



## **BT Group Q3 trading update 2020/21**

### **Media call: Philip Jansen script (4.2.2021)**

*[Operator 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. I'll run through the details from the quarter and Simon and I will then take questions.

Before that, I'd like to take a quick moment to thank Gerry McQuade for his wise counsel and leadership of our Enterprise business, and to wish him our very best in his retirement from BT. Rob Shuter formally joined us on Monday this week as the incoming CEO of Enterprise and we look forward to working with him.

I would also like to welcome Harmeen Mehta who will be joining us in March to lead our new Digital unit, which I'll say a bit more about in a moment.

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Our financial performance for the nine months to date was in-line with our expectations. I won't dwell on the detail – you can see the numbers in the statement – but, importantly, we are re-iterating our outlook for this year. The only exception is normalised free cash flow, where we are lifting the lower end of the range so our FY21 outlook becomes [£1.3 to £1.5billion].

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This is now the fourth set of quarterly results that we've reported during Covid.

The pandemic has proved that connectivity is vital to the UK and that BT is vital to connectivity. In the latest lockdown we've invested in a number of areas:



- I'm particularly proud of the 'Lockdown Learning' support scheme we launched to help disadvantaged children with their education while schools are closed;
- We've worked with the NHS to connect vaccination centres up and down the country to help the fight back against Covid; and
- We recently launched a free mentoring programme for at least 1,000 UK SMEs, part of our Small Business Support Scheme launched last year.

Our colleagues have continued delivering for our customers – keeping them connected when they've needed it most. Thanks to the quiet dedication and exceptional hard work of the BT team worldwide, our customer satisfaction is at a record high.

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Despite the challenges of the pandemic, we're making real progress on a number of fronts and getting on with transforming BT for the future.

During the quarter we hit our target to power our business with 100% renewable electricity globally and we announced our ambition to transition all of Openreach's 28,000 vehicles to electric by 2030.

Last month we announced the creation of a new Digital unit, to be led by Harmeen Mehta, who is joining us from Bharti Airtel. Digital innovation will be at the core of BT's future success. The opportunity is to deliver new digital platforms in key areas like connected health apps that help you track your loved ones' care, or security apps that guard against cyber attacks – and many, as yet, unknown applications. The new unit will also accelerate our efforts to transform BT into an organisation that can take these ideas to market – fast and at scale.



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On our network build projects, we're powering ahead.

We now have 5G live in [125] towns and cities, providing the widest population coverage of any operator. The number of 5G ready connections has reached 2.1m, up more than 900,000 in the quarter; and our 4G network continues to grow, now covering more than 85% of the UK.

Openreach's FTTP network now passes 4.1m premises – building at a rate of just over four premises a minute in the quarter. This keeps us on track to reach our targets of 4.5m premises by March and 20m by the mid- to late-2020s, if conditions are right.

Just as important as building the network is connecting customers. In the quarter, Openreach received FTTP orders at a rate of over [17,000] a week. This momentum is important and, post-Covid, we expect it to grow.

BT has just announced the launch of a new breakthrough product, Halo 3+, which combines the converged power of our full fibre and mobile networks in one hybrid router – a UK first and a flavour of what's to come from BT.

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The last thing to mention before opening up for questions is Ofcom's wholesale fixed telecoms market review (or WFTMR), which will set the regulatory framework for fibre build in the UK for the next five years and beyond. Ofcom will publish its final review next month.

We have engaged extensively with Ofcom during the consultation and they've been clear on their understanding that we – and other network builders – need reassurance that we'll be able to make a fair return on our investment. This is the 'fair bet' principle and the final determination from Ofcom matters as much to our shareholders as it does to our customers and the country overall.



Separately, we're also talking to Government about how they can help to create a pro-investment, pro-build environment for network builders. The combination of the WFTMR and Government barrier-busting will determine the speed and the rural / urban mix of our build targets.

The biggest contribution Government can make is on cumulo rates – which are essentially business rates charged on new networks once built. Taxing new full fibre infrastructure harder than existing copper, at the same time as incentivising investment in it has never made sense to me. It risks significantly slowing our progress. Exemption from these rates would be worth around £1 billion to BT alone, which is the equivalent of 3m premises. Without it, we may need to reconsider the pace and shape of our fibre build, and those living in rural areas may need to wait longer.

BT is absolutely ready, willing and able to build like fury and fibre up the UK, but we need Ofcom to come good on creating a climate that encourages investment, and the Government to show some urgency in removing barriers. We've had plenty of time for talking; now we need to turbo-charge the move to next generation connectivity.

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So, in summary:

- We're on track to hit our outlook for this year and with an improvement to the bottom end of our guidance range on normalised free cashflow;
- I'm proud of the support we're providing to individuals, families, businesses and the NHS during the Covid-19 pandemic; and
- Despite the pandemic, we're making good progress on transforming and modernising BT and on building the UK's next generation digital infrastructure which will carry us out of this crisis and way beyond.



Operator, can we please open the lines for questions.