



# BT Group plc FY22 results

12 May 2022

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# Philip Jansen

Chief Executive



# Highlights | Strong operating performance, accelerating execution

Operationally performed well in Q4, outturn for the year in-line with outlook

Continue to deliver against our strategy and accelerate pace of execution

Finalised joint venture with Warner Bros. Discovery, combining BT Sport and Eurosport UK

Finalised agreement with Sky on a reciprocal channel supply and signed an MoU<sup>1</sup> on a framework on FTTP<sup>2</sup> co-provisioning

Full year dividend, as promised, of 7.7pps<sup>3</sup>

<sup>1</sup> Memorandum of Understanding; <sup>2</sup> Fibre-to-the-premises; <sup>3</sup> Pence per share

# Simon Lowth

Chief Financial Officer

# FY22 results overall in line with our expectations

	FY22 £bn	FY21 £bn	% Change	FY22 Outlook
Adjusted revenue <sup>1</sup>	20.8	21.4	(2)	Down c.2%
Adjusted operating costs before depreciation and amortisation <sup>1</sup>	(13.3)	(14.0)	(5)	n/a
Adjusted EBITDA <sup>2</sup>	7.6	7.4	2	£7.5bn - £7.7bn
Capex excluding spectrum	4.8	4.2	14	c.£4.9bn
Normalised free cash flow	1.4	1.5	(5)	£1.1bn - £1.3bn

<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



# Summary of FY22 customer facing units

	Adjusted Revenue <sup>1</sup>				Adjusted EBITDA <sup>2</sup>			
	Q4 FY22 £m	% Change YoY	FY22 £m	% Change YoY	Q4 FY22 £m	% Change YoY	FY22 £m	% Change YoY
Consumer	2,416	1	9,858	Flat	557	8	2,262	6
Enterprise	1,290	(5)	5,157	(5)	384	(12)	1,636	(4)
Global	837	(8)	3,362	(10)	135	(13)	456	(23)
Openreach	1,373	2	5,441	4	811	12	3,179	8
Other	7	40	27	17	(18)	25	44	(12)
Intra-group	(755)	(4)	(3,000)	(1)	-	-	-	-
<b>Total</b>	<b>5,168</b>	<b>(2)</b>	<b>20,845</b>	<b>(2)</b>	<b>1,869</b>	<b>3</b>	<b>7,577</b>	<b>2</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

