BT Group

BT Group FY25 Results Presentation

ALLISON
Slide 1: Cover

Slide 2: Forward looking statements

Slide 3: Allison Kirkby title slide
Good morning everyone and welcome to our full year results presentation. Thank you for joining us.

By way of an agenda, I'll start by looking back at our progress in the past year and then hand over to Simon to talk about the financials. Then we will set out in more detail our strategy, our plans and our outlook for the year ahead.

And of course Simon and I will take your questions at the end.

We are also joined, I am delighted to say, in the audience by two longstanding colleagues Clive and Howard, and three new ones – Claire, Jon and Tom. Please do feel free to say hello at the end of the meeting.

Let me start first with the full year highlights on slide 4…

Slide 4: FY25 Highlights: Strong delivery against our strategy
It's been a busy year for all of us at BT. We have continued to deliver on our strategy by building and connecting customers to next generation networks at pace, by improving customer experience and by modernising and simplifying.

- We broke **records** on full fibre build and connections and on mobile network performance;
- Our NPS jumped in all of our customer facing divisions and we delivered **transformation** benefits ahead of plan;
- And we continued to **simplify** – shutting down non-core activities and selling businesses in Ireland and since year end Italy – all with the ultimate aim to sharpen both our focus and our capital allocation;
- This focus and accelerated transformation helped us more than offset revenue pressure to deliver EBITDA **growth** and a better than expected £1.6bn of Normalised Free Cash Flow, even as we **invested** at close to peak levels – in fact, the highest investment into the UK of any FTSE100 company.
- Reflecting this performance, and our confidence in cash flow expansion, we are now **increasing** our total dividend to 8.16 pence per share in line with our progressive dividend policy.
- And, we continue to target normalised free cash flow of £2bn in FY27 – which is now just a year away – rising to £3bn by the end of the decade.

Considering the clear benefits of full fibre for our customers, in defending our market position and ultimately growing our enterprise value, I am also very pleased to announce that we are going to push on even faster this year and pass up to 5 million homes, so that by the time we are here together next year we will have reached 23m homes and businesses, and connected close to 9 million of them. More on that later in the presentation.

First let's reflect on how we have performed in each of our Customer Facing Units…

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Slide 5: Openreach | Record FTTP premises passed with record connections; EBITDA growth ahead of revenue
In Openreach we delivered a record year in build, in provisions, in revenue and EBITDA, AND in customer satisfaction.

Our full fibre footprint today stands at more than 18m premises, reaching over half the country. And thanks to greater build efficiency, we built a record 4.3 million for the same budgeted cost as for the 4 million we had originally planned coming into the year.

Customer demand has remained very strong, with 6.5 million homes and businesses connected by end March – and in fact 6.8m as at the end of just last week. This means our market-leading take-up actually *increased* in the year from 34% to 36%, and has now hit **37%** in the last few weeks, even while we have been passing so many new premises.

Broadband ARPU has grown 6%, driven by CPI and better than planned upsell to higher speeds, with a 3% overall broadband revenue growth despite higher line losses.

And, with ARPU up 5% in our billion pound ethernet business, revenues grew a further 8%.

In addition, our transition to fibre drove faults down by around 10% in the year, and on copper and ethernet we continue to meet all Ofcom Quality of Service standards. We also have an "excellent" Trustpilot rating across both copper and fibre.

All of this drove growth - in NPS, and in EBITDA well ahead of revenue growth.

Finally, we have already won 7 Type C Project Gigabit contracts, covering 300,000 hard to reach premises with a value of over £700 million. We have also taken over two substantial contracts where other suppliers have struggled. Both of which will allow us to gain further momentum in the coming years.

The area where we haven't been happy of course is line losses. We always expected some share loss, but within a growing market.

- Instead the fixed broadband market SHRANK slightly in the last year, creating a headwind of a few hundred thousand lines compared to the previous trend. Based on our data, we think there is some post COVID and cost of living re-set in the market as a whole.

- At the same time, in areas where we don't have full fibre, or our CPs are not investing to maintain their market position, our losses are higher.

However, the positive also remains, as in areas where we DO have full fibre we lose MUCH less.

Our best defence therefore remains to continue building and connecting faster, and more efficiently, than anyone else – and as I said, we will accelerate further this year to address the growing demand, and bring forward higher connections, and higher ARPUs.

