



BT Group plc
Q1 2019/20 trading update
2 August 2019



Forward-looking statements caution

Certain statements in this results release are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: our outlook for 2019/20 including adjusted revenue, adjusted EBITDA and free cash flow; our roll out of FTTP; and our strategy for rollout of 5G.

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: market disruptions caused by technological change and/or intensifying competition from established players or new market entrants; material adverse changes in economic conditions in the markets served by BT whether as a result of the uncertainties arising from the UK's exit from the EU or otherwise; unfavourable changes to our business where Ofcom raises competition concerns around market power; unfavourable regulatory changes including price caps; future regulatory and legal actions, decisions, outcomes of appeal and conditions or requirements in BT's operating areas; disruption to our business caused by an uncertain or adversarial political environment; geopolitical risks; adverse developments in respect of our defined benefit pension schemes; adverse changes in economic conditions in the markets served by BT, including interest rate risk, foreign exchange risk, credit risk, liquidity risk and tax risk; 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; failures in the protection of the health, safety and wellbeing of our people or members of the public or breaches of health and safety law and regulations; controls and procedures that could fail to detect unethical or inappropriate behaviour by our people or associates; customer experiences that are not brand enhancing nor drive sustainable profitable revenue growth; failure to deliver, and other operational failures, with regard to our complex and high-value national and multinational customer contracts; changes to our customers' needs or businesses that adversely affect our ability meet contractual commitments or realise expected revenues, profitability or cash flow; termination of customer contracts; natural perils, network and system faults or malicious acts that could cause disruptions or otherwise damage our network; supply chain failure, software changes, equipment faults, fire, flood, infrastructure outages or sabotage that could interrupt our services; attacks on our infrastructure and assets by people inside BT or by external sources like hacktivists, criminals, terrorists or nation states; disruptions to the integrity and continuity of our supply chain (including any impact of global political developments with respect to Huawei); insufficient engagement from our people; and risks relating to our BT transformation plan. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Philip Jansen
Chief Executive

Current key areas of current focus

Continuing to take decisive action to further strengthen our customer propositions and market position

- Strengthening the BT brand across every angle, including focussing on:
 - driving convergence-led propositions and further product innovation
 - delivering for customers and focussing on their loyalty
 - pursuing a step-change in service experience
 - ensuring we offer great value for money
- Sole focus is to drive sustainable long-term value for customers and shareholders
- Prepared to compete decisively to retain our customers including, where necessary, on price

Getting on with building FTTP¹ and very keen to accelerate the pace of our rollout

- Openreach building at pace and scale where commercially viable, with low build costs and attractive wholesale pricing
- New Prime Minister/Government, Ofcom and the industry have a tremendous opportunity to build the digital infrastructure the UK needs by reaching an industry-wide solution that works for all stakeholders
- We continue to have positive discussions about regulatory enablers

Cost transformation programme remains on track

- Continuing to evaluate the potential for further transformation
- Increasing productivity to deliver a step-change in customer experience

¹Fibre-to-the-Premises

We've made progress against our core pillars during the first quarter

Differentiated Customer Experience

- Group achieved 12th consecutive quarter of NPS¹ improvement
- Positive progress with converged propositions
- Openreach:
 - recorded lowest ever quarter of missed appointments
 - best ever quarter for copper and fibre repair
 - 99.9% of customers offered a first appointment within 12 days

Best Converged Network

- Continued investment in mobile and fixed access alongside our core
- FTTP rollout to c.20,000 premises per week
- EE first to offer 5G to UK consumers
- Named the UK's major broadband universal service obligation provider by Ofcom:
 - will require BT to invest tens of millions of pounds into rural communities

Simplified, Lean & Agile Business

- Cost transformation programme on track:
 - c.750 roles removed in the quarter
 - c.£1bn run-rate savings with an associated cost of £457m
- Our Better Workplace Programme will consolidate footprint:
 - largest programme of its type in the UK
 - announced first nine locations
 - BT Centre sold for £210m
 - new London headquarters in Aldgate

