



BT Group plc Q3 2020/21 trading update

4 February 2021

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, and BT's response to Covid-19; the potential impact of Brexit on our people, operations, suppliers and customers; current and future years' outlook; revenue and revenue trends; EBITDA and profitability; free cash flow; capital expenditure and costs; return on capital employed; return on investment; shareholder returns including dividends and share buyback; net debt; credit ratings; capital markets; our group-wide transformation and restructuring programme (including the establishment of any new business units), 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 and customer perceptions; 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 technologies, 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, customers (including spend), prices and growth; expectations regarding the convergence of technologies; plans for the launch of new products, platforms and services; retail and marketing initiatives including pricing and account reviews; network performance and quality; the impact of regulatory, governmental and/or legislative 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 (including mergers and acquisitions); modernisation plans; adequacy of capital; financing plans and refinancing requirements; divestments; demand for and access to broadband and the promotion of broadband by third-party service providers; improvements to the control environment; digital skills, climate/environment, responsible tech/human rights and diversity/inclusion targets (including plans in respect of operations, progress monitoring/reporting, engagement, resources, training and recruitment); investigations and litigation; 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.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: the duration and severity of Covid-19 impacts on our people, operations, suppliers and customers; failure to respond effectively to intensifying competition and technology developments; failure to address the lingering perception of slow pace and connectivity in broadband and mobile coverage, which continues to be raised at a UK parliamentary level; undermining of our strategy and investor confidence caused by an adversarial political environment; challenges presented by Covid-19 around network resilience, support for staff and customers, data sharing and cyber security defence; unfavourable regulatory changes; attacks on our infrastructure and assets by people inside BT or by external sources like hacktivists, criminals, terrorists or nation states; a failure in the supplier selection process or in the ongoing management of a third-party supplier in our supply chain, including failures arising as a result of Covid-19; risks relating to our BT transformation plan; failure to successfully manage our large, complex and high-value national and multinational customer contracts (including the Emergency Services Network and the Building Digital UK (BDUK) programme) and deliver the anticipated benefits; changes to our customers' needs, budgets or strategies that adversely affect our ability to meet contractual commitments or realise expected revenues, profitability or cash generation; customer experiences that are not brand enhancing nor drive sustainable profitable revenue growth; pandemics, natural perils, network and system faults, malicious acts, supply chain failure, software changes or infrastructure outages that could cause disruptions or otherwise damage the continuity of end to end customer services including network connectivity, network performance, IT systems and service platforms; insufficient engagement from our people; adverse developments in respect of our defined benefit pension schemes; risks related to funding and liquidity, interest rates, foreign exchange, counterparties and tax; failures in the protection of the health, safety and wellbeing of our employees or members of the public or breaches of health and safety law and regulations; financial controls that may not prevent or detect fraud, financial misstatement or other financial loss; security breaches relating to our customers' and employees' data or breaches of data privacy laws; failure to recognise or promptly report wrongdoing by our people or those working for us or on our behalf (including a failure to comply with our internal policies and procedures or the laws to which we are subject); and the potential impacts of climate change on our business.

BT undertakes no obligation to update any forward-looking statements whether written or oral that may be made from time to time, whether as a result of new information, future events or otherwise.

Philip Jansen
Chief Executive

Q3 highlights – making good progress on strategic objectives

- Results in-line with our expectations:
 - reiterating 2020/21 outlook; lifting the lower end of normalised free cash flow to £1.3bn - £1.5bn
- Important changes to support the next phase of modernisation:
 - creation of new Digital unit, to be led by Harmeen Mehta
 - established a stand-alone procurement company to allow simpler processes and drive efficiencies
- WFTMR¹ statement expected in March 2021:
 - framework largely positive for investment
 - some key points of clarity still needed from Ofcom and Government
 - BT ready and willing to 'fibre up' the UK