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Moving to Consumer…

Slide 6: Consumer | Trading well through pricing headwinds with improving NPS and stabilised base
We delivered a solid performance in a year of transition after heightened inflation in our back book over the last three years.

In line with what I said last May, the second half did see a return to service revenue growth. We expect a similar seasonal pattern in this coming year.

After several years of both a declining customer base and market share, it was clear coming into last year that we needed to stabilise at some point. So, despite the competitive market, I am VERY pleased to say that our broadband base grew in the final quarter, for the first time since December 2021. That was due to us better leveraging all three of our brands, but particularly EE and BT.

Our mobile base was also stable in the year.

And on ARPUs, we achieved a slight increase in broadband, and we were stable for mobile despite ongoing shifts to SIM only.

Churn had a small increase in broadband, but a fall to 1.0% for mobile, helped in part by our new EE One proposition which is successfully growing household penetration, loyalty and our converged base – which is up two percentage points to 25%.

We continue to proactively upgrade customers to the best available network in their geographic area, with our full fibre base up over 30% to 3.2 million.

5G connections also grew, up 10%. Our mobile network won best network for the eleventh year in a row with RootMetrics, and for the tenth year in a row with umlaut connect. We also recorded the best 5G availability with speedtest.

All of these improved network and convergence experiences clearly boosted NPS, which increased across all three of our brands. And I am delighted to see all our brands score well this morning in Ofcom's customer service comparison, with EE the best performing MNO overall and Plusnet, EE and BT in the top 4 for broadband.

Finally, I am very proud that EE took the lead and issued age guidance for smartphone usage last August, and at the other end of the generational spectrum, I am proud of the enhanced support we are giving to vulnerable customers ahead of the switch to digital landlines. Both are evidence of our commitment to our purpose, to connect for good.

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Moving to slide 7…

Slide 7: Business | UK focus enabling progress on transformation
Business is continuing to focus its turnaround efforts by simplifying and transforming to next generation products and solutions, but is clearly impacted by ongoing drags from legacy products.

In the UK, revenue fell 1% but this is MORE than accounted for by the fall in traditional voice – which as we know will slow with PSTN switch-off in January 2027.

Within SMB, the trajectory of service revenue was very similar to Consumer with a recovery in the second half, but weighed down by lower equipment sales.

In Corporate and Public Sector we were very pleased to broaden the Emergency Services Network contract for a further 7 years, and at the end of the year we saw excellent wins including Defra which will contribute to improved performance in the future.

Like in Consumer, we continue to see substantial growth in our fibre and 5G bases and to note, almost three quarters of our voice customers are now on Voice over IP.

That being said, UK connectivity revenues did fall 3% - but **grew** if we exclude traditional voice, and UK Managed Services also grew 2%.

This underlying growth and our improving NPS speak to the relatively seamless way in which we have managed migrations, and to the strength of the relationships we have with our customers, large and small.

Moving to International, revenue fell 9% driven by weaker trading and FX.

Essentially, the challenge for Business as a whole remains the speed at which we move off legacy services, digitalise our customer journeys, and our effectiveness at offsetting rising costs with pricing, in a tricky economic environment. That's what we have seen this past year and have factored the same into our outlook for this coming year.

But, having carved out the International segment, we now have focused leadership teams in both parts of the business to help us address the opportunities we see ahead.

[Pause]

Now let me hand over to Simon to take you through the numbers in a bit more detail.

SIMON
Slide 8: Simon Lowth title slide
Thank you Allison and good morning everyone.

So, starting with our individual unit results on slide 9.

[PAUSE]

Slide 9: Solid EBITDA delivery despite weaker revenues
Consumer revenue was down 1% for the year, mainly due to lower handset sales volume. Adjusted service revenue declined 0.4% for the year due to lower average customer bases through the year, only partly offset by the higher broadband ARPU. Despite this, we returned to service revenue growth in H2 and the broadband base grew in Q4.

Consumer EBITDA declined by 1% driven by the flow through of service revenue and some higher input costs, partly offset by strong cost controls and some one-offs of mid tens of millions of pounds.