¹ Net Promoter Score

Q1 financial highlights – in-line with our expectations for the quarter

	Q1 2019/20 (IFRS 16)	Q1 2018/19	Change
Revenue¹	£5,633m	£5,716m	(1)%
EBITDA¹	£1,958m	£1,980m ²	(1)%
Reported capex	£931m	£839m	11%
Normalised free cash flow³	£323m	£507m	(36)%

¹before specific items

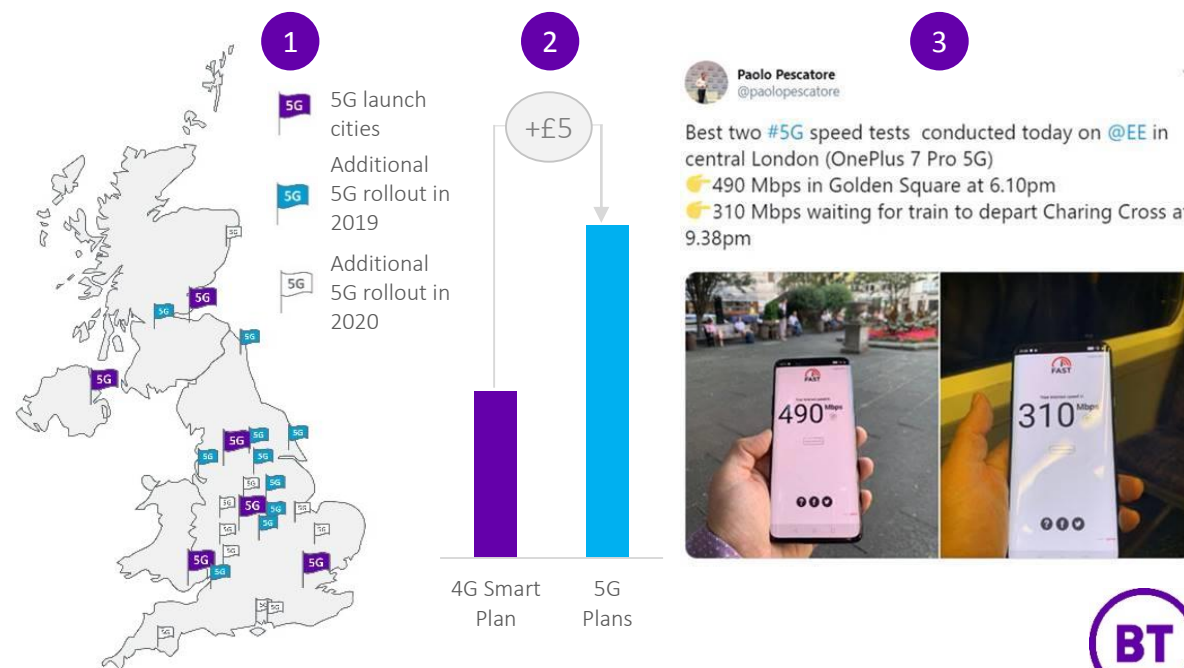
²pro forma unaudited

³before specific items, pension deficit payments and the cash tax benefit of pension deficit payments

Consumer – successful 5G launch, regulatory headwinds, accelerating CX investment

- Revenue down 1% and EBITDA down 5% due to:
 - headwinds from international calling and mobile spend cap regulations
 - increased spectrum licence fees, and content costs
 - broadly flat year-on-year excluding impact of regulation
- Fixed churn fell to 1.3%, mobile churn remained low at 1.1%
- Accelerating customer experience investment:
 - bringing forward onshoring of customer service
 - ongoing shift of customers from copper to fibre broadband
 - introduction of our BT-brand annual CPI¹ pricing strategy
- EE first to launch 5G in the UK:
 - premium pricing in line with our more-for-more strategy
 - 5G coming to BT brand in autumn
- Signed a multi-year partnership with The FA to become the exclusive lead partner of all 28 England football teams

	Q1 2019/20	Q1 2018/19	Change
Revenue	£2,550m	£2,570m	(1)%
EBITDA	£588m	£620m	(5)%



