



BT GROUP H1 2019/20 RESULTS

MEDIA CALL

PHILIP JANSEN TRANSCRIPT

Morning everyone and thank you for joining me and Simon.

As you know, we've been investing to strengthen our competitive position in what has been a busy first half. I'll talk through this in more detail but first I'll run through a quick summary of our financial performance.

Our results are in-line with expectations and we are on track to meet our outlook for the full year:

- revenue was down 2% at £11.4billion;
 - EBITDA was down 3% to £3.9billion;
 - capex of £1.9billion was up 3%;
 - normalised free cash flow of £604million was down 38% primarily due to increased capex spend; and
 - we are confirming our interim dividend as expected at 4.62 pence per share.
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Earlier this month we announced an enhanced range of around 20 new products, services and partnerships that will have a hugely positive impact for our domestic and business customers. To call out just a few examples, these include:

- our new converged Halo plans for consumers and businesses, keeping them connected with the best networks, service and support, including unlimited fixed and mobile data, and access to 5G. For SME's, Halo also includes a future ready digital phone line;



- we're going to be upgrading 700,000 homes and businesses free of charge from copper to superfast broadband by June 2020;
- on customer service, we're turbo charging our efforts to be the best: we will complete the on-shoring of all customer calls to be answered in the UK or Ireland from January 2020 – one year earlier than planned; we're launching a new team of 900 Home Tech Experts to help customers in their homes across the country; and we're returning the BT brand to the high street by co-branding our 615 EE stores across the UK. We started the stores transformation last Sunday night and they will be pretty much complete by the end of this week.
- We also launched our Skills for Tomorrow programme, which will reach 10m people with digital skills training.

These, and the many other initiatives we've announced, will help to create a better connected and more competitive Britain.

These measures are, of course about improving our competitive position and meeting current customer demand for connectivity and data.

They are also about rising to our national mission and ensuring we are best able to meet future demand. Data consumption in the UK is growing at around 40% annually. As an example, only two-weeks ago we had a new all-time data traffic peak on our core network following the release of Fortnite Season 11.

The average household in the UK has around five connected devices today and we see this rising to around 100 in the next five years. IoT and AI are going to further exacerbate the demand for data and seamless connectivity.

If the UK's economy is going to thrive BT will *need* to have the right products and services to meet and exceed these expectations.

This is also precisely why we need to continue investing in 4G and the next generation of mobile: 5G; and upgrade the UK's fixed network to full fibre.



Openreach has now accelerated its fibre build from passing 20,000 premises per week at the start of the year to about 23,000 premises per week by the end of the second quarter – this is equivalent to roughly one every 26 seconds.

As you know, we're very keen to further accelerate the pace of our FTTP rollout right across the UK. We're having constructive discussions with Government, Ofcom, and industry on the fibre enablers to get the best solution for delivering the enhanced speeds that the UK needs and deserves, with fair returns for our investors.

The Government's ambition to roll out gigabit broadband to every community in the country is challenging but it can be done if we all pull in the same direction. What the country needs is an approach that allows us all to get on and deliver.

On the mobile side, EE launched the UK's first 5G network in May this year, and we've launched 5G on the BT brand. We now have coverage in more than 20 large towns and cities across the UK and we will deliver 5G to a further 25 towns in 2019.

Last week DCMS announced that the industry has come together to put forward a proposal for a shared rural network to help the Government meet its manifesto commitment of 95% 4G geographic coverage.

BT already has the UK's largest 4G network, leading the way with 85% geographic coverage - and we continue to invest in rural mobile coverage. Our significant investment in building 4G in rural areas will provide an essential platform for allowing other operators – with Government support - to fill in partial not spots.

This is a great example of what can be achieved for the good of the country when there is collaboration between industry, Government and our regulator. Between us we will ensure people and businesses right across the UK get access to the digital connectivity they need, wherever they are.

This spirit of collaboration is what we will need to deliver the Government's ambition to 'fibre up' the nation.



Finally, on our transformation and modernisation agenda we are making good progress.

- In the summer we launched our Better Workplace Programme which will consolidate BT's footprint into a small number of modern, future-fit locations. It is the largest programme of its type in the UK and it will dramatically improve our organisational agility by providing buildings designed for modern-day working. During the quarter we signed leases on new buildings in London and Bristol.
- In parallel, we're continuing to work on IT modernisation to simplify our processes and systems.
- Our cost transformation programme announced in May 2018 remains on track to hit our £1.5bn savings target. We have so far achieved annual savings of £1.1bn with an aggregate one-off cost of £487m.

All of these improvements will ultimately allow our people to better serve our customers and exceed their expectations.

To sum up: I'm pleased with the progress we've made so far this year, and I'm really excited about the positive impact of our new products and services.

There remain a number of challenges for us and the country to navigate through the rest of the year but I'm confident that BT is well positioned to deliver against our financial plan and play our role in championing a dynamic, connected UK.

I'll now ask the operator to open the call for questions.