¹ Wholesale Fixed Telecoms Market Review

Strategic pillars – build the strongest foundations

- 5G now live in 125 towns and cities
- 4.1m premises passed with FTTP¹ at quarter end:
 - on track to reach 4.5m premises passed by March 2021
- 790k Openreach FTTP customers at quarter end:
 - Consumer added a record 88k connections, taking its base to 686k
 - first stop sell live in Salisbury, extending to 2.2m premises by January 2022
- Modernisation:
 - Global agreed the sale of selected Italian businesses
 - 30% reduction in product variations in Global portfolio
 - removing c.30% of promotions from Consumer portfolio

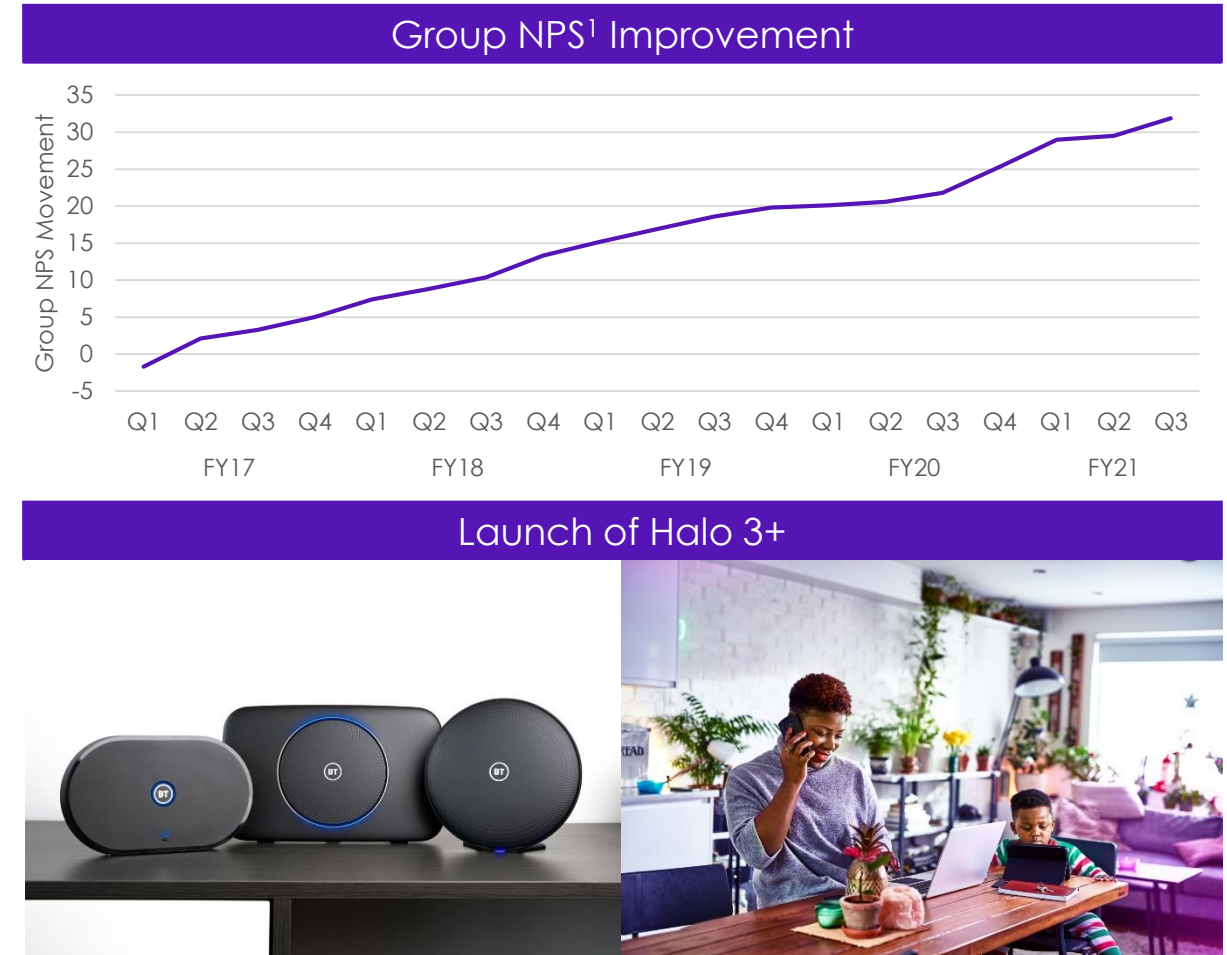


¹ Fibre-to-the-premises

Strategic pillars - create standout customer experiences

