



BT Group Q1 results 2020/21

Media call: Philip Jansen script (31.7.2020)

[Operator (Lesley Beard) to introduce call hosted by Philip Jansen, Chief Executive, and Simon Lowth, Chief Financial Officer, BT Group.]

Morning everyone and thank you for joining us. You may have seen that alongside our results this morning we also announced the launch of our Small Business Support Scheme in the UK. I'll talk through the highlights of both announcements and Simon and I will then be happy to take questions.

Before I get to the results, we have also announced this morning that Rob Shuter, currently Group President and CEO of MTN – Africa's leading telecoms company – will be joining BT as CEO of Enterprise before the end of this financial year.

I have been talking with Gerry McQuade, who currently heads Enterprise, for a while about when is the right time for him to retire from BT and I'd like to say a sincere thank you to him for the valuable contribution he has made to the company, including leading the formation of Enterprise.

----- [section one]

Looking now at the results: In a three-month period which saw the world largely under lock-down, BT has continued to stand by its customers, colleagues and country. Never has our unique ability to play such a systemically important role been more evident.

----- [section two]

Despite Covid 19 we've delivered strong operational performance and relatively resilient financial performance under challenging circumstances this quarter:



Revenue fell 7%, due primarily to the impact of Covid-19 including reduced BT Sport revenue and slower business activity in our Enterprise and Global units;

EBITDA was down 7% due to the fall in revenue, and continued investment in customer experience;

Capex was broadly flat; and

On **normalised free cash flow** – which is seasonally lower in Q1 compared to other quarters – we saw an outflow of £49m driven by lower EBITDA and the impact on working capital from the timing of public sector collections and capex phasing during the quarter.

----- [section three]

Although uncertainties remain, the business is well positioned and we feel better placed to provide an outlook for this financial year.

We expect full-year revenue to be down between 5% and 6% compared to last year, and EBITDA to land in the range of £7.2 billion to £7.5 billion.

Capex will increase given our investments in FTTP and 5G and will outturn in the range of £4 billion to £4.3 billion, resulting in normalised free cash flow between £1.2 billion and £1.5 billion.

Beyond this year and based on current expectations, we expect to return the business to sustainable adjusted EBITDA growth, driven in part by the recovery from Covid-19.

In the context of everything going on around us, these financial results and our outlook for the rest of the year demonstrate that BT is a resilient business in a resilient sector. We have worked tirelessly since the start of lock-down to help the country stay connected and we have invested heavily in measures to support our customers where we can.



----- [section four]

Clearly, Covid-19 has profoundly impacted everyone. However, there are few segments of the economy that have felt the impact of the pandemic more acutely than small businesses.

There are 5.8 million small-to-medium sized enterprises in the UK. Collectively, they employ more than half the UK's private sector workers. Their viability and sustainability is therefore key to securing the UK's economic recovery from the Covid-19 pandemic.

So today we are pledging our support for this critical segment of society and our economy with the launch of the BT Small Business Support Scheme. This comprises a range of measures to address three key areas of concern for small businesses: cash flow, connectivity and confidence, to help the sector get back on the road to recovery and prepare for a post-Brexit future.

Our action plan covers a range of initiatives that will be accessible from our BT EE retail stores across the country. We will be launching a new bursary scheme for 1,000 UK tech start-ups who, from October, will be able to apply for free fibre broadband and mobile bundles. We will also be offering up to £2,500 per organisation to subsidise the total cost of ultrafast business connections (also known as ethernet) for slightly larger businesses.

By launching this Small Business Support Scheme, we want to stand beside SMEs across the country and help get them better positioned for sustainable growth.

----- [section five]

BT's Covid response extends beyond small businesses.

At the heart of BT is its people and its networks, and I would like to take this opportunity to reiterate my thanks and acknowledge the efforts of all BT



employees who continue to work tirelessly throughout this critical time to keep our customers connected.

---- [section six]

One of our strategic objectives is to build the best converged networks to enable standout customer experiences. Despite all the disruption during the pandemic, we have not strayed off course.

In May we provided clarity to the market on our FTTP commitments by announcing a new target to pass 20 million premises by the mid- to late-2020s. Although Openreach's build rate was impacted during Q1, we were building at a rate of 31,000 premises per week by the end of the quarter, and Openreach is firmly on track to pass 2 million additional premises this year, having now reached the 3 million mark. We're now on track to pass 4.5 million premises by the end of this year – half a million more than we'd previously expected.

Take up of FTTP during lock down was impacted, but this has now accelerated taking 10,000 orders in a single week in June, with demand primarily from BT Consumer.

On Wednesday, Ofcom issued a consultation proposing to extend the regulatory enablers to rural parts of the country, following Openreach's commitment to build to 3.2 million premises in these areas. If included in the final regulation this would see CPI indexation on Openreach's legacy services across the **whole** of the UK, incentivising network builders to build and customer take-up in these areas.

Earlier this month we saw the Government revise its January decision on the use of Huawei equipment in our networks. Despite the logistical and cost implications, we believe the proposed 2027 end-date provides sufficient scope to make these changes without impacting the resilience of our networks, or the pace and scale of deployment – on which, we are now live with 5G in 100 towns and



cities in the UK. We estimate the additional costs can be absorbed within the £500 million envelope we announced in January.

---- [section seven]

Our modernisation programmes are on track despite the Covid-19 disruption. However, owing to this disruption we've also taken a number of mitigating actions to reduce costs, including tighter recruitment controls across the Group. This has led to a reduction in our directly employed workforce of around two thousand since year end due to natural attrition among our workforce. We've done this while sticking to our April commitment of no job losses in the first quarter as a direct result of Covid-19.

---- [section eight]

Simon and I will take questions in a moment but first let me wrap up:

The operating performance of the business during lock-down has been strong and our unique ability to play such a systemically important role was clearly evident.

We have managed our business carefully, while stepping up to support our customers, colleagues and the country at large and today we've launched our Small Business Support Scheme.

Finally, our network investments are on track as is our work to fundamentally transform and modernise BT for long-term future success.

I continue to be excited about the long-term prospects for this great company so thank you for engaging with us today.

Lesley, can I hand over to you for questions please?