# Outlook reiterated

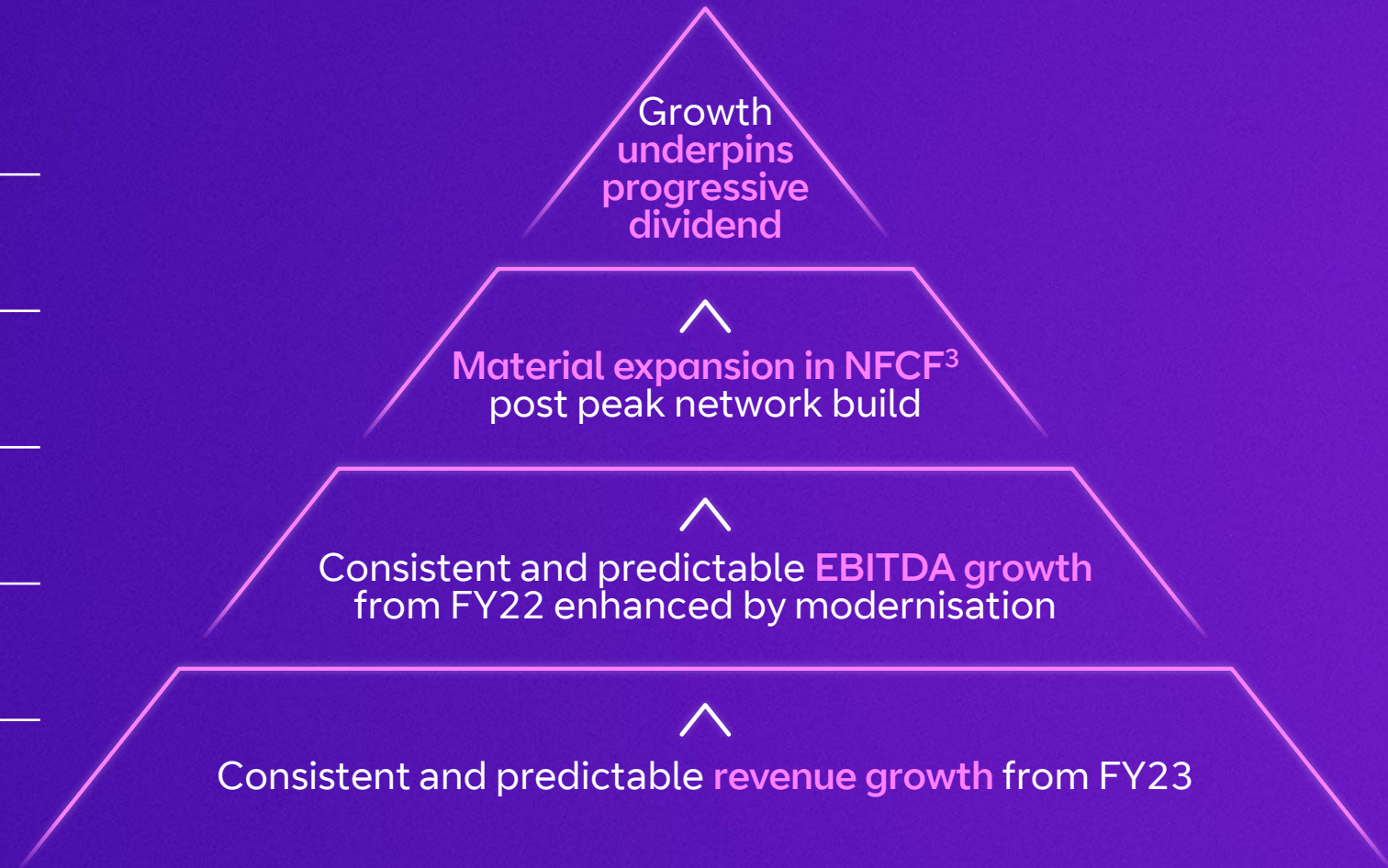
## FY23 outlook

Change in adjusted revenue<sup>1</sup> **Growth**

Adjusted EBITDA<sup>1</sup> **at least £7.9bn**

Capital expenditure **around £4.8bn**

Normalised free cash flow<sup>2</sup> **£1.3bn - £1.5bn**



<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> Normalised free cash flow



