



# BT Group plc H1 FY22 results

4 November 2021

## Forward looking statements caution

Certain information included in this presentation is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and BT's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this presentation are not guarantees of future performance. All forward looking statements in this presentation are based upon information known to BT on the date of this presentation. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), BT undertakes no obligation to publicly update or revise any forward looking statement, whether made in this presentation or verbally in connection with it, and as a result of new information, future events or otherwise. Nothing in this presentation shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

**Philip Jansen**  
Chief Executive

# Agenda

- Key messages
- Financial results
- Plans, progress and performance
- Summary

## Key messages

Results overall in line with expectations

Reinstating dividend as promised in May 2020

Compelling market opportunity and improving BT competitiveness

Accelerating pace of delivery, going further and faster on transformation

Reconfirming outlook for FY22 and FY23 with improving cash flow profile in medium- and long-term



## Five clear priorities to drive sustainable growth

Drive Consumer growth through converged propositions and services

Capitalise on Enterprise and Global's unrivalled assets to restore growth

Deliver Openreach growth and strong returns on FTTP<sup>1</sup>

Transform our cost base and improve productivity

Optimise our business portfolio and capital allocation

**Simon Lowth**  
Chief Financial Officer

## H1 FY22 results overall in line with expectations

	H1 FY22	H1 FY21	Change
Adjusted revenue <sup>1</sup>	£10,308m	£10,607m	(3)%
Adjusted operating costs before depreciation and amortisation <sup>1</sup>	£(6,560)m	£(6,886)m	(5)%
Adjusted EBITDA <sup>1</sup>	£3,748m	£3,721m	1%

<sup>1</sup> Before specific items



## Summary of H1 FY22 results by customer facing unit

	Adjusted revenue <sup>1</sup>		Adjusted EBITDA <sup>2</sup>	
	H1 FY22	Change YoY	H1 FY22	Change YoY
Consumer	£4,857m	Flat	£1,077m	Flat
Enterprise	£2,572m	(5)%	£852m	2%
Global	£1,654m	(14)%	£207m	(28)%
Openreach	£2,707m	5%	£1,561m	7%
Other	£14m	(17)%	£51m	(28)%
Intra-group	£(1,496)m	Flat	-	-
<b>Total</b>	<b>£10,308m</b>	<b>(3)%</b>	<b>£3,748m</b>	<b>1%</b>

<sup>1</sup> Before specific items

<sup>2</sup> Before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense

## H1 FY22 results overall in line with expectations

	H1 FY22	H1 FY21	Change YoY
Adjusted EBITDA <sup>1</sup>	£3,748m	£3,721m	1%
Depreciation and amortisation <sup>1</sup>	£(2,169)m	£(2,152)m	1%
Net finance expense <sup>1</sup>	£(382)m	£(384)m	(1)%
Tax <sup>1</sup>	£(183)m	£(236)m	(22)%
Adjusted profit after tax <sup>1</sup>	£1,014m	£950m	7%
Specific items	£(583)m	£(94)m	520%
Reported profit for the period	£431m	£856m	(50)%
Adjusted earnings per share <sup>1</sup>	10.2p	9.6p	7%

