



# BT Group plc Q1 2020/21 trading update

31 July 2020

# Forward-looking statements caution

This presentation contains certain forward-looking statements which are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements include, without limitation, those concerning: the potential impact of Covid-19 on our people, operations, suppliers and customers; current and future years' outlook, including without limitation to revenue, adjusted EBITDA, capital expenditure and normalised free cash flow; strategy; revenue and revenue trends; EBITDA and profitability; free cash flow; capital expenditure; return on capital employed; shareholder returns including dividends and share buyback; net debt; credit ratings; our group-wide transformation and restructuring programme, cost transformation plans and restructuring costs; investment in and roll out of our fibre network and its reach, innovations, increased speeds and speed availability; our broadband-based service and strategy; investment in and rollout of 5G; the investment in converged network; improvements to the customer experience; our investment in TV, enhancing our TV service and BT Sport; the recovery plan, operating charge, regular cash contributions and interest expense for our defined benefit pension schemes; effective tax rate; growth opportunities in networked IT services, the pay-TV services market, broadband, artificial intelligence and mobility and future voice; growth of, and opportunities available in, the communications industry and BT's positioning to take advantage of those opportunities; expectations regarding competition, market shares, prices and growth; expectations regarding the convergence of technologies; plans for the launch of new products and services; network performance and quality; the impact of regulatory initiatives, decisions and outcomes on operations; BT's possible or assumed future results of operations and/or those of its associates and joint ventures; investment plans; adequacy of capital; financing plans and refinancing requirements; demand for and access to broadband and the promotion of broadband by third-party service providers; improvements to the control environment; and those statements preceded by, followed by, or that include the words 'aims', 'believes', 'expects', 'anticipates', 'intends', 'will', 'should', 'plans', 'strategy', 'future', 'likely', 'seeks', 'projects', 'estimates' or similar expressions.

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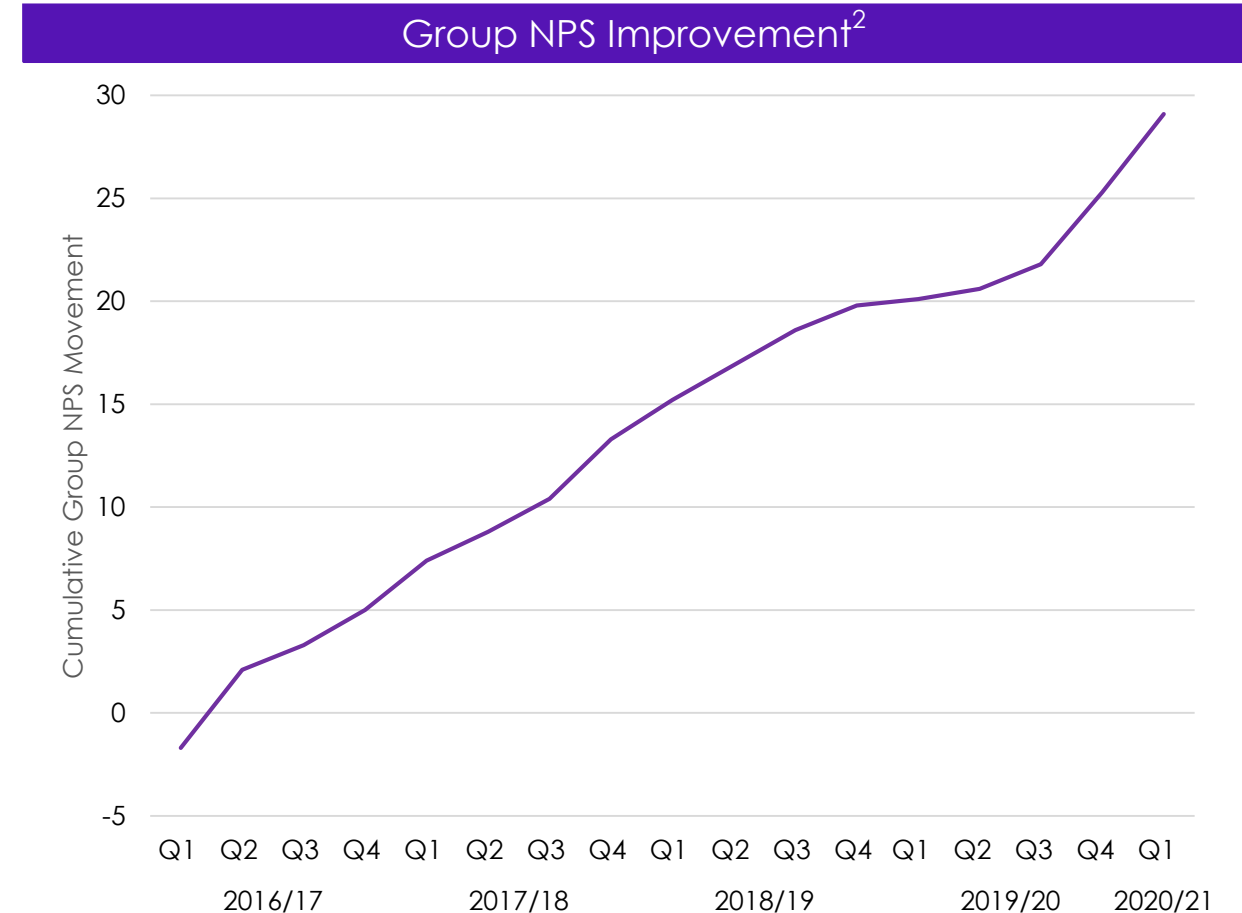
**Philip Jansen**  
**Chief Executive**