- Group NPS¹ has increased for the 18th consecutive quarter
- BT brand at record NPS evidenced by strong BT sales and churn performance
- Mobile:
 - complaints are the lowest of all major MNOs²
 - EE won all seven of Rootmetrics' test categories for the second half of 2020
- Hybrid connectivity with launch of Halo 3+
- New WhatsApp B2B³ contact channel – NPS above 60
- Openreach service improving despite increased faults:
 - Q3 copper and fibre "On Time Repair" up 3.2 percentage points
 - 90% of customers offered first appointment within 10 days, up 9.2 percentage points on prior year

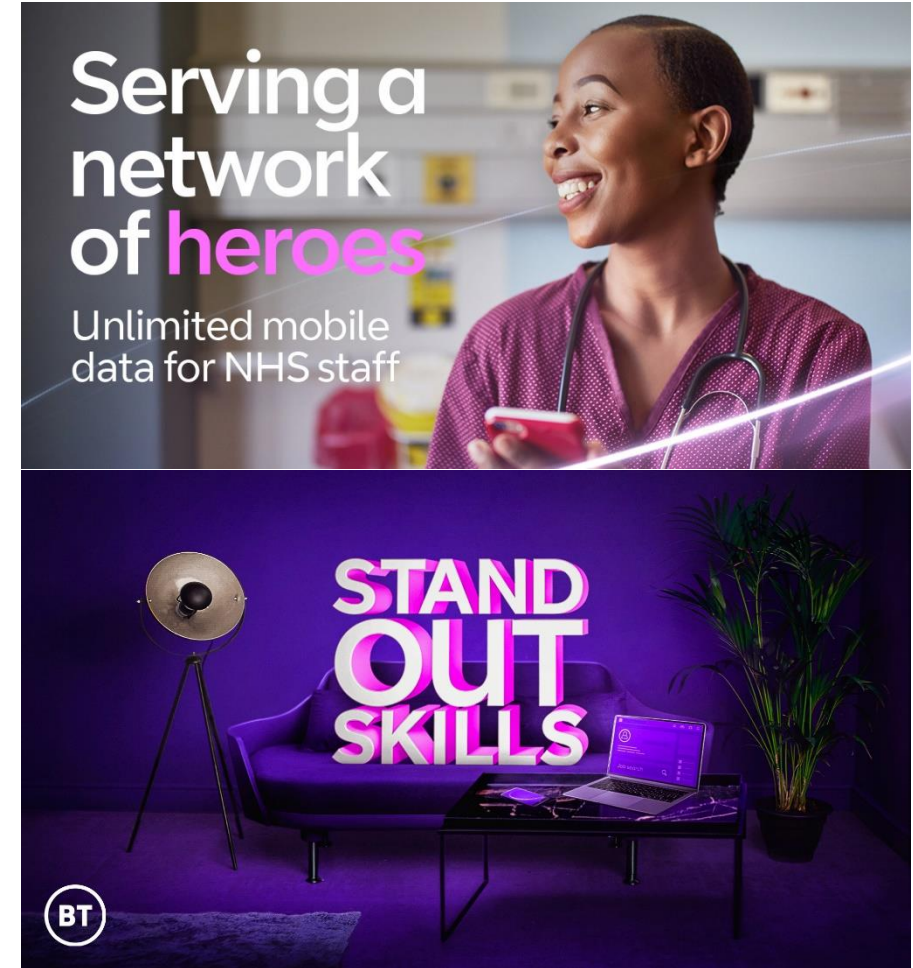
¹ Net Promoter Score
² Mobile Network Operator
³ Business-to-Business