Business revenue was down 4% driven primarily by International trading alongside a £56m adverse impact from FX. UK revenue was 1% lower, as declines in legacy voice products ahead of PSTN switch-off in 2027 were only partly offset by the easier comparator from last year's revenue adjustment.

Business EBITDA declined by 6% for the year reflecting the flow through of revenue from high margin legacy products partly offset by tight cost management and ongoing modernisation activity. The Q4 EBITDA benefit of the prior year revenue adjustment was largely offset by the quarterly phasing of allocated corporate and network costs.

Openreach grew revenue 1% in the year, driven by CPI-linked price increases, the increased FTTP mix in broadband and Ethernet volume growth. This was partially offset by declines in the base of broadband and voice only lines. Q4 revenue growth was negatively impacted by the phasing of commercial and storm related rebates.

Openreach Adjusted EBITDA grew by 5%, driven by revenue flow through and continued cost transformation including the benefit of lower fault rates, lower total labour resource and lower energy costs – all partly offset by pay inflation.

Other EBITDA out turned at zero for the year.

Moving to look at our Group results on slide 10.

Slide 10: Outperformance on NFCF; dividend raised
Adjusted revenue for the year was £20.4 billion, down 2%, which was at the bottom end of our revised guidance range. Revenue declines in Consumer and Business were only partly offset by growth in Openreach. Adjusted UK service revenue fell 1% in the year, but grew in the second half.

Adjusted operating costs before depreciation were down 3% due to cost transformation and tight expenditure controls.

Adjusted EBITDA for the year was £8.2 billion, up 1% and in line with our guidance. Strong delivery from our cost transformation programmes more than offset the revenue pressures.

Capex came in at £4.9 billion for the year, broadly flat. This was achieved while Openreach built full fibre to 4.3m premises, exceeding our revised build target set at H1, and delivered record provisioning volumes. We largely absorbed the increased full fibre volumes through a combination of lower unit costs in Openreach and significantly improved IT development efficiencies in our Digital unit. Cash capex was slightly higher than reported capex due to around £100 million of grant funding gainshare, partially offset by the timing of capital creditor payments.

Normalised free cash flow increased 25% year on year to £1.6bn, £100m ahead of our guidance. Compared to FY24, EBITDA growth, a reduced working capital outflow and a £95m tax receipt more than offset higher interest costs. We delivered our cash flow performance while also achieving the new Fair Payment Code's Silver standard.

The IAS 19 pension deficit fell by £0.7bn mainly due to scheduled contributions partly offset by lower than assumed asset returns. The funding and IAS19 deficits at the end of April were largely unchanged despite last month's market volatility following the US tariff announcements.

And as Allison just announced, we're proposing a **final dividend** of 5.76 pence per share, making the FY25 full year dividend 2% higher at 8.16 pence per share.

[PAUSE]

Back to Allison to look at our strategic priorities.

ALLISON

Slide 11: Allison Kirkby title slide
Thank you, Simon.

It really is a huge privilege to lead BT and since stepping into the role 15 months ago my priority has been to sharpen our strategy, focus on the UK and ensure we have the team and the delivery muscle to build a better BT for all.

Slide 12: A better BT for all of us
As you know, our ambition is to become the UK's most trusted connector of people, business and society, guided by our purpose to connect for good.

Our strategy focuses on three things:
- Building the best, most trusted digital networks
- Connecting customers so they thrive, as we grow, in a digital world
- And Accelerating our modernisation to restore leadership in everything we do

By the end of the decade, this strategy will deliver for all of us, including our financial commitments of service revenue growth, EBITDA growth ahead of revenue, and in close to doubling this year's normalised free cash flow - that's a near 20% compound growth rate.

Let me unpack each of our strategic priorities in turn…

Slide 13: How we'll succeed: Build
First: BT has been getting on with building the country's digital backbone faster, further and more efficiently than anyone else.

We know that the more fibre we build, the more customers choose to connect to us, so we will keep going until we reach 30m and we will be the only nationwide fibre platform.

Beyond fibre, we have the best, and most resilient mobile network, and we will work constantly to improve it.

And, we will now aim to offer seamless connectivity, so that our customers connect effortlessly across the best fixed access, the best mobile access and via our unique network of over 5 million WiFi hotspots that we now intend to upgrade.

