

BT Group plc  
12 May 2022

## **BT GROUP AND WARNER BROS. DISCOVERY AGREE TO FORM NEW PREMIUM SPORTS JOINT VENTURE FOR THE UK AND IRELAND**

Following its announcement of exclusive discussions on 3 February 2022, BT Group plc (“**BT Group**”) has agreed a set of definitive agreements with Warner Bros. Discovery, Inc. (“**Warner Bros. Discovery**”) to form a 50:50 joint venture company to create a new premium sport offering for the UK & Ireland (the “**JV**”), and to transfer the operating businesses of BT Sport to Warner Bros. Discovery (together the “**Transaction**”).

By bringing together the sports content offering of both BT Sport and Eurosport UK, the JV will have one of the most extensive portfolios of premium sports rights including UEFA Champions League, UEFA Europa League, the Premier League, Premiership Rugby, UFC, the Olympic Games, tennis Grand Slams featuring the Australian Open and Roland-Garros, cycling Grand Tours including the Tour de France and Giro d'Italia and the winter sports World Cup season.

Those customers who access BT Sport through BT directly, and the majority of BT TV customers, are set to receive discovery+, the non-fiction entertainment streaming service which is home to Eurosport's live and on-demand streaming offer in the UK & Ireland, as part of existing subscriptions.

Both BT Sport and Eurosport UK will initially retain their separate brands and product propositions in the market before being brought together under a single brand in the future. BT Group (through its wholly owned subsidiary British Telecommunications plc (“**BT plc**”)) and Warner Bros. Discovery will enter into distribution agreements with the JV under which they will distribute the combined sports content to new and existing customers on their respective platforms and apps.

### **Key highlights**

- BT Sport and Eurosport UK to be brought together to form a premium sports joint venture for customers in the UK & Ireland which will be owned 50:50 by BT plc and Warner Bros. Discovery.
- Warner Bros. Discovery and BT plc will each directly contribute, sub-license or deliver the benefit of their respective sports rights and distribution agreements for the UK & Ireland to the JV.
- The Transaction will deliver operational efficiencies through the transfer of the operating businesses of BT Sport to Warner Bros. Discovery.
- BT plc will receive £93m from Warner Bros. Discovery and up to approximately £540m by way of an earn-out from the JV, subject to certain conditions being met.
- BT plc will retain a 50% interest in the JV, and Warner Bros. Discovery will be granted a Call Option over BT plc's interest in the JV, exercisable at specified points in the first four years of the JV.
- The Transaction is subject to customary closing conditions, including approvals by the relevant regulatory bodies and is expected to complete by the end of 2022.

**Marc Allera, CEO BT's Consumer division, said** "As a global sports and entertainment broadcaster Warner Bros. Discovery is the perfect partner to work with us to take BT Sport to the next stage of its growth. We're excited to be joining forces to bring the best of BT Sport together with Eurosport UK to create a fantastic new sports offer alongside all the entertainment that discovery+ has to offer BT customers."

"I'm incredibly proud of the established, creative and innovative broadcaster that BT Sport has become. We have a brilliant team who are dedicated to broadcasting amazing sporting moments and we look forward to working with Eurosport UK to realise the opportunities that this next stage will bring both our team and our viewers."

**Andrew Georgiou, President and Managing Director, Warner Bros. Discovery Sports Europe said** "We are excited to bring fans a new premium sport offering that brings together everything they love from BT Sport and Eurosport UK. Combining this with our growing portfolio of premium entertainment content promises to deliver consumers a richer and deeper content proposition, not only providing greater value from their subscriptions but bringing sport to a wider entertainment audience."

The Transaction constitutes a class 2 transaction for the purposes of the UK Financial Conduct Authority Listing Rules and, as such, BT Group plc shareholder approval is not required.

Lazard is acting as exclusive financial adviser to BT Group and CMS Cameron McKenna is acting as legal adviser to BT Group. DLA Piper is acting as legal adviser to Warner Bros. Discovery.

### **Additional information**

#### *Transaction Structure*

The JV will be structured as a 50:50 joint venture, with each of BT plc and Warner Bros. Discovery holding equal voting rights in the JV.

At completion of the Transaction, the production and operational assets of BT Sport will transfer to and become a wholly owned subsidiary of Warner Bros. Discovery.

#### *Governance*

The Board of Directors of the JV will be equally represented between appointees of BT plc and Warner Bros. Discovery.

The Chairperson of the Board will be a Board Director nominated by each shareholder on a rotating basis, the first of which will be Marc Allera.

#### *Consideration*

- BT plc will receive £93m from Warner Bros. Discovery (payable in instalments over the three years following transaction completion) and up to approximately £540m by way of an earn-out from the JV during the earn-out period, subject to certain conditions being met.
- BT plc will retain a 50% interest in the JV, and Warner Bros. Discovery will be granted a Call Option over BT plc's interest in the JV at a price to be determined at the time the option is exercised.

The earn-out period will end at the earliest of i) four years post completion of the Transaction, ii) the exercise by Warner Bros. Discovery of the Call Option, and iii) if the earn-out reaches the agreed cap.

#### *Other distributions to shareholders*

Any dividends (made after payments required under the earn-out) shall be paid in equal proportions, to BT plc and Warner Bros. Discovery.