Strategic pillars - lead the way to a bright, sustainable future

- 100% of our electricity, worldwide, sourced from renewables
- Ambition to move all of Openreach's 28k vehicles to electric power by 2030
- Connecting the nation during the pandemic:
 - new and improved connectivity for key NHS locations
 - Life Lines Project providing video enabled tablets to ICUs¹
 - free EE mobile data for NHS staff
 - launch of Lockdown Learning:
 - providing free, unlimited mobile data
 - free Wi-Fi vouchers for schools and charities
 - zero rating some of the most popular educational websites
- Launch of our Stand Out Skills campaign providing job-seekers with free tips, resources and advice

¹ Intensive Care Units



Q3 financial highlights – 2020/21 results in-line with our expectations

	Q3 2020/21	Q3 2019/20	Change		2020/21 outlook
Adjusted revenue¹	£5,477m	£5,779m	(5)%	Change in adjusted revenue¹ Unchanged	Down 5% to 6%
Adjusted EBITDA¹	£1,882m	£1,977m	(5)%	Adjusted EBITDA¹ Unchanged	£7.3bn - 7.5bn
Reported capex	£1,061m	£995m	7%	Reported capex Unchanged	£4.0bn - 4.3bn
Normalised free cash flow²	£408m	£396m	3%	Normalised free cash flow² Lifted lower end of range	£1.3bn - 1.5bn

Expect adjusted EBITDA¹ of at least £7.9bn in 2022/23 and sustainable growth thereafter

¹ Before specific items

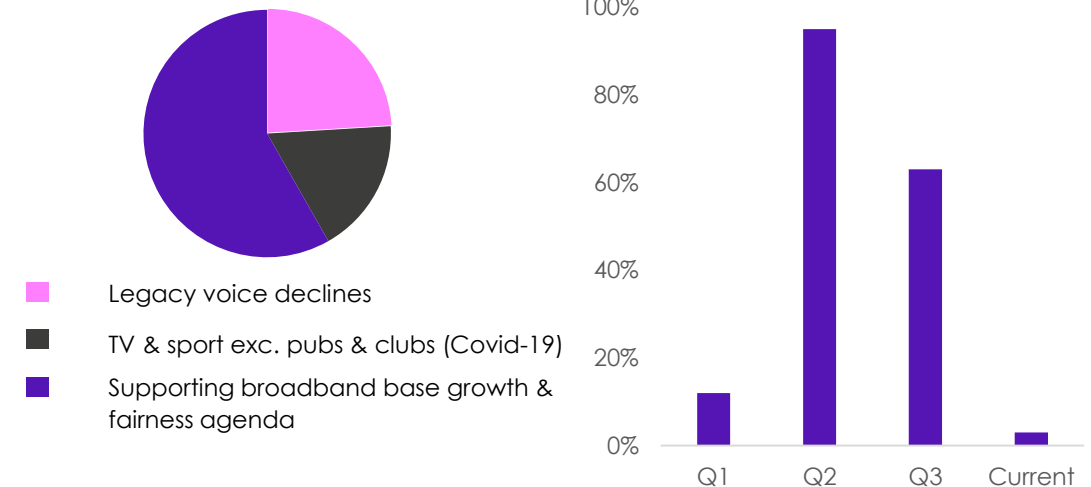
² Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items