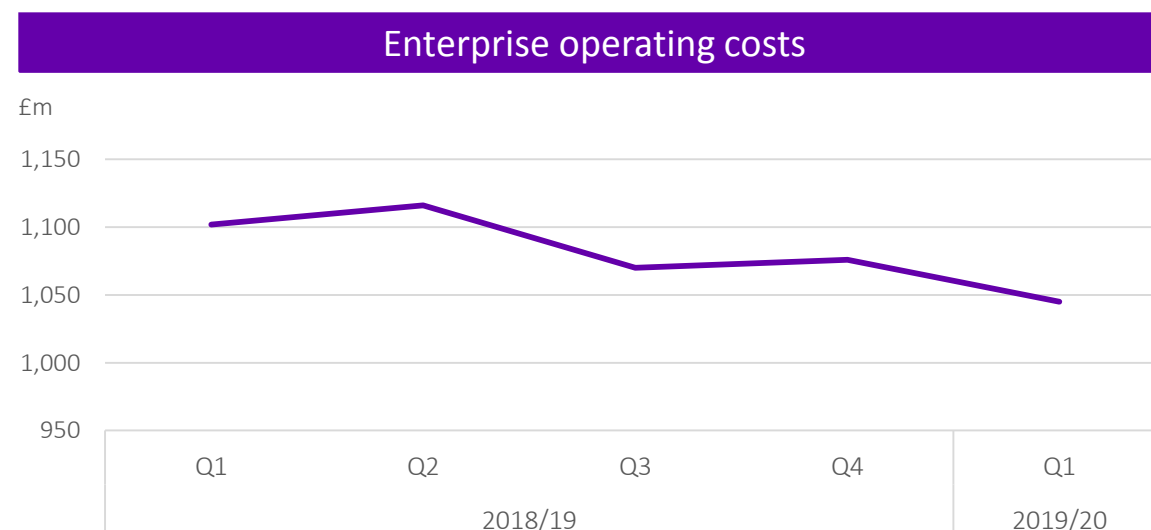
¹Consumer Price Index



Enterprise – traditional voice declines but strong cost control

- Revenue down 5% driven by:
 - continued declines in traditional voice and lower equipment sales
 - partly offset by growth in IP services and networking
- EBITDA down 3% due to:
 - revenue decline
 - partly offset by lower labour costs
- Encouraging early signs on product launches:
 - 5G seeing good take-up, particularly amongst SMEs
 - new fibre and digital phone line bundles
- Sold marketing and operating rights to 220 high towers for the next 20 years to Cellnex for c.£100m
- ESN contract extended in July to December 2024

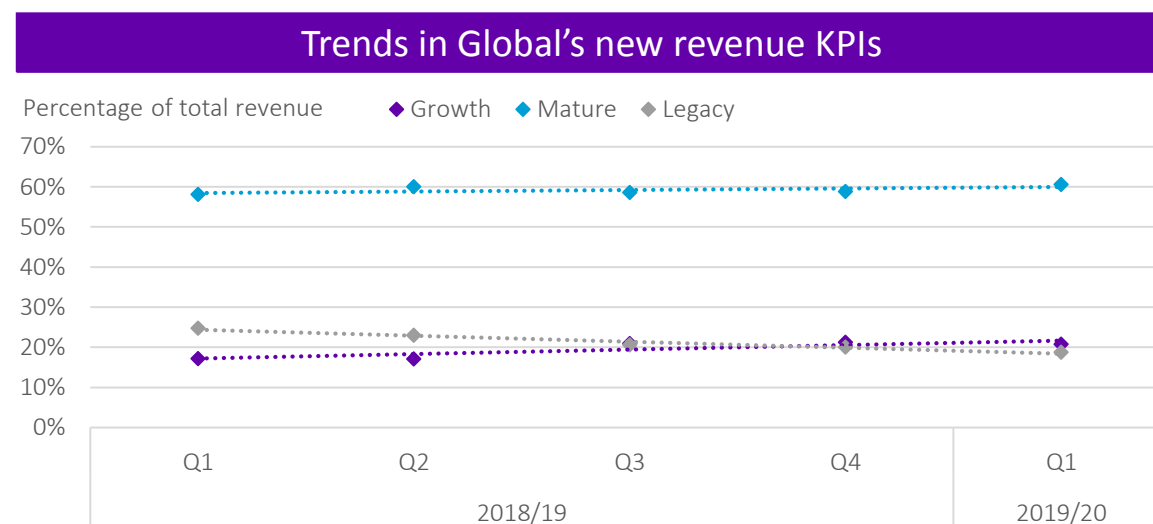
	Q1 2019/20	Q1 2018/19	Change
Revenue	£1,516m	£1,588m	(5)%
EBITDA	£471m	£486m	(3)%



