



**BT Group plc**

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**Gavin Patterson, Chief Executive**

# Acquisition of EE

- ▶ Buying the leading UK mobile network operator for £12.5bn
- ▶ A transformational deal for BT
- ▶ Accelerates our existing mobile strategy
- ▶ Good for consumers and businesses
- ▶ Substantial synergies

**Significant shareholder value creation**

# EE is the UK mobile market leader

## History

- ▶ Formed in 2010 from the merger of Orange UK and T-Mobile
- ▶ Jointly owned by Orange and Deutsche Telekom

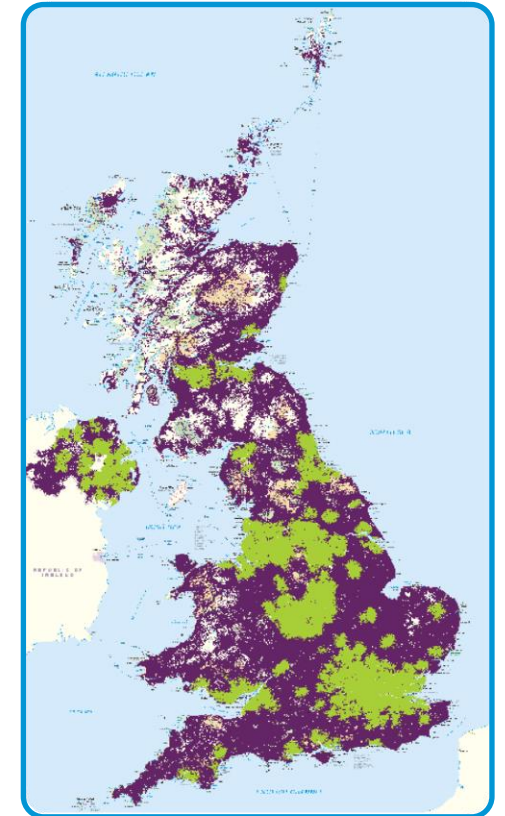
## Assets

- ▶ Largest spectrum holding; fully invested network
- ▶ First UK mobile operator to launch 4G; ranked no.1 for network quality
- ▶ Employs around 13,000 people
- ▶ c.550 stores

## Customers

- ▶ c.32% mobile market share
- ▶ 24.3m direct mobile customers, of which 15m are postpaid
- ▶ 3.7m MVNO customers
- ▶ 884,000 fixed broadband customers

