



# Annual General Meeting 2020

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Chief Executive

## Introduction

This year's AGM is unusual – indeed, to apply 2020's most overused word, it is unprecedented – and it comes at the end of a profoundly testing year for all of us.

In 2019-20, although it was good to report financial results in line with expectations, I do want to acknowledge that our share price did little to reward shareholders for their patience.

Allied to a difficult, but necessary, decision on the dividend, we know and recognise the impact this has had on investors.

Jan will speak about the long-term investment vision that underpins our strategy.

Just as important is the degree to which those investments put us ahead of a predictable curve...

...why, in other words, BT is a sound investment.

## BT as a sound investment

Last year, I spoke to you about our intensive work to build a better BT for the future.

Twelve months on, we face a period of real uncertainty: economic, political and, as we've seen in many countries, societal.

Never have the power and importance of communications for all aspects of society been more obvious.

So I want to explain why investing in BT is investing in a better future.

Though the Covid-19 crisis has challenged every aspect of our business, it has affirmed that our strategic course is the right one:

Firstly, we are building strong foundations. That means investment in next generation networks and a bold transformation programme to build a more efficient BT.

Secondly, we are innovating to create standout customer experiences through the convergence of those networks.

Thirdly, we are leading the way to a future in which our contribution to society is an integral part of our fortunes.

That third point is vital: in part it relates to our purpose as a company – we connect for good.

Yet it also means we are a trusted partner to people and organisations as they adapt to the technological revolution.

...Social value and investor value intrinsically linked.

Now, this isn't just a vision of the future; it's a road we are already speeding down, so let me briefly cover some of the progress from the past twelve months.

## Strategic progress

### **Strong foundations**

Having worked to secure the conditions for a transformative investment in full fibre broadband, we've now lifted our ambition to passing 20m UK premises by the mid- to late-2020s with the right conditions – underpinning the government's vision for the gigabit economy.

This is a doubling of the target I inherited as chief executive – a massive statement of intent with an estimated annual return of between 10% and 12%

In mobile, we were the first operator to launch 5G and we ended 2019/20 with 5G live in 80 UK cities and large towns for both BT and EE customers – covering 30% of the UK population.

The security of our networks is an absolute priority for BT.

The Government's revised proposals to remove Huawei equipment from 5G communication networks in the UK by the end of 2027, and consult on the future use of Huawei in FTTP networks, have logistical and cost implications for all communications providers in the UK market.

However, we believe the timescales outlined will allow us to make these changes without impacting on the coverage or resilience of our existing networks. They will also allow us to continue to rollout our 5G and full fibre networks without a significant impact on the timescales we've previously announced.

As we make these once-in-a-generation investments, we are taking radical action to build a more efficient BT.

The first phase of our £1.6bn savings programme was delivered ahead of schedule and we've laid out plans for a further £2bn of savings by early 2025.

To be clear, that's not just cost-cutting; it's a simpler set of products, brought to market faster; it's automated customer journeys on our new networks; it's ripping out old and slow processes and old IT.

It's also about tackling BT's culture head-on: demanding a faster, prioritised, less bureaucratic way of working. That's why – to give just one example – in responding to the demands from our colleagues and customers for faster action on ethnic diversity, we've cut through the usual processes with a Rapid Action Plan to drive meaningful change at pace across every level of BT.

### **Standout customer experiences**

Last year I promised a major investment in the products and services we offer our customers and we have delivered just that – the biggest ever launch of new products across the company.

We launched BT Halo – the UK's ultimate converged plan – to an outstanding response from consumer customers: almost a third of our home broadband base has already signed up to Halo, and soon we're building on that success with the launch of Halo for Business.

We've made it easier for our customers to access the support and advice they need: all consumer calls handled in the UK or Ireland; a new team of 900 Home Tech Experts; BT back on the high street.

We are investing in the technology that keeps us ahead of the game – for example, the cloud-based 'smart networks' that our multinational customers need...

...or our world-leading cyber security services that form such a vital part of what business customers need from their communications provider.

### ***Leading the way to a bright future: social and investor value linked***

When it comes to BT's social contribution, our Skills for Tomorrow programme aims to equip no fewer than 10m people with the skills they need to navigate the evolving digital world.

By helping our customers to use what we offer, it also typifies the organic connection between social and investor value.

And nothing has more clearly highlighted that connection than our response to Covid-19.

## Stepping up to Covid-19

I'm really proud of the way BT has met the challenge of this awful pandemic.

We've stepped up to meet the needs of our customers around the world, and...