Consumer – FTTP and 5G strong but further Covid-19 impact expected in Q4

- Revenue down 3%:
 - Mobile: partial closure of retail stores, lower roaming
 - Fixed & Other: BT Sport pubs and clubs impact, supporting base growth
- EBITDA down 14%:
 - driven by revenue decline, and investment in customer experience to support base growth
- Post-paid mobile ARPC¹ down 6.9% to £18.9:
 - more SIM only; lower out of bundle use and roaming due to Covid-19
- Fixed ARPC down 5.8% to £36.0:
 - investments in fairness and long term base growth; legacy voice decline
- 5G ready base >2.1m; record FTTP growth to 686k customers
- Enhancing customer experience – Halo 3+ and improved NPS
- CPI² +3.9% price change starting April 2021

	Q3 2020/21	Q3 2019/20	Change
Revenue	£2,621m	£2,701m	(3)%
EBITDA	£535m	£620m	(14)%

Q3 fixed revenue decline (7.1%) YoY	Proportion of retail stores open during 2020/21
-------------------------------------	---



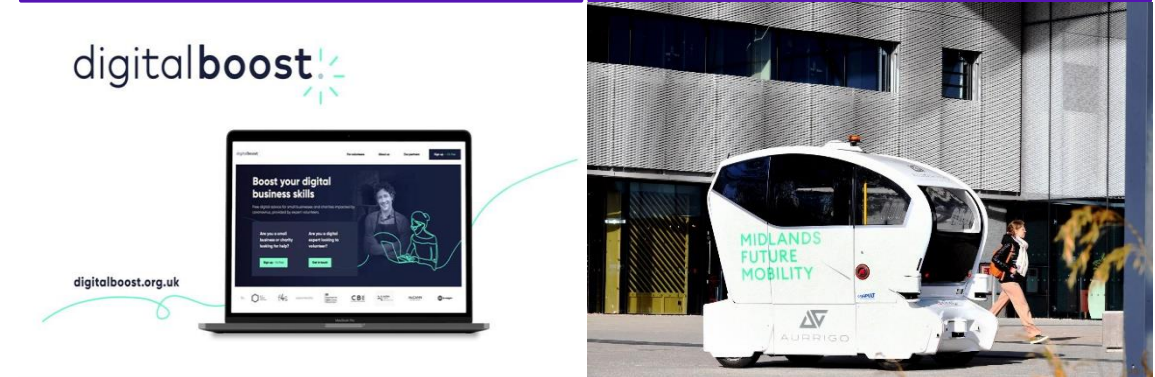
9 ¹ Average Revenue Per Customer
² Consumer Price Index

Enterprise – continued Covid-19 impacts but ongoing focus on transformation, innovation and partnerships

- Revenue down 6% due to:
 - continued impact from Covid-19 and ongoing declines in legacy products
- EBITDA down 10%:
 - reflects revenue decline, partly offset by lower costs which benefited from our transformation programme
- Rolling 12-month order intakes: retail up 8%; wholesale up 5%
- Since the relaunch of Halo for Business c.25k businesses are able to stay better connected to their customers
- Launched mentoring partnership with Digital Boost to support SMEs²
- Collaborated with the University of Warwick and Warwickshire County Council to switch on the UK's first dedicated public 5G network for a connected campus
- Extended our partnership with RingCentral

	Q3 2020/21	Q3 2019/20 ¹	Change
Revenue	£1,376m	£1,458m	(6)%
EBITDA	£435m	£481m	(10)%