# Our three-pillar strategy is how we'll realise our ambition, growing value for all stakeholders



# Q1 highlights – strong operating performance

- Continued to support customers and colleagues through Covid-19 crisis
- Relatively resilient set of financial results despite the difficult circumstances
- Sustainable adjusted EBITDA growth beyond this year
- Positive progress on a number of key enablers
  - proposed extension of indexation into Area 3
  - constructive discussions with CPs to drive FTTP<sup>1</sup> take-up
- Limited impact from revised guidance on Huawei
  - additional costs can be absorbed
- 16<sup>th</sup> consecutive quarter of NPS<sup>2</sup> improvement
- EE winner of all seven UK RootMetrics' awards in H1 2020, including six outright wins



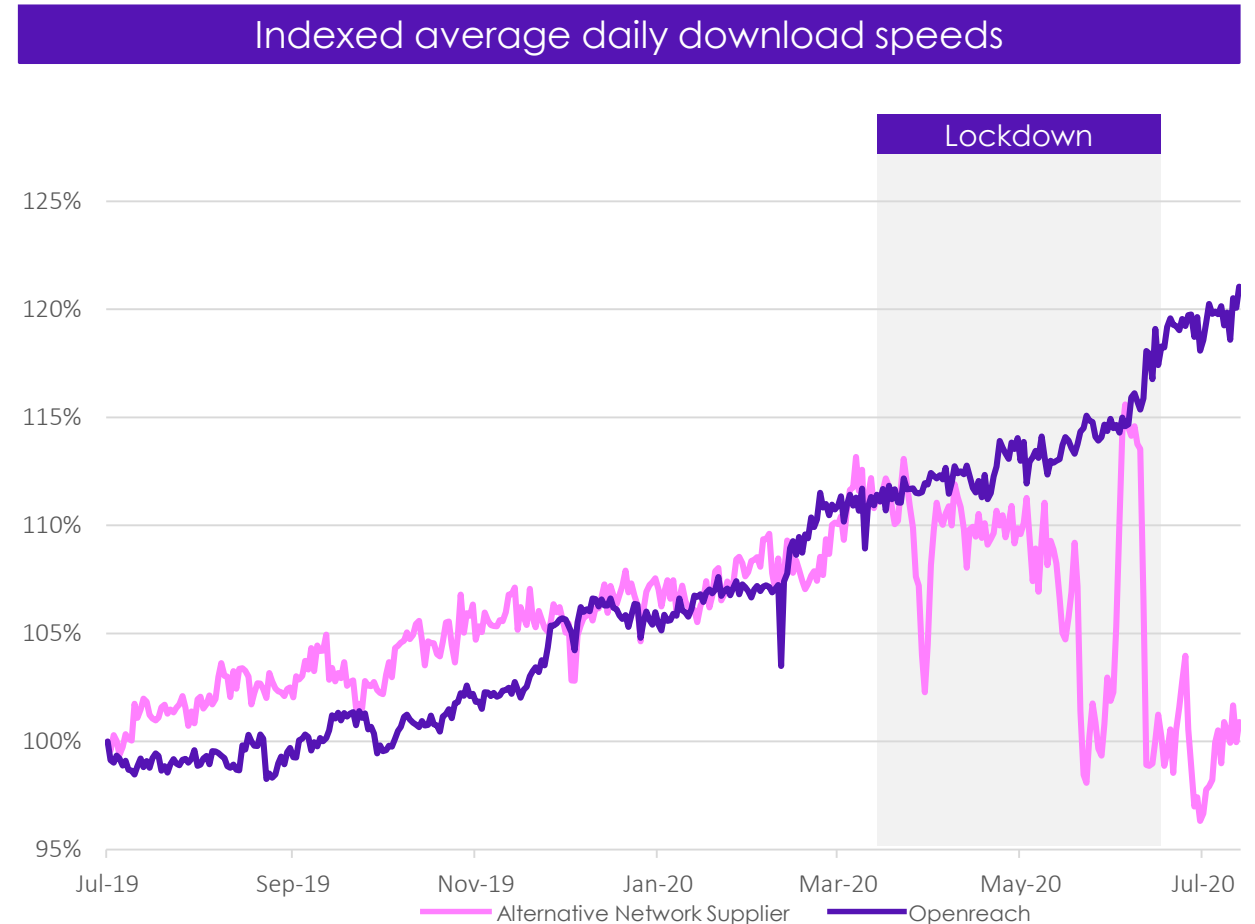
<sup>1</sup>Fibre-to-the-premises

<sup>2</sup>Group net promoter score (NPS) shows the cumulative movement in our customers' perception of BT since April 2016. It's a combined measure of 'promoters' minus detractors across our business units



# Our response to Covid-19 – further supporting customers and colleagues

- Collaboration on remote diagnostic station in hospitals
- New resources released to support home schooling
- Working with Jobcentre Plus to run webinars to help jobseekers
- Mitigation actions successfully embedded
  - collaboration with suppliers
  - tighter group-wide recruitment controls
- Retrained colleagues who were unable to work while retail stores were forced to close
- Leading the way with our wellbeing support for colleagues