Finally, we will continue to innovate for our customers, from the NHS to small businesses and households, and for the country via AI and quantum secure networks and whatever comes next…

Slide 14: How we'll succeed: Connect
After we build, we connect to grow.

We are proud custodians of some of the UK's most loved and trusted brands: BT, EE, and Plusnet. Each has a deep connection with customers and communities nationwide.

We have the best and safest connectivity products that differentiate us, like WiFi 7 for consumers and DDoS lite to protect smaller businesses, and we are improving customer experience and loyalty mechanisms as we increasingly digitalise our operations.

We also know that our customers will be "Better on BT" - and so do the world's leading companies who partner with us. Together, we go beyond connectivity into new verticals, such as delivering brilliant TV and gaming experiences, and offering services that resonate with our most trusted status, such as cloud solutions and security…

Slide 15: How we'll succeed: Accelerate
So: we build, we connect, and we also need to continue to accelerate our modernisation to restore leadership in everything we do.

As we do that, we are building a new BT-wide culture that is open, engaged and more focused on delivering for our customers and ultimately our owners.

We are streamlining our product portfolio dramatically, based on a simpler and more modern IT estate.

We are working to create real competitive advantage from our technology and in particular from AI – which we are increasingly using everywhere, for example in enabling hyper personalised marketing and fraud protection, or for our chat bot Aimee, or in improved network planning and coding efficiency. And we can see MUCH more value and customer experience improvement to be unleashed by AI in the years ahead.

All this underpins our ability to restore growth, expand margins and drive our cash flow inflection.

And finally on our strategy, we have now fully embedded what we do for society and the planet, with a focus on digital inclusion, resilience and sustainability. Ensuring that no-one gets left behind, that the country and our customers feel safe and secure when they are connected to BT, and that as we shift to next generation products, services and networks, we play our part in the road to net zero and positively impacting the country.

So let's now look at the levers for growth and value creation in each division starting on slide 16…

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Slide 16: Openreach – Levers to sustainable growth and strong returns
In Openreach we remain firmly on track towards our 2030 targets.

We are building and connecting faster than anyone else whilst maintaining a premium quality at a lower cost than our major competitors – which remains at the low end of our £250-350 range, per premises passed.

Our scale efficiencies and engineering prowess have been evident in our build engine for quite some time, but we have now ramped up our provisioning engine too, connecting at a rate of 55,000 per week, and at an average cost of around £300 per premises.

With soon to be nationwide coverage, best-in-class provisioning, full integration with our CPs and excellent customer service, we are confident we can continue to accelerate connections which combined with indexation, will drive further ARPU growth.

In our operations, our full fibre fault rate remains more than 60% lower than copper, and as we continue to migrate customers, fault volumes will continue to fall, benefitting our customers and our opex.

As a result of all this, we remain confident of continued solid EBITDA growth, and a fair return for our owners, even as we go through a phase with admittedly more limited top line progression.

Slide 17: Openreach – Accelerating the build to up to 5 million in FY26
To understand the scale of our network it is best to look at it on a map, and here on slide 17 you can see the success of our build since 2021.

This makes it abundantly clear: We are the only national network.

And the success of the fibre programme so far supports further our acceleration by 20% to up to 5 million premises in this fiscal year.

Let me give you two reasons that we took this decision:

- Now that we have the engine humming, it makes sense to use it rather than slow it down too early.
- And second, the faster we build, the better we address demand, defend our base and secure the levers to growth and value creation.

So, although I stood here last year and said that we were past peak capex, it actually made more sense to keep building like fury and connecting like crazy.

With our overall strategy delivering, our finances in good shape, we are now well on track to pass the 25 million homes and businesses, that we promised, by the end of next calendar year

Moving on to slide 18…

Slide 18: Consumer – Levers to sustainable growth
In Consumer our primary focus remains – commercialise our great network assets via some of the UK's strongest retail brands, to win the household, drive convergence, improve customer experience and grow customer life-time value.

And we are making good progress. Our 5G base is growing, as is our full fibre base. And convergence is finally starting to tick up.

Converting all of this to a consistently improving ARPU will also be easier once we have worked through the high price inflation of recent years, and built our Fibre base even further.

On convergence, specifically, we have product relationships to build on in half of UK homes. And while we have made good progress in the last year there is lots more to do to reach our full potential, by leveraging some of the products, partnerships and "better on BT" concepts that I mentioned earlier.

