



Annual General Meeting 202/

Philip Jansen
Chief Executive



BT Group plc Annual General Meeting – 15 July 2021

Philip Jansen, Chief Executive

Good morning and thank you for joining today's hybrid AGM.

We've made every effort to refine the remote element of the meeting, so I hope you will feel that it's a genuine chance to hear from - and question - us.

The AGM reviews the year behind us, and I will indeed give you an overview of the major developments from last year.

But I hope that you will also get a sense of the degree to which this company - *your* company - is leaning into the future.

We said at our full-year results in May that we are now set on a path to growth:

Today I'll explain precisely what that means, and why we are able to say it;

but...

I also want to give you a feel for the scale of change that we're making right across BT.

Last year I outlined the strong foundations we were laying.

Now they are beginning to take shape, I want to reassure you that we are pushing more rapid and radical change - not just talking about a better BT for the future, but getting on and building it.

20-21 overview

I make no apology for repeating what I have said so often this past year:

I am extremely proud of the way BT has stepped up in the face of the pandemic.

If ever a year showed the systemic importance of BT to the UK and beyond, this was it:

to give just one example, our teams handled over 32 million 999 calls.

Our guiding purpose

- to Connect for Good - has shone through.

Across the world, the BT team has gone the extra mile for our customers, keeping them, their families, friends and their businesses connected.



We launched a range of initiatives to help people, including our digital skills campaigns, Lockdown Learning programme and Small Business Support Scheme.

Our networks connected vaccination centres, mass testing locations, temporary hospitals - and of course, NHS staff and patients themselves.

Record high customer service ratings - for all four customer divisions, Consumer, Enterprise, Global and Openreach - reflect the outstanding efforts of all BT colleagues.

We've still got progress to make but these are good signs, demonstrating the value our customers place on the critical connectivity - as well as the improvements in experience and service - we've provided to them this year.

That doesn't mask the fact that the pandemic has, of course, been extremely hard for our colleagues.

We've focused our reward efforts on frontline staff, maximised job security, and took the decision not to use the Government's furlough scheme.

All this has been achieved against a backdrop of data traffic doubling on our fixed network during working hours, and a 42% increase in data usage on our EE mobile network during the year.

We've shown that we can adapt rapidly and work flexibly - precisely the qualities we're building on as we transform BT.

Despite the outstanding operational performance of our colleagues, our financial performance during the year was significantly impacted by Covid-19.

Revenue alone was around £1.5 billion lower than the previous year, and obviously this had a knock-on effect on our EBITDA and normalised free cash flow.

Path to growth

Nevertheless, BT emerges from lockdown a stronger business, a business on the path to growth.

In a moment, I'll set out why our current endeavours have given us confidence in our ability to drive growth.

First though, let me clarify what we *mean* by the path to growth.

There are three key points:

Starting with revenues:



declining legacy revenue streams won't vanish overnight, but the key point is that around two thirds of revenues are now pegged to inflation - that applies to most of what both Consumer and Openreach sell.

The post-pandemic bounceback, and the scope for cross-selling as we roll out ever-smarter products for seamless connectivity, plus the index-linking of a significant part of our revenue, gives us confidence that we can move the revenue line forward.

Secondly, on EBITDA: our drive to make BT more efficient is already easing cost pressures, so we anticipate growth starting this financial year to between £7.5 and £7.7 billion.

We've set out a clear EBITDA goal of £7.9bn in financial year 2023, and from that point onwards other factors - such as the energy efficiency of internet-based telephony, or the lower fault rate on full-fibre lines - will help push profitability higher still.

That, of course, allows investment into new growth areas such as cybersecurity, AI and data, and healthcare.

Finally, on cashflow: we're in the midst of a truly massive capital investment programme, and the impact of that will be felt on cashflows for the next three to five years.

Thereafter, however, they will increase sharply, giving us greater scope for our progressive dividend, and for further growth investment.

Removal of overhangs

So that's the shape of our return to growth, but why now?

What's made this past year so pivotal in transforming BT's fortunes?

The first factor has been the resolution of a number of uncertainties that have hung over the company, both operationally and in the eyes of investors.

In March, we secured new 5G spectrum at a very competitive cost which will allow us to take our 5G network to the next level.

As we moved into the current financial year, we extended the term of our Premier League broadcast rights for another three years - an important assurance for the future as we consider the best way to take our sports business to the next stage of growth.



All our current major sports rights are secured for at least the next three years.

At the same time, we announced the conclusion of our triennial funding valuation with the BT Pension Scheme Trustee.

The deficit has reduced by more than £3bn to £7.98bn, and the agreement we reached is good news for shareholders.

Additionally, I am delighted that last week we were able to announce a new agreement with the CWU, the union that represents many frontline BT colleagues.

To be clear, that's not just a deal to avert the threat of strike action;

it's a five year transformation plan that will see us working collaboratively as we evolve BT for the future. I have always been very clear that I see our unions as partners, and I pay tribute to Andy Kerr and colleagues who have lived up to that mantle.

All of these developments were critical in removing uncertainty and paving the way to growth, but the most vital of all was, as Jan mentioned, the outcome of the WFTMR, Ofcom's review of the dynamics of the fixed telecoms market.

This has given us more regulatory certainty than has been the case for many years, with the confidence of being able to earn a fair return on our full fibre investment.