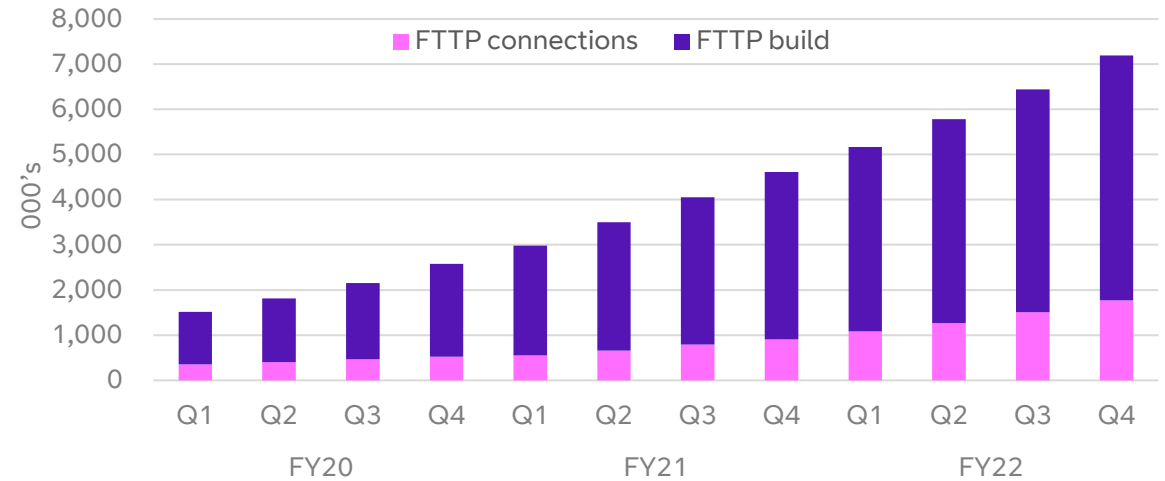
# Philip Jansen

Chief Executive

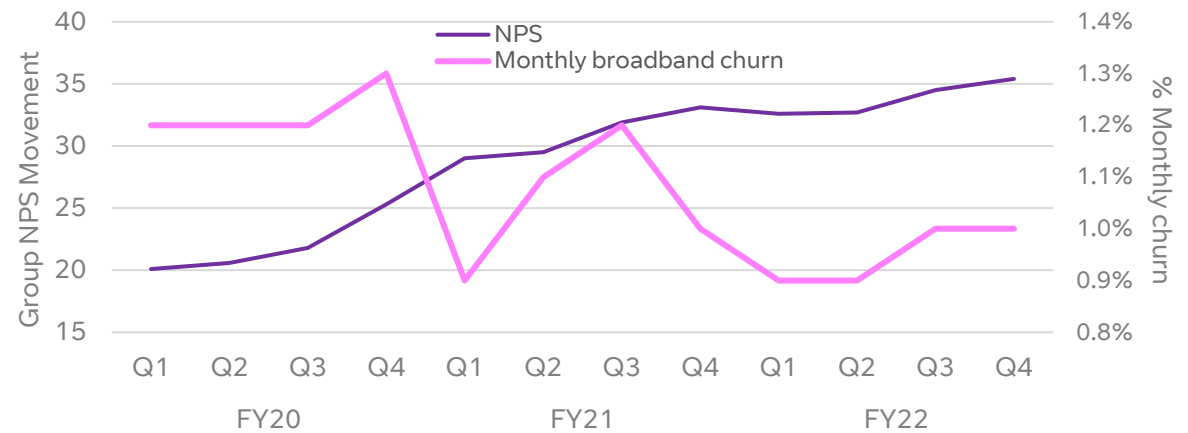
# Proven track record supports future delivery

- ✓ Strengthened relationships with Ofcom and Government, supporting 25m FTTP commitment
- ✓ 5G spectrum secured to support 5G leadership position; 5G covers >50% of the population
- ✓ Renewed customer focus delivering strong leading indicators
- ✓ £1.5bn gross annualised savings to date, expect £2.5bn by end FY25 with the cost to achieve total savings remaining at £1.3bn
- ✓ Enduring pension settlement to reduce risks
- ✓ Launched our Manifesto to ensure our growth is responsible, inclusive and sustainable

## Continued acceleration in FTTP build and take-up



## Movement in BT Group NPS<sup>1</sup> and Consumer broadband churn



<sup>1</sup> Group NPS shows the cumulative movement in our customers' perception of BT since April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units





# A compelling market opportunity for growth

Demand for our products and services expected to significantly increase

Next generation network coverage and take-up in UK expected to significantly increase

Supportive, pro-investment and stable regulatory environment

Constructive and sustainable pricing model



**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



**5G**

**EE**

UK HOLIDAY DESTINATIONS CONNECTED TO EE'S 5G NETWORK

Map locations: Inverness, Morecombe, Blackpool, Clitheroe, Mablethorpe, Great Malvern, Clacton-on-Sea, Raseon-Wye, Penryn, Minehead, Tiverton, Salisbury, Pool, Exeter, Plymouth, St Austell, Falmouth, Eastbourne, Hastings, Cowes.