...here in the UK, we've stood by our country at a time of acute need:

Connecting the Nightingale field hospitals;

Providing unlimited home broadband for all, unrestricted data for NHS workers, and extra support to millions of customers, from small businesses to vulnerable individuals;

Enabling intensive care patients to connect with their loved ones via video and GPs to securely access patient records from home;

The innovation and pace of delivery across these and countless other initiatives were a credit to the entire BT team.

By harnessing the power and scale of our networks and applying rapid innovation, we helped our critical public services to save lives.

This is BT at its best – solving problems; connecting for good.

We also strengthened our partnership with the NHS.

I'll say a little more about that in a moment, but first I want to address our commitment to one of the most embattled segments of BT's customer base: the UK's small businesses.

## Helping Britain move forward

As we confront the challenges of helping businesses bounce back, helping our economy leap forward, and helping to build post-Brexit prosperity, Britain needs a strong and visionary BT like never before.

Our high streets and local independent businesses have borne the brunt of the economic impact of Covid-19, with huge swathes forced to temporarily close their doors.

Yet we've all been inspired by how resilient and versatile they've been in adapting to the crisis and supporting their communities - from the local greengrocer switching to online deliveries to hairdressers giving advice via video chat.

As the country emerges from lockdown, these small businesses will need to adjust yet again and focus on rebuilding the momentum that's been lost over the past few months.

We know that access to the best technology, digital skills and other expertise is essential to help small businesses adapt and thrive into the future.

So in the coming weeks, we'll be setting out the details of a new action plan aimed at helping small businesses get back on their feet and poised for growth.....

## Tomorrow's BT connections

Vital though they are, the solutions of today are as nothing compared to the potential of tomorrow – and we are building the BT of tomorrow.

Let me give you just one example – our partnership with University Hospitals Birmingham has proved how 5G and haptic technology can diagnose patients directly from the ambulance, speeding up and improving treatment.

What happens here is that the paramedic performs an ultrasound using a haptic glove, guided by a clinician back at the hospital. The clinician is able to make the diagnosis en-route to hospital by viewing the patient's ultrasound image in real time.

Expert remote diagnosis, saving time, saving lives.

The advent of robotics, AI and the profusion of billions of connected devices will transform the way we live and work and the way in which services are provided.

Recent months have already seen many sectors leap ahead in their use of technology – but this is just the start.

The investments we are making are not a basic upgrade...

- nor are they based on conjecture about future demand.

We *know* what's coming and we are investing to put BT at the heart of it.

## Beyond networks

When I joined BT early last year, I spoke of my sense that the company had failed to capitalise on the last major wave of technological advance – the leap forward that brought the likes of Netflix, Spotify, Facebook and WhatsApp into the absolute mainstream.

Now, as we approach the next transformative phase, I am determined that we learn from that.

To do so, we must confront the harsh truth about our industry:

We are witnessing an exponential rise in data use.

We're seeing between 40 – 50% growth in data across our fixed and mobile networks *every year*.

But here's the problem: we don't charge purely on data consumption; this is not a toll road.

So we need to be smarter – much smarter – about how we capture the next wave.

Building a world class foundation of fibre and 5G is absolutely vital – but it's not enough: we need to be developing the next wave of solutions and applications which sit on top of that network.

That's why our research labs are buzzing as we develop the technologies that can harness the power of our converged network.

It's why we're partnering with numerous industries and sectors – just like the NHS...

The story about future patient care isn't some whimsical vision of the future; it's the surefire direction of travel for an organisation – one of many – that views BT as a vital partner – now and in the future.

That's the *real* opportunity for BT. Our ability to solve real world problems across society through our expertise in networks, cyber security, big data, and the internet of things. With the right government policy and a fair regulatory framework, this will put us at the epicentre of the transformation into a digital powerhouse that this country will need to stay competitive in the decades to come.

## Conclusion

We understand the perspectives of you, our shareholders.

We are candid about the long-term nature of our return.

Yet that is precisely because our strategy is based on a clear-eyed view of the future, not speculation.

To invest in BT is to invest in the next wave of global growth.

We are building strong foundations to capture that growth

- making landmark investments in the networks customers will need for decades to come
- transforming your company to make it leaner and more competitive.

We are investing to create standout customer experiences

- building value through the combined power of those networks; and...

We are leading the way to a bright future

- connecting for good, linking social value and investor value.
- building our business through smart partnerships to put BT at the centre of the future economy.

You are our most important partners in that endeavour and I thank you for your support.