- Openreach access network continues to show resilience and superior performance



Index of average speeds across entire sample of volunteers of each provider. Openreach includes samples from BT, Sky, TalkTalk, and Vodafone only. Average weekly volunteer counts (across charted period) – BT 880, Sky 437, TalkTalk 387, Vodafone 175, Alternative Network Supplier 569. Mix of propositions within each ISP not necessarily representative; volunteer sample subject to turnover.  
Source: SamKnows



# Q1 results summary

	Q1 2020/21	Q1 2019/20	Change
<b>Adjusted revenue<sup>1</sup></b>	£5,250m	£5,633m	(7)%
<b>Adjusted EBITDA<sup>1</sup></b>	£1,813m	£1,958m	(7)%
<b>Reported capex</b>	£927m	£931m	-
<b>Normalised free cash flow<sup>2</sup></b>	(£49m)	£323m	(115)%

<sup>1</sup> before specific items

<sup>2</sup> Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items

# Consumer – strong service performance, Covid-19 headwinds to reduce

- Revenue down 7%, driven by
  - BT Sport impact
  - store closures, partly offset by better churn and digital mix
- EBITDA down 15%, driven by
  - revenue decline, partly offset by sports rights rebates, lower recruitment and sales costs
  - copper to superfast upgrades
- Continuing headwinds from
  - Covid-19 impact on roaming, PAYG<sup>1</sup>, BT Sport pubs & clubs
  - lower end-of-contract price increases, copper to superfast upgrades
- Fixed and mobile churn both down to 1%
- 2m Halo customers; 0.5m FTTP customers
- Robust customer service performance during lockdown