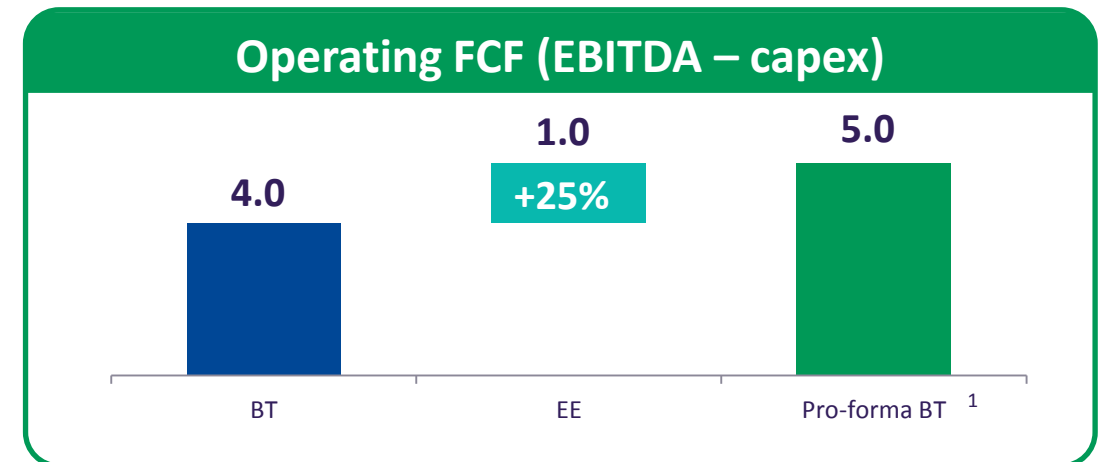
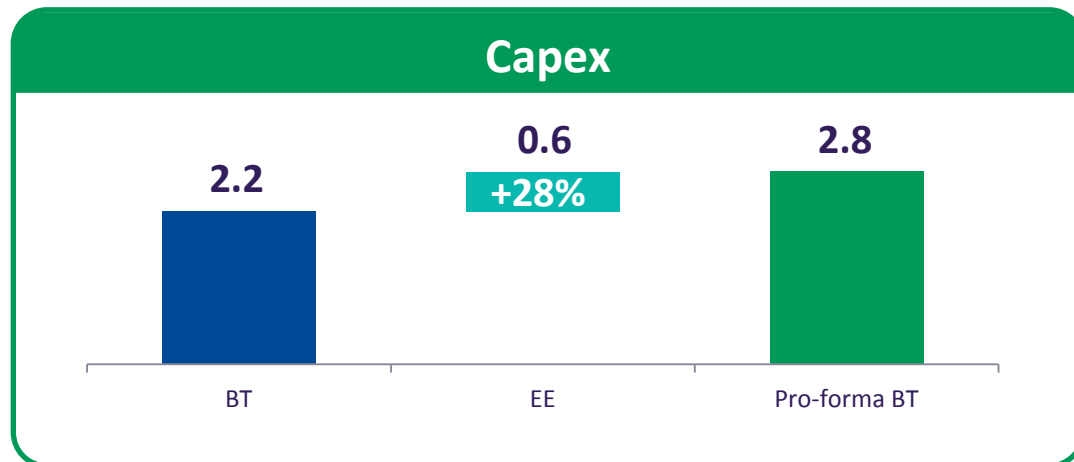
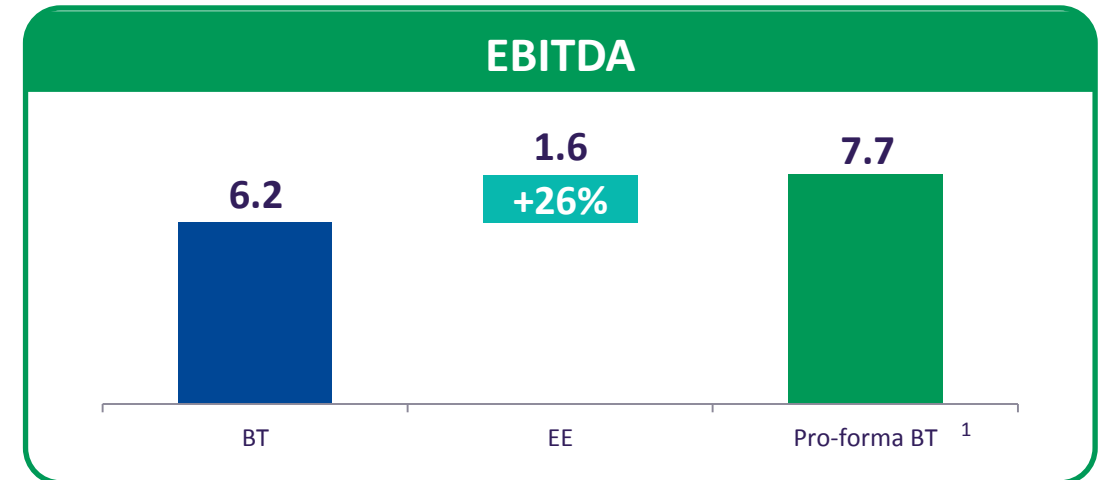
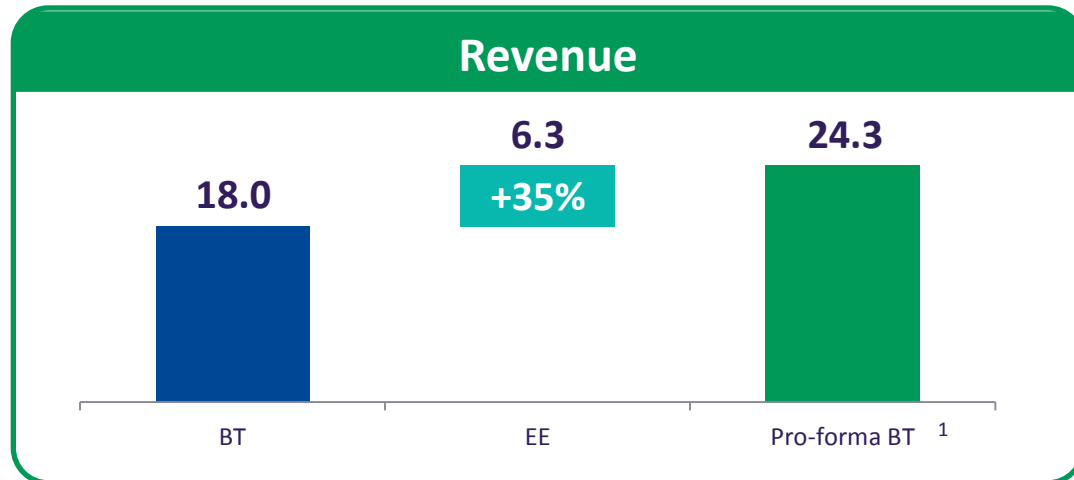
## Leading 3G and 4G coverage



