



BT Group full year results FY21

Media call: Philip Jansen script (13.5.2021)

Morning everyone and thank you for joining us.

As you will have seen, we have a number of announcements out this morning on fibre build and the pension, alongside our full year results so I will cover the detail on these and spend a bit of time looking at where BT is today and where we expect to be in the future.

Our financial results for the full year were in-line with expectations so I'm not going to spend time talking you through the numbers but Simon Lowth, our CFO, is on the call with me and we will be happy to address any questions later.

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I want to spend a few minutes on the big picture, and three things in particular:

- First, how we have stabilised the business over the past couple of years to build strong foundations for the future;
- Second, how BT has delivered for customers, our colleagues and the country during the pandemic and is emerging as a more resilient and competitive organisation; and
- Finally, how, as BT emerges from lock-down a stronger organisation, and one that is firmly positioned for a pivot to growth.

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Over the past few years we have done a huge amount to strengthen the business and seen a number of uncertainties removed:

- In March, Ofcom published the outcome of the WFTMR, which gives us more regulatory certainty than has been the case for many years, giving us confidence of being able to earn a fair return on our FTTP investment.
- In mobile, we have extended our 4G coverage and doubled our 5G network during the year, now reaching 160 towns and cities with broader and more highly rated coverage than any other operator. 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.



- We are making strong progress on the modernisation of BT and are ahead of our planned savings targets. We have today announced gross annualised savings of £764 million just 1 year into our 3-year programme to achieve £1 billion of savings by 2023.
- We have made a number of senior leadership changes and created a new Digital unit, and I am confident that we are now better placed to really modernise the business and deliver for customers.
- Meanwhile, we've kept a relentless focus on our customers which has driven consistent improvements in customer satisfaction and resulted in the BT brand hitting its highest ever score.
- Finally, we have announced today the conclusion of our triennial funding valuation with the BT Pension Scheme Trustee. The deficit has reduced by more than £4bn to £7.98bn, and the agreement we've reached is good news for BT, the pension scheme and its members. We've reduced risks on both sides and today's announcement reduces uncertainty for our shareholders.

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Moving onto the performance in the last year, I am very proud of what the teams have delivered against an extraordinarily challenging operating backdrop.

During the pandemic we have kept our **colleagues** safe and protected; our **customers** connected; and the **country's** critical national infrastructure running.

No-one in BT has been furloughed or made redundant as a direct result of the pandemic and we recently announced a special bonus of £1,500 in cash and shares to thank and recognise the exceptional efforts of our front-line colleagues.

We launched a range of initiatives to help customers during the pandemic, including highly impactful digital skills and inclusion campaigns; free unlimited data for EE customers working in the NHS and; our Small Business Support Scheme. We also connected more than 200 vaccination centres and 17 temporary NHS hospitals in England, Scotland and Wales.



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 network during the year.

So, BT emerges from this toughest of years, not only having weathered the pandemic, but with a much reduced risk profile and positioned to embrace the future.

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Looking ahead then, that future is one of growth and prospects.

This matters. Not just for our shareholders but for our customers too. A stronger, better BT is one that will have the ability to constantly invest in and improve our networks, products and services.

On the **revenue** line, we see recent headwinds from regulation and Covid-19 becoming tailwinds. We will continue to see revenues decline from legacy products as we phase them out but we now have indexed pricing at CPI or CPI+ across nearly two thirds of our business.

While we expect revenue to be broadly flat this financial year, I can see consistent and predictable growth from next year.

Higher revenues, benefits from our modernisation programme and an improved sales mix from higher margin products will all contribute positively to **EBITDA**. We expect consistent and predictable EBITDA growth from this point on.

Lastly, **cash flow**. We expect capex to peak at around £5bn and this will inevitably constrain cash flow over the next few years. A substantial benefit from the Government's tax super deduction will help offset this, and then, after the peak network build, reducing capex will start to come through to the cash flow line delivering a material increase in normalised free cash flow when this happens.

Our confidence in the outlook for the business is why we are today confirming our intention to reinstate the dividend at 7.7p this financial year, 30% of which will be paid later this financial year.

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Building on this improved picture for the future, we have made a separate announcement today that we will increase and accelerate our total FTTP build by an additional 5 million



premises to 25 million by December 2026. We've made this decision based on our confidence in Openreach's ability to ramp up its build rate from 3 to 4 million premises a year; encouraging customer demand; and increased regulatory clarity.

The benefits to us from the Government's recent cash tax super-deduction and the positive outcome from the recent 5G spectrum auction mean that we have the capacity to fund this additional build from internal resources. However, we believe we can deliver further value to shareholders by funding the additional 5 million premises through a joint venture with external parties and we will begin exploring options.

This new target means BT won't just benefit from the UK's recovery; we will fuel it. It will allow us to include more rural communities in our FTTP footprint, create up to 7,000 new jobs and deliver more value to our shareholders while supporting the Government's full fibre ambitions.

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So, in summary:

- Our results for the year were in line with our expectations;
- we have cleared some significant uncertainties and laid the groundwork from which to transform BT;
- we've supported our colleagues, customers and the country during an exceptionally tough year and got BT back on the front foot; and
- we're now focusing BT, building further and faster to deliver even more for our customers and shareholders.

I know – and my teams know – just how much more we have to deliver but there's a real determination across the business to get on with building a better BT for the future.

Operator, can we please open the lines for questions.