Global – further investments in Security as customers see BT as their trusted partner

- Revenue down 5% driven by:
 - de-emphasis of low-margin business and legacy portfolio declines
 - divestments of non-core businesses
- EBITDA up 18% due to:
 - reduction in operating costs from ongoing transformation
 - one-offs in the quarter
- Opened new Cyber Security Operations Centre in Paris, and upgraded existing centres in Madrid and Frankfurt
- New KPIs reflect simplified commercial structure and underlying drivers of business performance

	Q1 2019/20	Q1 2018/19	Change
Revenue	£1,085m	£1,147m	(5)%
EBITDA	£140m	£119m	18%

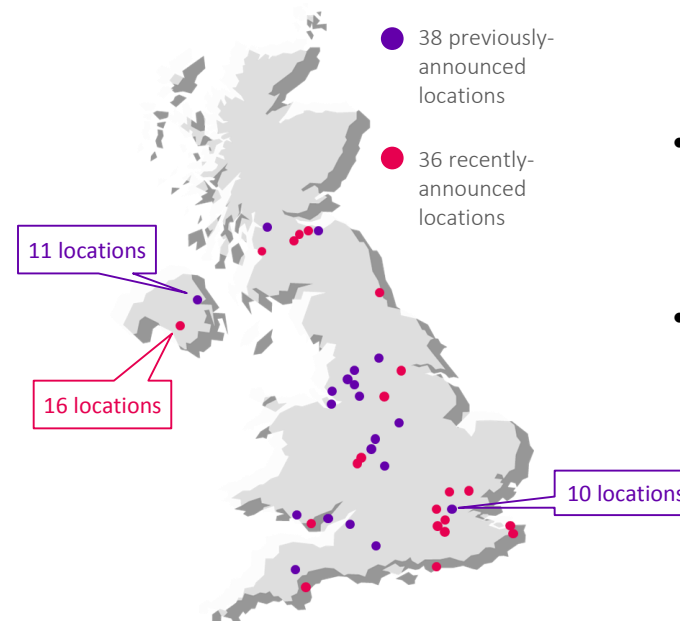


Openreach – continuing to provide better service, broader coverage, faster speeds

- Revenue up 1% in the first quarter driven by:
 - higher fibre and Ethernet volumes, partly offset by price reductions and higher compensation for Auto-Compensation
- EBITDA flat, revenue growth and certain one-off items offset by:
 - higher operating costs, including higher salary costs
- Continuing FTTP roll-out at pace and scale:
 - c.20,000 premises per week during Q1; expect to exit 2019/20 at a run rate of c.30,000 per week
 - low end of £300-400 per premises range
 - leading role in helping the UK Government achieve its target of a fully fibred UK
 - Salisbury and Mildenhall proposed as two key trial locations for the national upgrade programme

	Q1 2019/20	Q1 2018/19	Change
Revenue	£1,268m	£1,255m	1%
EBITDA	£717m	£717m	flat

74 locations across UK included in Fibre First programme



- Including work in 36 locations beginning over the next 12 months
- Scotland a focus due to business rates relief



A determined acceleration towards a pro-investment policy and regulatory regime

This requires the following enablers across the whole of the UK...

A government-led switchover campaign

Facilitate complete switchover at real pace; enable recovery of stranded copper costs across the country

Genuinely level playing field

Enable pricing competition between infrastructure providers to benefit customers

'Fair bet' clarity

How regulation will enable fair returns; matters for all players

'Barrier busting'

Make it quick, easy and efficient to extend fibre footprints; parity for digital with other infrastructures

...and public funding probably needed for the hardest-to-reach 10%

Summary – robust plans in place that we are executing well

Results in-line with our expectations for the quarter; on track to meet our outlook for the full year

Progress in delivering converged connectivity and services, alongside further improvements in customer experience

Prepared to take decisive action to retain our customers, including where necessary on price

Welcome the Government's ambition for full fibre rollout and we are ready to play our part