■ 3G coverage ■ 4G coverage

# EE will grow our business by over 25%

December 2014 LTM, £bn



Note:

BT financial information has been derived from quarterly results releases previously published by BT for the 12 months ended 31 December 2014. BT figures are before specific items.

EE financial information has been extracted without adjustment from the result announcement made by EE for the year ended 31 December 2014. The financial information was prepared under IFRS and in accordance with EE's accounting policies. EE adjusted EBITDA is before management and brand fees payable to its shareholders, one-off items and restructuring costs.

<sup>1</sup> Excluding consolidation adjustments and eliminations

# The acquisition is fully aligned with our strategy

**Our purpose**

**To use the power of communications to make a better world**

**Our goal**

**A growing BT: to deliver sustainable profitable revenue growth**

**Our strategy**

**Broaden and deepen our customer relationships**

**Deliver superior  
customer service**

**Transform  
our costs**

**Invest for  
growth**

**Fibre**

**TV and  
content**

**Mobility  
and  
future  
voice**

**UK business  
markets**

**Leading  
global  
companies**

**Our culture**

**A healthy organisation**

# Reasons for the acquisition

## Creation of the UK's leading communications provider

100% of EE to be acquired for an Enterprise Value of £12.5bn<sup>1</sup>

1

Acquisition of a highly attractive business

- ▶ The UK mobile market leader – N<sup>o</sup>.1 for revenue, with 31m customers
- ▶ The UK's most advanced 4G network, with market-leading network performance

2

Greater scale from combining fixed and mobile market leaders

- ▶ Highly complementary assets
- ▶ Little overlap, so significant cross-sell opportunity
- ▶ Combining leading 4G network with UK's largest superfast fixed network

3

Providing compelling Fixed-Mobile Converged products

- ▶ European markets show strong penetration of FMC offerings
- ▶ BT will be better equipped to offer FMC services

<sup>1</sup> Amount payable to Deutsche Telekom (DT) and Orange will be net of EE Net Debt at deal completion

# Reasons for the acquisition (contd.)

## Creation of the UK's leading communications provider

100% of EE to be acquired for an Enterprise Value of £12.5bn<sup>1</sup>

4

Accelerating BT's mobile strategy and gaining owner economics in mobile

- ▶ Owner economics provide greater control over product and investment roadmap and more upside from volume growth
- ▶ Transaction allows BT to meet customer demand quickly

5

Creating value and unlocking significant synergies

- ▶ Accretive to FCF per share in the first full year post completion
- ▶ Significant cost savings with potential for material revenue synergies
  - c.£3.0bn opex & capex synergy NPV and c.£1.6bn revenue synergy NPV
- ▶ Attractive valuation of 6.0x EBITDA and 9.6x opFCF<sup>2</sup>

<sup>1</sup> Amount payable to Deutsche Telekom (DT) and Orange will be net of EE Net Debt at deal completion

<sup>2</sup> Calculated using EV of £12.5bn less £3.0bn NPV of cost synergies post integration costs. Based on EE's financial data for the 12 months to 31 December 2014.