BT & Digital Boost partnership 5G connected campus



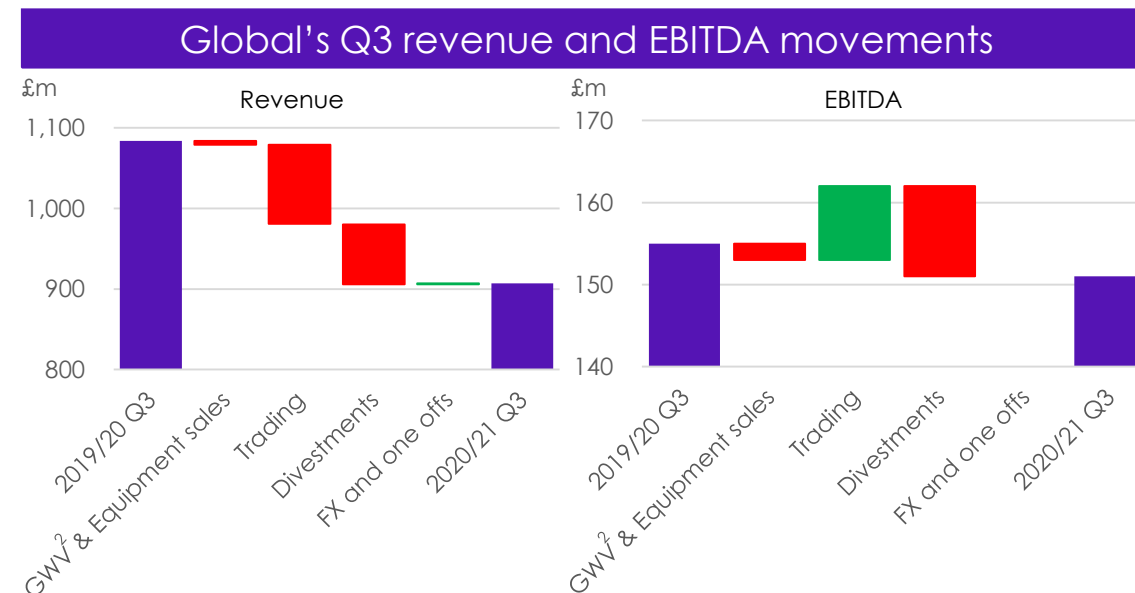
¹On 1 April 2020, Supply Chain and Pelipod, which serve several parts of BT, were transferred from Enterprise to the central procurement team and as a result are now being reported in Group 'Other' financial results. The prior year comparative for Enterprise and Other CFU results has been restated to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

²Small-medium Enterprises

Global – continued execution of strategy helping to reduce Covid-19 impact

- Revenue down 16%:
 - negative impact of Covid-19, divestments, mature and legacy declines, and FX¹ movements
 - excluding divestments and FX revenue was down 11%
- EBITDA down 3%:
 - revenue decline and divestments
 - offset by cost transformation & Covid-19 mitigation actions
 - excluding divestments, EBITDA was up 5%
- Rolling 12-month order book up 1% to £4.1bn
- Q4 and subsequent periods will be impacted by reduced spending and more caution from our multinational customers
- Agreed the sale of selected domestic operations in Italy
- Completed the sale of selected domestic operations and infrastructure in Latin America and France

	Q3 2020/21	Q3 2019/20	Change
Revenue	£907m	£1,084m	(16)%
EBITDA	£151m	£155m	(3)%



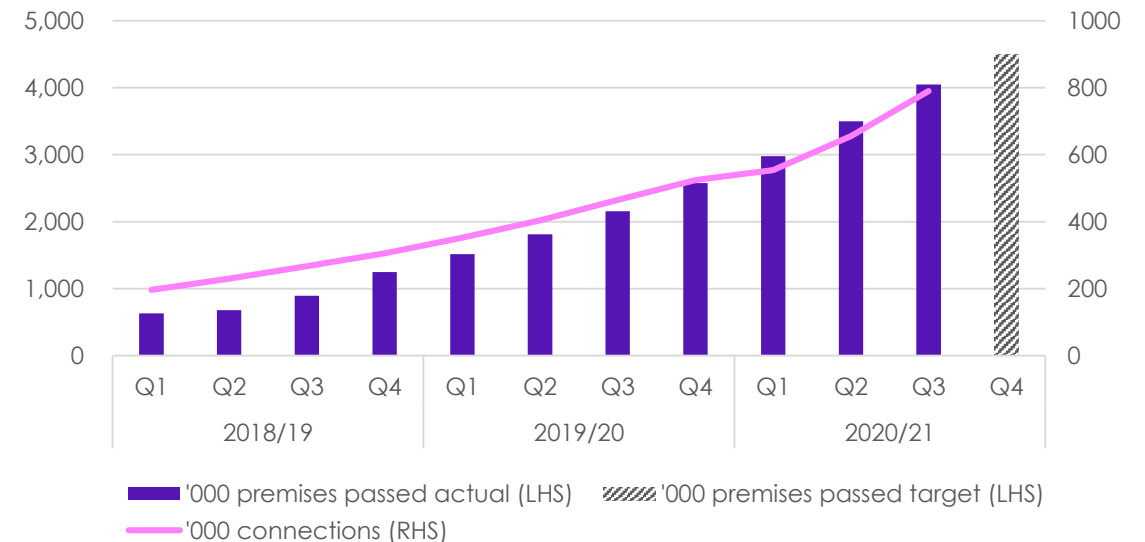
¹ Foreign Exchange
² Global Wholesale Voice