# We have unique assets and improving competitiveness to grow value

## Market share leader in UK retail markets

Relationship with over 50% of households

Market leading networks and converged core by 2023

Broadest portfolio of next generation products

Ever-improving service

Unrivalled geographic sales, marketing and service reach

## Leading fixed-access wholesaler

National superfast fixed-access network

Over 7m FTTP premises passed

Deep systems and networks integration with CPs<sup>1</sup>

Sharp price points

In-house engineering capability

Relentless focus on simplifying our products, processes and systems

Strong balance sheet and clear capital allocation policy

<sup>1</sup> Communications provider

# 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

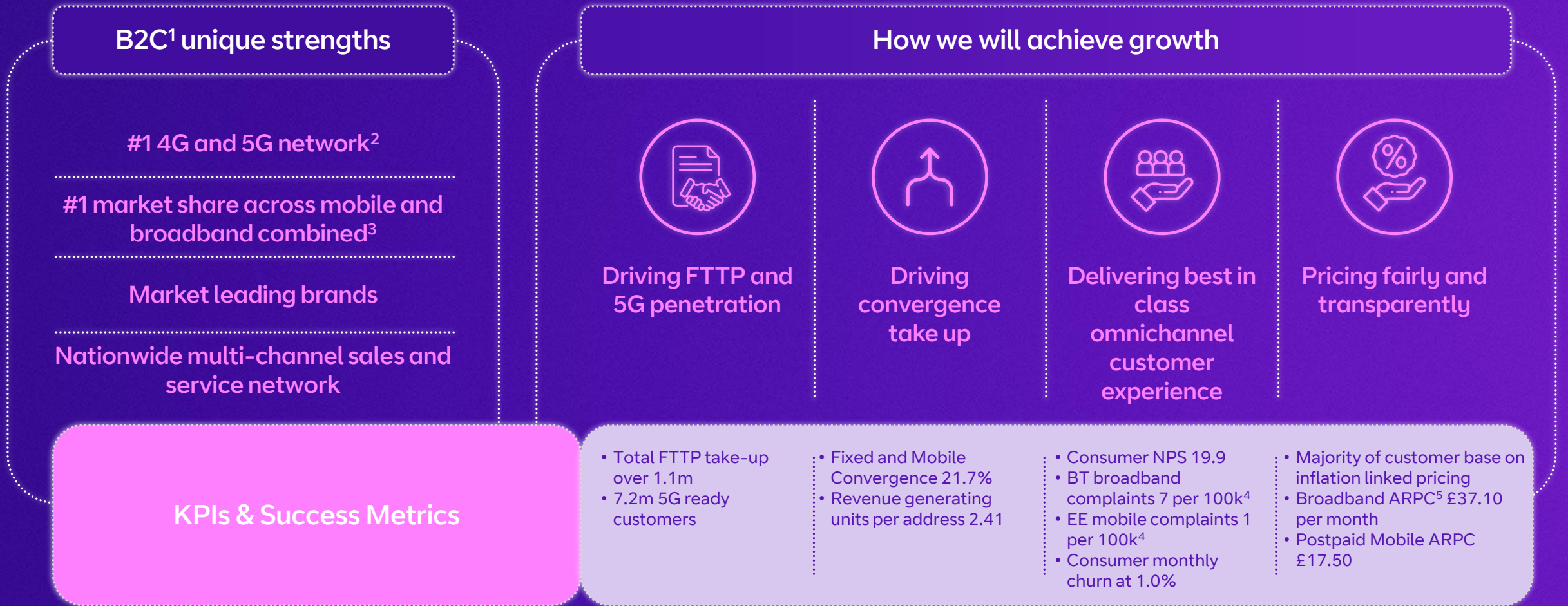
Deliver Openreach  
growth and strong  
returns on FTTP

Digitise, automate and reskill to transform our cost base and improve productivity

Optimise our business portfolio and capital allocation



# Drive Consumer growth through converged propositions and services



<sup>1</sup> Business to Customer; <sup>2</sup> According to Rootmetrics, for the last 8 years; <sup>3</sup> BT internal estimates; <sup>4</sup> Ofcom Telecoms and pay-TV complaints: Q4 (October - December) 2021; <sup>5</sup> Average Revenue Per Customer



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

## B2B<sup>1</sup>'s unique strengths

Depth and reach of network infrastructure

Broad portfolio of next generation products

Strong brands and unrivalled distribution reach

Wholesaler of choice

## KPIs & Success Metrics<sup>2</sup>

## How we will achieve growth



Expanding customer base and improving inflows

- 3,937k Mobile customers
- 728k Broadband customers
- 83 new logos for CPS<sup>3</sup> & Global Q4 FY22