#### *Call Option*

As part of the Transaction, Warner Bros. Discovery will have the right, but not the obligation, to exercise a call option to acquire the entire shareholding of BT plc in the JV (the “**Call Option**”). The Call Option will be exercisable at specified points during the first four years of the JV and is subject to certain conditions and arrangements. The price payable for 50% of the JV under the Call Option will be at a price to be determined at the time the option is exercised, plus any remaining consideration and earn-out that BT plc will be entitled to at that time (subject to certain conditions).

If the Call Option is not exercised by Warner Bros. Discovery (as detailed above), BT plc will have the ability to exit its stake in the JV either through a sale or IPO.

#### *Proceeds cap*

The consideration payable under the Transaction (including the Call Option) is subject to a cap which is below the threshold for a class 1 transaction (as defined by the UK Financial Conduct Authority’s Listing Rules) as at the time of this announcement.

#### *Ancillary Agreements*

The production and the operational assets of BT Sport to be transferred to Warner Bros. Discovery who, upon completion, will manage the day-to-day operations of the JV.

In addition, certain ancillary agreements and undertakings will be entered into between BT plc and Warner Bros. Discovery, and between BT plc, Warner Bros. Discovery and the JV; including those necessary to ensure continuity of service to customers, and relevant transitional arrangements.

As part of the Transaction, BT plc and Warner Bros. Discovery will each enter into distribution agreements with the JV to become the official UK distributor of the JV’s sports channels across both sets of platforms. BT plc’s agreement with the JV will extend beyond 2030, and for the first four years, includes a minimum revenue guarantee of approximately £500m per annum, after which the agreement will change to a fully variable arrangement.

The JV will also enter into a new agreement with Sky extending beyond 2030 to provide for its distribution of the JV’s combined sports content. BT plc will also enter into a distribution agreement with Warner Bros. Discovery to provide discovery+ to its direct BT TV and BT Sport customers.

#### *Accounting treatment*

Upon completion of the transaction, BT plc’s interest in the JV is expected to be classified as a Joint Venture under IFRS 11, and equity accounted for under IAS 28.

#### *Information on BT Sport business*

Based on unaudited management information, as at 31 March 2022, the value of the gross assets of BT Sport business to be contributed to the JV and the operating businesses of BT Sport was £339m and it had an operating loss for the year of £222m.



### *Information on Eurosport UK business*

Based on unaudited management information, as at 31 March 2022, the value of the gross assets of Eurosport UK's rights and distribution agreements contributed directly to the JV was £12m and it had an operating profit for the year of £16m.

### **About BT**

BT Group is the UK's leading provider of fixed and mobile telecommunications and related secure digital products, solutions and services. We also provide managed telecommunications, security and network and IT infrastructure services to customers across 180 countries. BT Group consists of four customer-facing units: Consumer serves individuals and families in the UK; Enterprise and Global are our UK and international business-focused units respectively; Openreach is an independently governed, wholly owned subsidiary, which wholesales fixed access infrastructure services to its customers - over 650 communication providers across the UK.

British Telecommunications plc is a wholly-owned subsidiary of BT Group plc and encompasses virtually all businesses and assets of the BT Group. BT Group plc is listed on the London Stock Exchange.

For more information, visit [www.bt.com/about](http://www.bt.com/about).

### **About Warner Bros. Discovery**

Warner Bros. Discovery (NASDAQ: WBD) is a leading global media and entertainment company that creates and distributes the world's most differentiated and complete portfolio of content and brands across television, film and streaming. Available in more than 220 countries and territories and 50 languages, Warner Bros. Discovery inspires, informs and entertains audiences worldwide through its iconic brands and products including: Discovery Channel, discovery+, CNN, DC, Eurosport, HBO, HBO Max, HGTV, Food Network, Investigation Discovery, TLC, TNT, TBS, truTV, Travel Channel, MotorTrend, Animal Planet, Science Channel, Warner Bros. Pictures, New Line Cinema, Cartoon Network, Adult Swim, Turner Classic Movies and others.

For more information, please visit [www.wbd.com](http://www.wbd.com)

### **Disclaimer**

Lazard & Co., Limited ("Lazard"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as financial adviser to BT plc and no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than BT plc for providing the protections afforded to clients of Lazard nor for providing advice in relation to the matters set out in this announcement. Neither Lazard nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard in connection with this announcement, any statement contained herein or otherwise.

### **Cautionary Statement Concerning Forward-Looking Statements**

Certain information included in this announcement 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 Group'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 announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to BT Group on the date of this announcement. 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 Group undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Information set forth in this communication contains certain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, forecasts, and assumptions that involve risks and uncertainties and on information available to Warner Bros. Discovery as of the date hereof. Warner Bros. Discovery's actual results could differ materially from those stated or implied due to risks and uncertainties associated with its business, which include the risk factors disclosed in Warner Bros. Discovery's 2021 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on February 24, 2022 and its subsequent filings made with the SEC. Forward-looking statements include statements regarding Warner Bros. Discovery's expectations, beliefs, intentions or strategies regarding the future, and can be identified by forward-looking words such as "anticipate," "believe," "could," "continue," "estimate," "expect," "intend," "may," "should," "will" and "would" or similar words. Forward-looking statements include, without limitation, statements regarding future financial and operating results, Warner Bros. Discovery's plans, objectives, expectations and intentions, and other statements that are not historical facts. Warner Bros. Discovery expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in Warner Bros. Discovery's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.