Openreach – record levels of FTTP build and orders










- Revenue up 2% driven by:
 - higher fibre and Ethernet volumes
 - partly offset by a decline in legacy copper products
- EBITDA up 5% driven by revenue growth
- FTTP reached record levels in Q3:
 - average run rate of 42k premises passed per week
 - passed 4.1m premises with FTTP at quarter end
 - 17k orders per week
- Awarded third R100 contract covering the North of Scotland
- Not anticipating any material trading impacts as a result of the latest Covid-19 restrictions in the current financial year
- FTTP build remains on track to reach 4.5m premises by March 2021

	Q3 2020/21	Q3 2019/20	Change
Revenue	£1,313m	£1,281m	2%
EBITDA	£758m	£722m	5%

On track to pass 4.5m premises with FTTP by March 2021



WFTMR framework largely positive, some key points of clarity still needed

Enabler ¹	Current position	BT view
Indexation of legacy services	CPI indexation of legacy services in competitive and prospectively competitive areas	
Premium for FTTP	Premium of £1.50 to £1.85 per month for the 40/10 Mbps FTTP anchor product with pricing flexibility above the anchor product	
Area 3	Openreach committed to 3.2m premises, following clarification that Area 3 will see same regulation as Area 2	
Switchover	Legacy copper stop-sell at 75% ultrafast coverage by exchange area. Further two years to withdraw legacy copper services regulation	
Long term contracts	Limitations on long term volume-linked contracts. Market interest in deals that support copper to FTTP migration enhanced by copper stop-sell regulation	
Geographic pricing flexibility	Geographic pricing only allowed on case-by-case basis if Ofcom grants consent. BT Enterprise ducts level playing field. Dark fibre pricing should not incentivise use for FTTP	
Barrier busting	Welcome proposals for wayleaves, building access and mandating FTTP to new premises, now needs to be confirmed in legislation	
Cumulo business rates	Requested commitment to exempt FTTP from business rates, engaging via HMT's ongoing broad-based Business Rates Review	
Fair Bet	Firm commitment to the principle with commitment to a period of minimum forbearance. Need intent translated into specifics in WFTMR statement. Critical for our investment	

¹ Our view is based on Ofcom's latest consultations (except for Cumulo and barrier busting which are dependent on Government, and long term contracts)

Summary – making good progress on strategic objectives

- Results in-line with our expectations:
 - reiterating 2020/21 outlook; lifting the lower end of normalised free cash flow to £1.3bn - £1.5bn
- Important changes to support the next phase of modernisation:
 - creation of new Digital unit, to be led by Harmeen Mehta
 - established a stand-alone procurement company to allow simpler processes and drive efficiencies
- WFTMR statement expected in March 2021:
 - framework largely positive for investment
 - some key points of clarity still needed from Ofcom and Government
 - BT ready and willing to 'fibre up' the UK