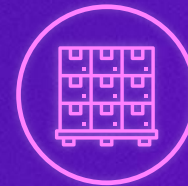
Re-focusing to next generation growth portfolio

- 1,067k IP voice seats
- £936m Global growth revenue
- £486m Global growth order intake
- 5 5G Mobile Private Networks



Investing in high-growth adjacencies

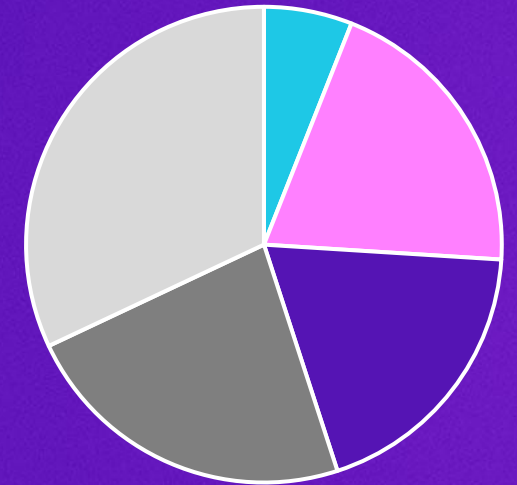
- £650m Security revenue
- £136m Health revenue



Simplifying and digitising to lower costs and improve customer experience

- 73 legacy systems closed
- 149 product variants closed
- Enterprise NPS 14.9
- Global NPS 44.2

## B2B EBITDA<sup>4</sup>



- Security
- SME/SoHo
- Public Sector
- Wholesale
- UK corporate & MNC<sup>5</sup>

# Deliver Openreach growth and strong returns on FTTP

## Openreach unique strengths

Nationwide fixed access wholesaler with the largest FTTP footprint

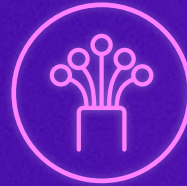
Strong, established relationships with CPs

Large, highly skilled direct workforce

Fastest, lowest cost and highest quality builder of FTTP in UK

## KPIs & Success Metrics

## How we will achieve growth



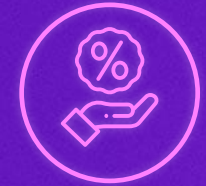
Building FTTP at pace



Migrating customers rapidly



Delivering great service



Pricing fairly and transparently

- 7.2m premises passed with FTTP
- Premises passed annual run rate >3m in Q4
- Cost per FTTP premises passed £250 - £350

- 1.8m Total FTTP connections
- FTTP platform take-up 25%

- 30/30 Copper Quality of Service standards

- FTTP ARPU £18.1<sup>1</sup>

<sup>1</sup> FTTP Average Revenue Per User calculation includes both FTTP connection and rental revenue



# Digitise, automate and reskill to transform our cost base and improve productivity

## What we are doing?



Simplifying our product portfolio



Dramatically transforming our customer journeys



Shutting down legacy IT and moving to strategic digital tech



Migrating our customers onto our strategic products and networks

## How we are doing it?

- ✓ Modernising BT and righting our cost model
- ✓ Transforming our ways of working
- ✓ Doubling our digital channel share
- ✓ Delivering growth through Platform Thinking
- ✓ Incubating new ideas in new sectors

## How we are progressing?

- £1.5bn gross annualised savings delivered
- c.13k gross headcount reduction
- 65% zero touch journeys
- >200 legacy apps closed this year

**£2.5bn target cost savings by end FY25<sup>1</sup>**



# Optimise our capital allocation

## Capital allocation framework

**Invest for growth**  
c.£4.8bn peak capex

**Support pension funds**  
£1.1bn annual payments reducing to £0.8bn p.a. from FY24

**Maintain strong balance sheet**  
BBB+ through cycle ratings target. Long-dated debt maturity profile

**Reward investors through progressive dividend policy**  
7.7pps reinstated dividend for FY22

# Optimise our business portfolio

## Partnering and investing to optimise our portfolio and deliver our growth ambitions



Sports JV with Warner Bros. Discovery to reduce risk and enhance customer offering