Investing in digital connectivity

That leads me to the second major reason why we're now gearing up for growth: investment in next generation digital networks.

Let's deal with the basic facts first:

On fibre, we've both increased and accelerated our FTTP build plan by an additional 5 million to 25 million premises by December 2026.

We have the capacity to fund this additional build from internal resources and may well choose to do so.

However, to ensure we are maximising value to shareholders, we are exploring options to fund the additional 5 million premises through a joint venture with external parties.



We also continued to invest in EE's mobile network, hitting our target of doubling our 5G footprint and reaching 160 towns and cities.

That spectrum auction outcome I mentioned will allow us to continue growing our position as the UK's number one 5G network.

Both of these build programmes embody the spirit of the new BT - not just doing what we have to; going further and faster; straining for success.

As we invest in these two leading networks over the next decade or so, we will also combine them to create the UK's leading smart converged network.

This is the real point.

When we talk of investment, this is not some optional expansion of our business.

We are building "era-defining" infrastructure.

The power of our network will deliver growth for BT and wider economic prosperity for decades to come.

Right plan, right team

The third underlying reason for our growth trajectory is that - as the market is now beginning to acknowledge - we have the right plan and the right team.

In July 2020, we introduced BT's new strategic framework.

It comprises three pillars which support our ambition to be the world's most trusted connector of people, devices and machines.

Our network investments are the core of the first of those pillars - building the strongest foundations for the company - but there are other critical foundations.

Last year we set our target of £1bn annualised cost savings by 2023, rising to £2bn by 2025.

We've made very good progress in the first year, achieving £764m of savings in 2020/21, through a concerted drive to be ever more efficient - making swift and bold change to build a better company.

There's often a 'cod liver oil' quality to the way companies talk about cost savings - taking the unpleasant medicine we know is good for us.

However, our aim is not only greater cost efficiency, but better, faster processes.

We're forging ahead with automation, making things simpler for our customers and



making things simpler for our colleagues.

Our IT systems are being radically streamlined, we're closing legacy networks, reducing product variants, focussing on our core capabilities, and moving customers to digital services.

The foundations, of course, are human as well as operational.

We recently published our first Diversity & Inclusion Report which details a year of bold progress in addressing issues of racial equality, and sets out BT's clearest and most stretching targets for gender, disability and ethnicity representation.

At the heart of our strategic framework is the creation of standout customer experiences.

During the year, we broke new ground with the introduction of exciting products that will provide customers with the seamless connectivity they need:

we launched Halo 3+, the UK's first unbreakable broadband connection;

EE had a great launch of the Apple iPhone 12 in the Autumn; and Global launched

Eagle-i, our new security platform that will transform our managed services through proactive, predictive protection.

I've already mentioned the new growth areas that form part of our Strategic Framework.

I've been clear since I came to BT:

we will not repeat the experience of the past by building connectivity for others to monetise.

Our plan prioritises key areas - such as cyber security and data management - in which we are developing new platforms and services to harness the power of our own networks.

This will take time and have risks, but these areas will be important to our future.

I've been equally clear that we will grow BT in the right way, driving custom by growing trust.

Jan has explained how we are leaning in on the fight against climate change.



In the coming weeks, I'll be setting out our broader social impact agenda, explaining how we help people to navigate the challenges - and risks - of the new technological age.

During the year, I made changes to your Executive Committee - and to the way we operate across the organisation - to ensure we are best placed to continue delivering for our customers.

In January we announced two major new hires:

Harmeen Mehta joined from Bharti Airtel in the newly created role of Chief Digital & Innovation Officer;

and Rob Shuter became CEO of Enterprise, joining us from MTN.

Just in case it's not clear, Rob and Harmeen have not come here to preside over the status quo.

Both are charged - by me and the Board - with leading radical transformation in their areas.

They're already making their mark, and a year of bold change lies ahead.

With a strengthened executive team now in place, we are set to accelerate our progress to modernise BT and return this business to growth.

Thanks to Jan

As Jan mentioned, in March he announced his intention to retire as our Chairman.

He is still very much at the helm, and will remain so until his replacement has been identified and brought on board.

Jan has overseen the blueprint for the transformation in BT's fortunes that I have just outlined.

His insight and experience have guided an overhaul of some of the company's most critical relationships, not least that with the regulator, Ofcom.

On behalf of everyone at BT, including the Board and the Executive Committee, I wish him all the very best for his retirement, thank him for his wise counsel, and congratulate him on a truly outstanding and accomplished career.



So, to conclude.....

The last year can't be described as a 'good year' for anyone.

It was a year of suffering - challenges for everyone;
personal tragedy for far too many.

It is, however, a year from which we move on with optimism and renewed confidence.

BT has shown its best qualities in recent months - changing things up fast to maximise our help to the customers and communities who rely on us.

Impressively, it's been a year of genuine progress:

- uncertainties swept away;
- investment for growth forging ahead;
- our vision becoming reality as a new BT emerges.

For a long time, BT has felt burdened - hampered by its own complexity; stymied by the challenges it faced.

Not any more.

We have a lot to do but we are on the front foot.

The future looks good - it is possible for BT to be a modern, streamlined company on a mission to seize the opportunities of the next technological age.

Thank you for being part of that.