EE now has brand consideration for broadband that is almost up to its mobile level, and we are seeing excellent sales of broadband to our mobile customers AND vice versa. EE One is also starting to drive up the number of SIMs per household, which is particularly beneficial to defending ourselves against no frills, value brands.

Finally, as I have hinted at in recent months, the BT brand will be reinvigorated and with Plusnet we can continue to play at the value end of the market, while protecting the premium nature of the BT and EE propositions.

And with over 400 retail stores and UK-based call centres in the communities where our customers live and work, supported by a digitally transformed omni-channel experience, we are confident that this rich set of assets combined with digital transformation will return us to growth, sustainably, from next fiscal year.

Moving on to Business…

Slide 19: Business – Levers to growth and transformation
In the UK, we are now fully focused on radically simplifying, accelerating our transformation, and developing our iconic brand and leading market positions to become the most trusted "one stop digital shop" for businesses, large and small, as we help them move into an increasingly digital age.

BT has the highest Consideration and First Choice Purchase Intent of all telecoms brands especially in the mass market business space, despite under-investment in recent years. We intend on a modest upweight to brand investment to increase awareness and consideration, including strengthening our support to SMB and SoHo customers in our retail footprint which will now remain dual branded.

In Corporate and Public sector we are trusted to support the foundations of our country, from the government to banks to air traffic control. We are proud to operate the 999 service, support the Home Office to build and operate the Emergency Services Network, and help defend companies from the growing risk of cyber attacks. And we will continue to innovate, for example expanding Global Fabric into our UK customer base to connect them across technologies to all major cloud locations.

Simplification and legacy migration is now happening at pace, as you can see here.

We already delivered a 20% reduction in the number of products we sell in the past year and this streamlining will continue. Overall, two thirds of our UK revenue will be driven by just 15% of our current products by the end of the decade.

We know, however, that we still need to translate all of this into better financial results and better customer experience, sooner rather than later. Hence why we now have a dedicated UK Business leadership team, whose sole focus is to accelerate transformation, better leverage the brilliant assets we have and to ultimately win in the market.

As I announced last year we continue to look at all options to optimise our International business – we have now carved it out, with dedicated leadership as of April 1st, we are completing Global Fabric to enable legacy migration, and we are pursuing a radical portfolio simplification and cost optimisation to ultimately make the segment at least FCF neutral and ripe to play a role in the needed consolidation of this segment of the market, which I still believe is one of the scenarios we could pursue.

And now I'll hand back to Simon once again to take us through our transformation plan and capital allocation priorities.

SIMON

Slide 20: Simon Lowth title slide
Thank you Allison.

Moving to slide 21 which sets out our transformation objectives.

Slide 21: Accelerating our transformation
Our transformation of BT Group involves building and migrating customers to differentiated and converged products on new full fibre and 5G networks, delivered on low touch journeys on modern, modular IT, leveraging our growing AI capabilities. This is a demanding, multi-year programme that we are confident will deliver demonstrably better customer experience and materially lower headcount and costs.

During FY25:
- We closed 300 IT applications
- We improved our NPS, now marking the second year of annual NPS improvement.
- We reduced total headcount by 4,000, with a 6,400 reduction in employees partially offset by a 2,400 increase in lower unit cost and more flexible subcontractors on our capex programmes.
- We delivered £913m gross annualised cost savings, almost 30% of our £3bn savings programme.

The £913m cost savings reflected both headcount reductions and third party cost savings, including a 4% reduction in energy consumption and significant procurement savings, for example in engineering materials and subcontractor rates. These savings benefitted FY25 and will, of course, help drive EBTDA growth in FY26.

The £400m cost to achieve the FY25 savings was in line with our expectation of around 40% of a total cost to achieve of £1bn. We continue to expect the remaining costs to be phased reasonably evenly over the remaining 4 years of the plan to FY29.

We are firmly on track to hit our FY28-30 objectives of 500 applications, improved NPS, total headcount of 75-90k, and the £3bn gross annualised cost savings target.

I will now turn to how we will deploy our expanding cash flow …

Slide 22: Optimise the business portfolio and capital allocation
Our capital allocation policy is clear and consistent.