Google Cloud



Strategic partnership with Google Cloud and AWS to accelerate our digital transformation

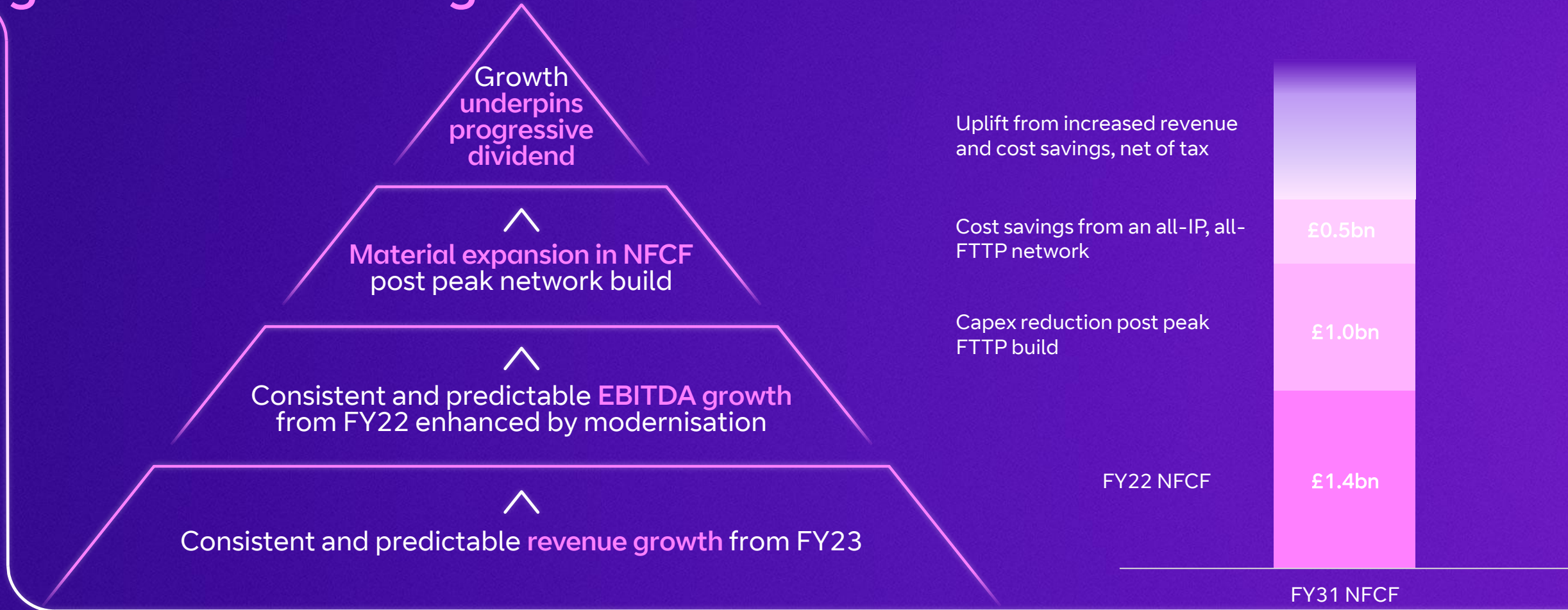


Investment in Distributed to extend our tech talent pool



Partnership with Microsoft's Operator Connect to provide our customers with seamlessly enabled network and voice services

# BT's five priorities will drive sustainable revenue, EBITDA and NFCF growth to create significant value for our shareholders





# Summary

Strong overall performance in FY22 with positive and accelerating momentum

Strengthening and simplifying the organisation – expect £2.5bn of gross cost savings by end FY25

Continued market growth and our unique assets ensure enduring success

Focus on five priorities will see BT return to revenue growth and achieve at least £7.9bn EBITDA this year

Confident in delivering significant and sustainable long-term growth and value to shareholders