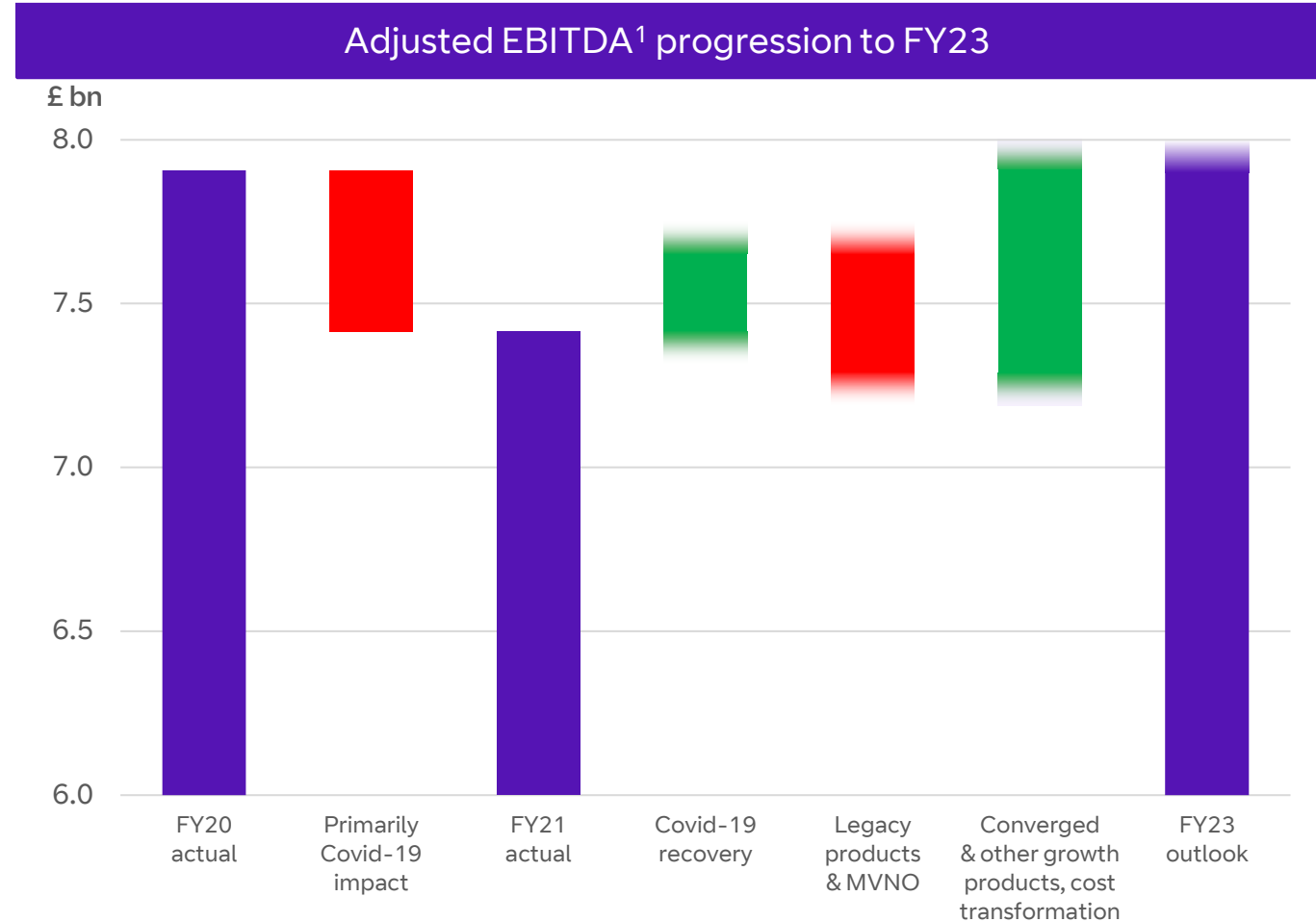
<sup>1</sup> Before specific items

## H1 FY22 stable normalised free cash flow supportive of dividend reinstatement

	H1 FY22	H1 FY21	Change YoY
<b>Adjusted EBITDA<sup>1</sup></b>	£3,748m	£3,721m	1%
Cash available for investment and distribution	£2,634m	£2,507m	5%
Cash capital expenditure	£(2,274)m	£(2,085)m	9%
<b>Normalised free cash flow<sup>2</sup></b>	£360m	£422m	(15)%
Refund on the acquisition of spectrum	£227m	-	100%
Net cash flow from specific items	£(359)m	£(221)m	(62)%
<b>Reported free cash flow</b>	£228m	£201m	13%
<b>Net financial debt</b>	£(12,253)m	£(11,333)m	8%

# Outlook reiterated – expect adjusted EBITDA of at least £7.9bn in FY23, sustainable growth thereafter

FY22 outlook	
Change in adjusted revenue <sup>1</sup>	Broadly flat
Adjusted EBITDA <sup>1</sup>	£7.5bn - 7.7bn
Capital expenditure	c.£4.9bn
Normalised free cash flow <sup>2</sup>	c.£1.1bn – 1.3bn
Dividend	7.7pps <sup>3</sup>



<sup>1</sup> Before specific items

<sup>2</sup> After net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items

<sup>3</sup> FY22 dividend including the 2.31pps interim dividend

**Philip Jansen**  
Chief Executive

# A compelling market opportunity for growth

Demand for our products and services has never been higher

Low next generation network coverage and adoption in UK

Supportive and stable regulatory environment

Pricing environment has become more constructive



Bristol, tower above slow speeds with our **fastest ever** business fibre broadband.