	Q1 2020/21	Q1 2019/20	Change
Revenue	£2,362m	£2,550m	(7)%
EBITDA	£501m	£588m	(15)%



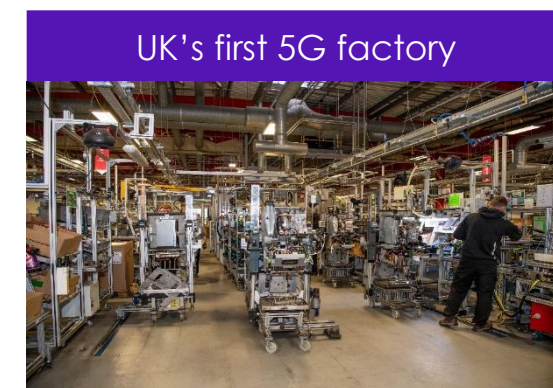
<sup>1</sup>Pay as you go



# Enterprise – slower business activity but continuing to lower costs

- Revenue down 9%
  - sharply reduced business activity in particular in SME across fixed and mobile
  - ongoing declines in legacy products
- EBITDA down 13%
  - driven by revenue decline, partly offset by cost transformation programmes
- Rolling 12-month order intakes: retail up 14%; wholesale down 15%
- Continuing headwinds from
  - Covid-19 impact on business insolvency, slower decision making and continued lower calls usage
- Small Business Support Scheme launched to help boost connectivity, cash flow and confidence
- Enabled UK's first 5G factory installation with Worcestershire 5G Consortia

	Q1 2020/21	Q1 2019/20 <sup>1</sup>	Change
Revenue	£1,352m	£1,483m	(9)% <sup>2</sup>
EBITDA	£406m	£465m	(13)% <sup>2</sup>



<sup>1</sup>On 1 April 2020, Supply Chain and Pelipod, which serve several parts of BT, were transferred from Enterprise to the central procurement team and as a result will now be reported in Group 'Other' financial results. The prior year comparative for Enterprise and Other CFU results has been restated to reflect this. Refer to the announcement on 29 June 2020 for further information

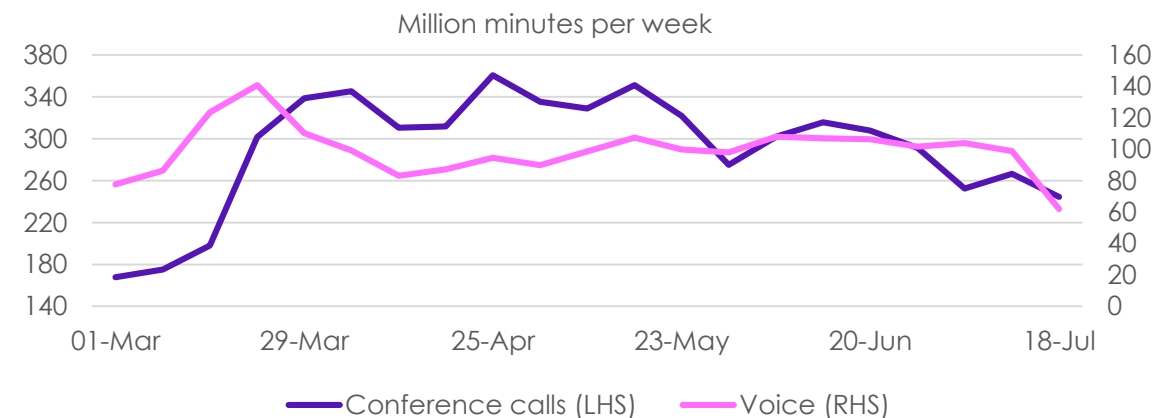
<sup>2</sup>Year-on-year percentage change figures include the impact of divestments. Excluding the impact of divestments Q1 2020/21 revenue decreased 6% and EBITDA decreased 12%