EBITDA is EE's Adjusted EBITDA; opFCF is Adjusted EBITDA less capex

# Transaction financing

## Financing<sup>1</sup>

▶ New BT shares issued at closing – 12% of enlarged group to DT, 4% to Orange

**c.£6.8bn**

▶ Equity placing in February 2015 of c.3% of BT's share capital

**c.£1.0bn**

▶ EE Net Debt<sup>2</sup>

**c.£2.3bn**

▶ Existing cash and net new debt financing

**c.£2.4bn**

▶ **Total Enterprise Value**

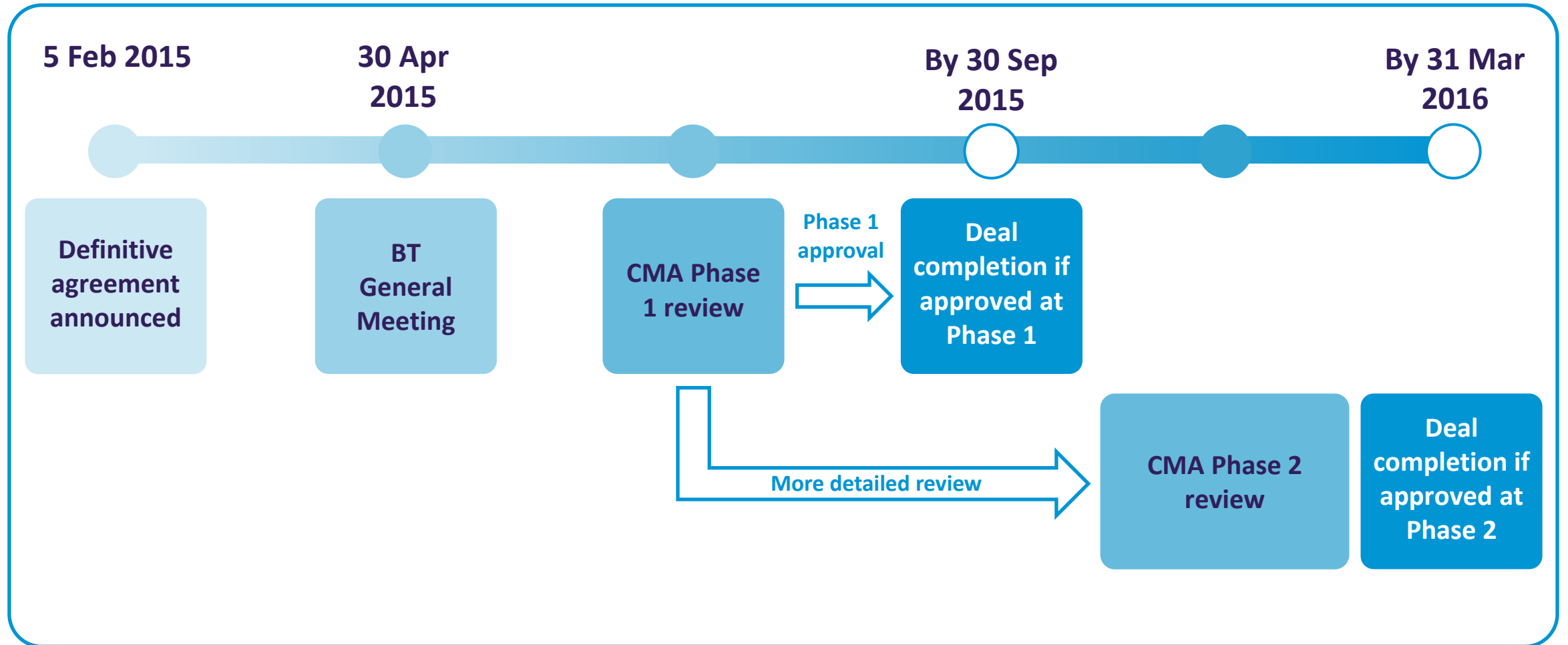
**£12.5bn**

<sup>1</sup> Illustrative, calculated using BT's closing share price on 4 February 2015