All business. No drama.

• Full Fibre - a direct connection to your business  
• Fastest speeds of up to 900Mbps  
• Our lowest ever price

Search BT Business Full Fibre 900

# We have the unique assets and improving competitiveness to grow value

## Market share leader in UK retail markets

- Broadest portfolio of next generation products
- Strong brands with positive momentum
- Unrivalled geographic sales, marketing and service reach
- Leading 4G and 5G networks and converged core by 2023

## Leading fixed-access wholesaler

- National superfast fixed-access network and almost 6m FTTP premises passed
- Sharp price points
- Ever-improving service
- Deep system and networks integration with CPs<sup>1</sup>

Great progress in modernisation of BT with £1bn gross annualised cost savings reached 18 months early

Balance sheet strength to invest in networks and digital transformation at unrivalled pace and scale

# Five clear priorities to drive sustainable growth

## Drive Consumer growth through converged propositions and services

- Deliver higher ARPC<sup>1</sup>, significant improvements in NPS<sup>2</sup> and lower churn
- Capitalise on strong pipeline of converged propositions

## Capitalise on Enterprise and Global's unrivalled assets to restore growth

- Leverage portfolio of next generation services
- Significant improvement in operational delivery

## Deliver Openreach growth and strong returns on FTTP

- Pass 25m premises with FTTP by the end of 2026
- Drive take up on new platform

## Transform our cost base and improve productivity

- Phase out 3G in 2023, and PTSN<sup>3</sup> in 2025, and embrace process simplification and digitisation
- Reduce costs and drive margin expansion across all units

## Optimise our business portfolio and capital allocation

- Reviewing opportunities to grow in adjacent markets



# Significant progress against our clear priorities

## Drive Consumer growth through converged propositions and services

- Delivered an inflection in broadband ARPC and increased Halo take-up
- >900k Consumer customers on FTTP network
- 5.3m 5G ready customers with c.40% 5G population coverage
- Consumer NPS at highest ever level, churn and complaints at record lows

## Capitalise on Enterprise and Global's unrivalled assets

- Significantly enhanced our portfolio of next generation services
- Re-engineering processes driving all-time high SME<sup>1</sup> NPS
- New operating model in Enterprise
- Strong order intake in Global, up 29% to £1bn in Q2

## Deliver Openreach growth and strong returns on FTTP

- Almost 6m premises passed with FTTP with 1.3m customers connected
- FTTP annual build rate of 2.5m premises accelerating to 4m premises, with lower costs
- Long-term FTTP agreement signed with 10 CPs, including Sky and TalkTalk
- Continued customer experience improvements, with best-ever “on time repair” performance