First, we will continue to invest for growth in our full fibre, 5G and core networks, and in transforming our IT. We remain confident that this investment will deliver long term returns for our shareholders. On our full fibre investment, we were pleased to see Ofcom re-affirm the principle of the 'fair bet' in the Telecoms Access Review consultation published in March.

Our annual capex will progressively reduce by more than £1bn from the FY26 level once we have built full fibre to 25m premises in December '26, and as we complete the 5G rollout and our IT transformation.

We will sell assets where they are non core. We have sold businesses in Ireland and Italy in the past year.

We will also monetise stranded or legacy assets. For example we generated nearly £0.5bn from selling our former HQ buildings and the BT Tower. This has funded our Better Workplace Programme, which has reduced our UK office locations from 300 in 2019 to 30 today. And we will continue to sell forward and extract legacy copper.

Second, we will support our commitments to the pension fund. We agreed the 2023 triennial valuation and reconfirmed our funding plan in November 2023. We remain on track to be fully funded by 2030. As part of the funding plan, we have started to contribute via the co-investment vehicle which will refund to BT any funds not required for the BTPS from 2032.

Third, we will maintain our strong balance sheet. We are committed to a BBB floor and a BBB+ through cycle credit rating target. We believe that this delivers the optimal cost of capital and assured access to competitive funding. We expect to progressively reduce our leverage once we have completed the 25 million full fibre build in December 2026.

Finally, our residual cashflow is then available to fund progressive dividends to our shareholders, with the aim, clearly, to see the Group's resilient long term cash generation reflected in capital appreciation in our shares.

So, we have a clear set of performance objectives and a disciplined capital allocation framework that will drive returns on capital for our shareholders.

On that note, I'll hand back to **Allison.**

ALLISON

Slide 23: Allison Kirkby title slide
Thank you, Simon.

So let me draw it all together…

12 months ago, I said to all of you that I believed our sharpened focus, improved operational discipline, and an acceleration of the pace of modernisation, would enable us to deliver an even brighter future for BT Group, faster. And I stand by that belief.

So, moving on to our outlook…

Slide 24: Outlook: Path to substantially higher free cash flow
Starting with FY26, we expect total revenue of around £20bn.

We are now also guiding on UK service revenue. This is to reflect both our sharper UK focus and to provide a target based on the most important metric in a largely subscription-based business.

We expect FY26 UK service revenue to be between £15.3 and £15.6 billion pounds, which is flat to down on FY25, reflecting a £200m drag from traditional voice which will continue until the closure of the PSTN in January 2027. Excluding this we should have relatively stable revenues, building on a now more stable customer base in Consumer.

Adjusted EBITDA is expected to increase to between £8.2 and £8.3 billion pounds, with growth weighted to the second half, successfully absorbing the impact of higher National Insurance and National Living Wage costs of around £100m.

Turning to capex, our accelerated build and provisioning means we expect this to be around £5.0bn in FY26.

Normalised free cash flow for FY26 of around £1.5 billion pounds reflects higher capex partly offset by EBITDA growth and a further £100 million pounds of forward copper sales as Simon mentioned.

From FY27, we expect revenue to show improvement, as legacy declines abate. EBITDA will continue to grow ahead of revenue, benefiting from our ongoing transformation programmes.

And once we have reached 25 million premises with full fibre by December 2026, we will then reduce capex by more than a billion pounds a year from the FY26 level.

All of this results in us maintaining our normalised free cash flow targets of £2bn in FY27 and £3bn in FY30, which we will achieve while continuing to invest consistently in the future of the business.

Slide 25: A better BT for all of us
To close, we have delivered strong results despite revenue headwinds, with good momentum into the new financial year.

We are accelerating the pace of simplification and transformation, improving customer satisfaction across all of our brands and business segments.

And our proven efficiency and engineering leadership is enabling us to go faster on fibre investment as we create one of Europe's best, at scale, fibre platforms.

And, we are now only one year away from our significant cash flow inflection.

I therefore remain confident that as we build and connect at pace, our transformation will accelerate and we will deliver a better BT for all of us – our customers, our colleagues, the country and our owners.

[PAUSE]

Thanks for listening. We will now move to Q&A. Given the time available and the number of people in the room and online, please keep it to one question per person.

First question please.