# Global – transformation and cost mitigating actions drive EBITDA growth

- Revenue down 9% driven by
  - Covid-19 related lower non-contracted business and milestone slippages
  - divestments, legacy portfolio declines and strategic decisions on low margin business
- EBITDA up 1% despite revenue decline due to
  - reduction in operating costs from ongoing transformation
  - certain one-offs and Covid-19 cost mitigation actions
- Completed the sale of our domestic business in Spain, and agreed the sale of our domestic operations in France
- Excluding the impact of divestments, revenue was down 7% and EBITDA was up 4%
- Continuing headwinds from
  - reduced spend and a cautious approach from MNCs<sup>1</sup> due to Covid-19

	Q1 2020/21	Q1 2019/20	Change
Revenue	£990m	£1,085m	(9)%
EBITDA	£141m	£140m	1%

## Conference call and voice volumes (selected products)



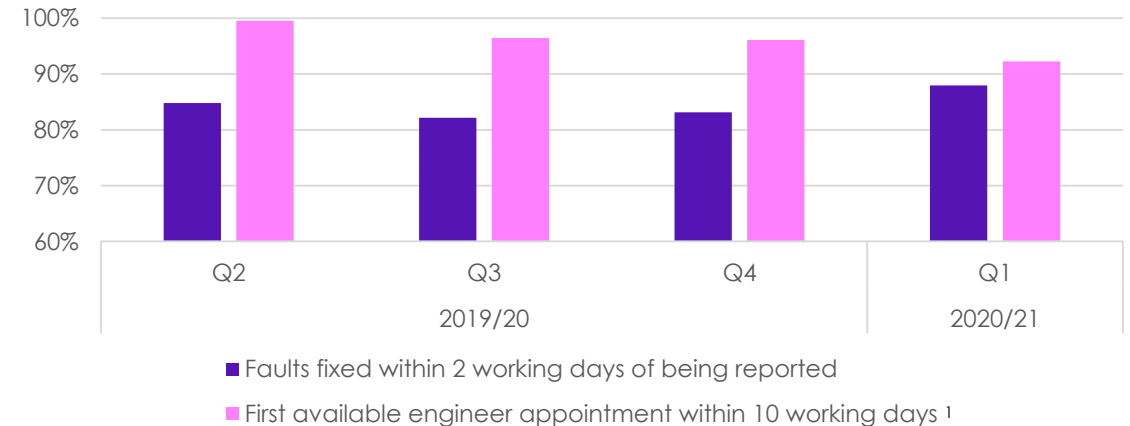
<sup>1</sup>Multi-national customers

# Openreach – FTTP build on track and service levels maintained

- Revenue up 1%
  - higher fibre and Ethernet volumes
  - partly offset by declines in legacy products and price reductions
- EBITDA up 2%
  - revenue growth
  - partly offset by investments in colleagues to deliver better service
- Covid-19 impact mitigated by short term reductions in discretionary spend and overtime payments, and re-phasing of recruitment
- Achieved 41 out of Ofcom's 42 quality of service measures despite Covid-19
- Copper stop-sell from June 2021 covering 1.2m FTTP-enabled premises

	Q1 2020/21	Q1 2019/20	Change
Revenue	£1,286m	£1,268m	1%
EBITDA	£729m	£717m	2%

Achieved 41 of 42 quality of service measures despite Covid-19



<sup>1</sup>Prior to Q1 2020/21, the percentages shown refer to a 12 working-day target

# 2020/21 financial outlook

	2019/20 actual	2020/21 outlook
<b>Change in adjusted revenue<sup>1</sup></b>	(2.7)%	down 5-6%
<b>Adjusted EBITDA<sup>1</sup></b>	£7,907m	£7.2bn-7.5bn
<b>Reported capex</b>	£3,960m	£4.0bn-4.3bn
<b>Normalised free cash flow<sup>2</sup></b>	£2,011m	£1.2bn-1.5bn

Sustainable adjusted EBITDA growth beyond this year

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