEF DE)	**5,714**	**5,117**	**4,477**	**3,786**	**3,063**	**2,316**	**1,559**	**796**
Opening net debt	3,234	5,714	5,117	4,477	3,786	3,063	2,316	1,559
Average net debt	4,474	5,416	4,797	4,132	3,424	2,690	1,938	1,178

Sources: DB, Author Analysis and Company Data

Table A. 27 - FCFF (WACC), Integrated Approach: M&A

€'Mn	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	TV
M&A Scenario - Consolidation with TEF DE									
Increased OpEx to serve traffic	63	72	83	94	99	107	107	108	
Increased CapEx to serve traffic	80	100	110	130	140	150	150	150	
Increased OpEx and CapEx	**143**	**172**	**193**	**224**	**239**	**257**	**257**	**258**	
CapEx savings	312	319	220	225	146	150	153	156	
Lease savings	99	125	147	165	180	192	204	216	
Spectrum savings	-	-	-	-	-	-	-	-	
Network OpEx savings	220	225	225	225	225	230	230	230	
Savings on wholesale costs (VOD)	345	336	320	296	288	270	275	280	
Savings on network rollout	**976**	**1,006**	**912**	**910**	**839**	**842**	**862**	**883**	
Net benefit	**834**	**834**	**719**	**686**	**600**	**585**	**605**	**625**	
EBITDA impact	502	489	462	427	413	393	398	402	
Lease impact	99	125	147	165	180	192	204	216	
CapEx impact	232	219	110	95	6	(0)	3	6	
Tax impact	(215)	(217)	(199)	(192)	(179)	(176)	(181)	(186)	
Unlevered FCF	**618**	**617**	**520**	**495**	**421**	**409**	**424**	**438**	**445**

Source: Author Analysis and Company Data

Table A. 28 - FCFF (WACC) - PT Determination (€'Mn), Integrated Approach: M&A

€'Mn	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	TV
Unlevered FCF	**618**	**617**	**520**	**495**	**421**	**409**	**424**	**438**	**445**
WACC	6.3%	6.3%	6.4%	6.5%	6.6%	6.8%	6.9%	7.1%	7.1%
Disc. Factor	0.91	0.86	0.80	0.75	0.70	0.65	0.61	0.56	0.52
Discounted FCF	**565**	**529**	**418**	**372**	**296**	**268**	**257**	**245**	**232**

TV	**9,250**	**Synergies**	**0%**	**25%**	**50%**	**75%**	**100%**
PV TV	**4,834**	**PT (€/Sh.)**	**13**	**24**	**36**	**47**	**58**
PV Forecast Period	**3,182**						

Table A. 29 - WACC Determination: TEF DE

WACC Determination	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	TV
Cost of Equity									
Cost of Equity (D1/P0+g)	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**7.1%**	**7.1%**
Cost of Debt									
Cost of Debt	6.17%	6.17%	6.17%	6.17%	6.17%	6.17%	6.17%	6.17%	6.17%
Tax Rate	30%	30%	30%	30%	30%	30%	30%	30%	30%
After-tax cost of debt	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**	**4.3%**
WACC	**6.2%**	**6.3%**	**6.4%**	**6.5%**	**6.6%**	**6.7%**	**6.9%**	**7.1%**	**7.1%**
Weights									
Debt weight	30.3%	27.6%	24.4%	20.7%	16.5%	11.7%	6.3%	0.3%	0.3%
Equity weight	69.7%	72.4%	75.6%	79.3%	83.5%	88.3%	93.7%	99.7%	99.7%
Debt-to-Equity	43.4%	38.0%	32.3%	26.0%	19.7%	13.2%	6.8%	0.3%	0.3%

Source: Author Analysis and Company Data

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Maximilian Sebastian Keil, 30.06.2026

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Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10%