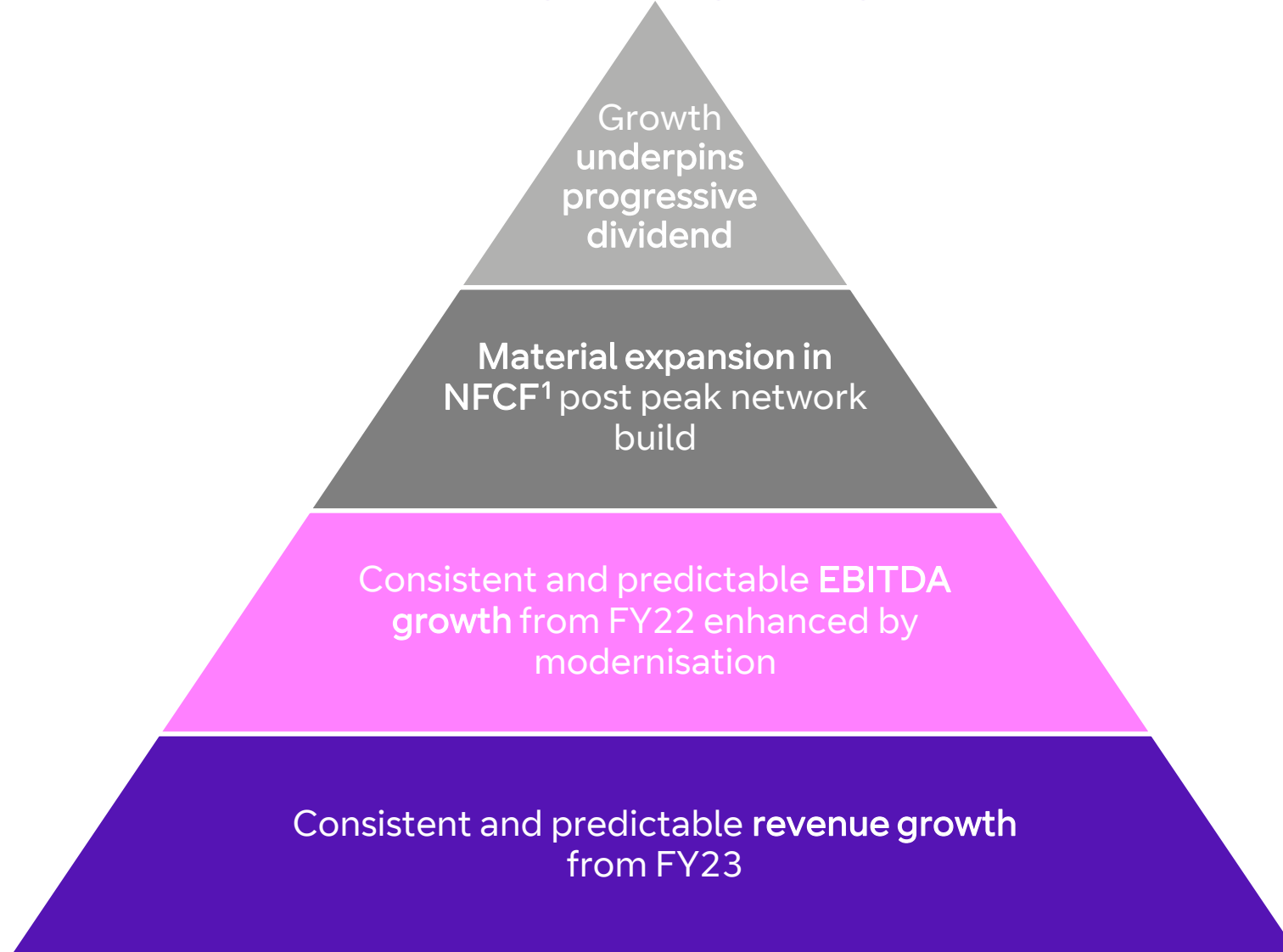
## Transform our cost base and improve productivity

- Reached target of £1bn gross annualised cost savings 18 months early
- Bringing forward £2bn target to FY24 with further savings in FY25; total cost to achieve remains at £1.3bn

## Optimise our business portfolio and capital allocation

- FTTP JV: retaining 100% upside for shareholders, remaining fully focussed on driving build and take-up
- Ongoing discussions regarding the future of BT Sport

## Outcome - competitive returns with growing margins and cash flow



# Summary - future BT delivers a structural step-up in cash flow

- **Accelerating transformation**

- early delivery of £1bn cost savings target and pull-forward of £2bn target to end FY24, more in FY25
- increased confidence in delivery of at least £7.9bn EBITDA next year, and increasing EBITDA margins across the Group
- drives a reduction in capex of £200m pa, reducing peak capex to £4.8bn from FY23

- **Increasing confidence in FTTP returns**

- 15% reduction in FTTP build costs<sup>1</sup>, £50 lower per premises passed
- drives decision to self-fund the additional 5m premises, retaining all upside for shareholders

- **Delivering at least £1.5bn incremental normalised free cash flow<sup>2</sup> by the end of the decade**

- post peak FTTP build, capex to reduce by at least £1bn pa from December 2026
- move towards an all-FTTP, all-IP network to drive a further £500m pa in incremental cash flow, entirely from operating cost savings