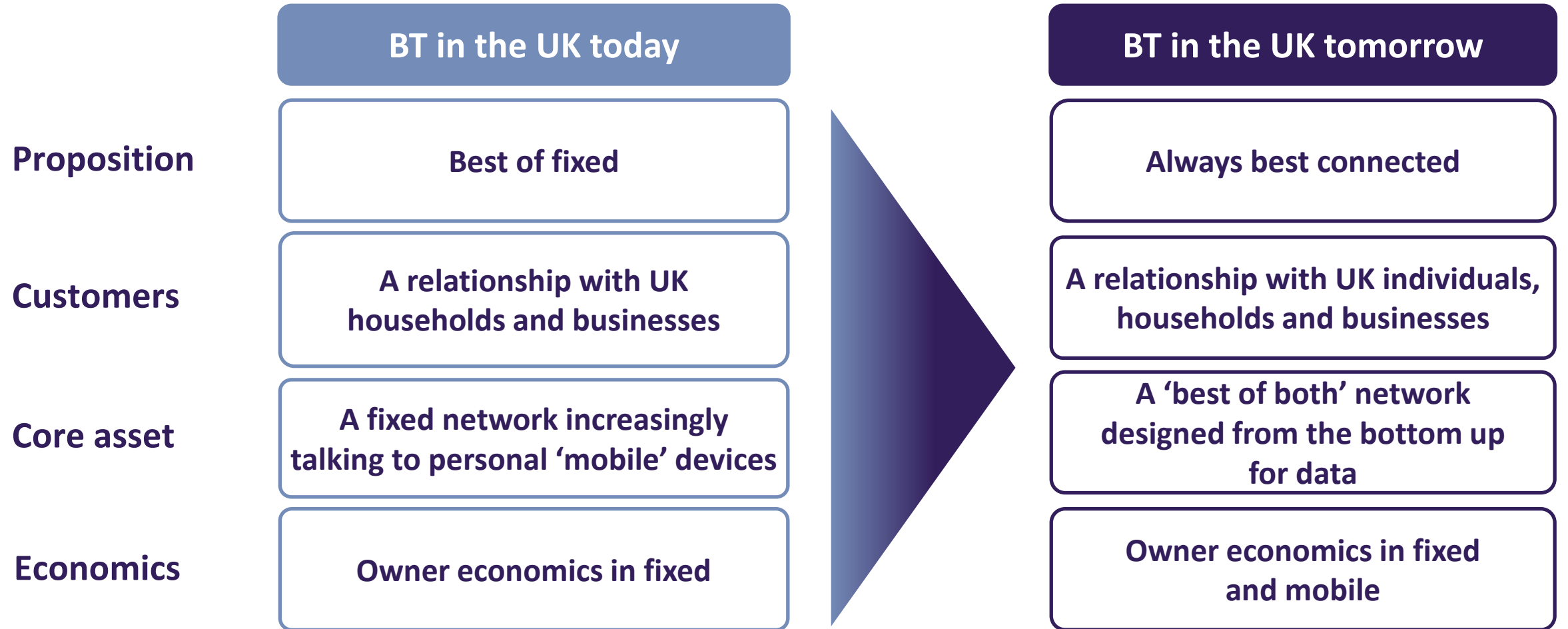
<sup>2</sup> EE net debt as at 31 December 2014, adjusted for other debt-like items



# Timeline



# In summary



**Deal provides attractive opportunity to generate considerable shareholder value**

Resolution 1

Acquisition of EE Limited and related allotment of shares

Resolution 2

Buy-back of BT shares from Deutsche Telekom and/or Orange

		For & Discretion		Against		Vote Withheld	Overall
Res No.	Description	Total	%	Total	%	Total	Total
01	Approve acquisition	5,141,419,305	99.55%	14,060,760	0.27%	9,199,574	5,164,679,639
02	Approve buy-back	5,143,198,363	99.59%	11,929,728	0.23%	9,487,004	5,164,615,095

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Acquisition of EE Limited and related allotment of shares

Resolution 2

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# Poll on all Resolutions

## Using your Admission Card/Proxy Card:

- If voting all shares “for”, place a cross (X) in “For” box
- If voting all shares “against”, place a cross (X) in “Against” box
- If withholding vote, place (X) in “Vote withheld” box
- If splitting vote, indicate the number of shares voting “for” “against” and “Vote withheld”
- Please sign the card
- Place completed card in ballot box as you leave
- Please ask a marshal if you have any questions

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