

A message from our Chief Executive



I am delighted to be the new chief executive of BT. We play an important role in UK society and provide mission-critical services all around the world. It is a privilege to lead such a special company, with a great history and a very exciting future. BT creates value for a large and diverse group of stakeholders.

My first priority on joining in January was to meet as many BT colleagues as possible, and I have seen first-hand the energy and commitment they bring to doing the right thing by our customers. As we build the BT of the future, this dedication will be essential for transforming the company and improving the service we provide to our customers.

Many of our people talk to customers every day and can provide great insight into how they think. The way our customers see the world and our role in their lives and businesses is changing. In the coming year we will focus on developing a better understanding of what customers value about BT in each of our market segments.

BT is already making significant investments in our key markets and we have a very strong market position, but we need to invest more in our core areas to drive future growth. Constant innovation is key to keeping our business moving forward. Our increasing investment in fibre and 5G programmes is vital to our future success.

Our relationship with the UK Government and Ofcom continues to improve. We're working in a pragmatic, straightforward and collaborative way. We want to shape the regulatory environment so that it is clear and predictable, enabling BT to

succeed by delivering sustainable value that reflects what customers and society want.

Our core priorities around customer experience, building the best converged network and transforming our operating model underpin how we will compete and drive sustainable growth.

Everything we do should start with the aim of delivering a differentiated customer experience. We are already making progress with this. We introduced our first converged products, BT Plus, for consumers and 4G Assure, for small businesses, which have seen strong take-up. In the coming year there will be additional investment to improve our propositions, offer great value for money and increase consumer loyalty.

We will also invest to maintain our network leadership position. We already have the best mobile and fixed networks and in the coming year we will launch 5G across 16 UK cities and accelerate our rollout of FTTP. Although important points still need to be agreed, our dialogue with the Government and Ofcom is constructive and we are increasingly confident in the environment for investment in the UK. As a result we are increasing our aim of reaching 3 million homes to 4 million by March 2021 and 15 million by the mid-2020's, subject to conditions being right.

BT has made progress during the year towards creating a simplified, lean and more agile business. We will make further improvements in the coming year to speed up decision making and the pace of work, making use of the latest digital technologies. Our people recognise we are too complex and want us to go faster in our transformation. Employee engagement is high, with a 77% engagement outcome for colleagues participating in our recent people survey. The results were generally encouraging, and demonstrate our collective desire to embrace the changes required to make BT a brilliant place to work and give our customers an outstanding experience.

I am pleased to see how much our people contribute to the community and am proud that BT encourages this work. One area I want us to really lead on is improving digital skills – for our colleagues, customers and families across the UK and well beyond. BT is uniquely qualified to help people navigate the

opportunities and challenges of our digital age. Enabling these skills will help people adapt to new ways of working and create future customer demand for our products.

We're committed to respecting human and digital rights – we launched an overarching human rights policy, and we're partnering with others to combat modern slavery. We continue to tackle environmental challenges, having recently announced our ambition to be a net zero carbon emissions business by 2045.

BT has delivered solid results for the year, and this is due to the commitment of our colleagues. The markets we are in remain highly competitive and we continue to expect market dynamics, cost inflation and legacy product declines and the changing regulatory environment to impact our results in the short term, however, we are confident that our plans will deliver good returns over the medium term and improve the quality and performance of the business.

As a result, for 2019/20, we expect adjusted revenue to be down around 2%. This is mainly as a result of the challenging market conditions, regulatory pressure in both fixed and mobile markets, and the ongoing impact from our decision to de-emphasise lower margin products, particularly in our enterprise businesses.

Along with the flow through of lower revenue, we expect our opex investments to result in Group adjusted EBITDA for 2019/20 being in the range £7.2bn – £7.3bn. While we will sustain these opex investments into 2020/21, we continue to expect Group adjusted EBITDA for 2020/21 to be above that for 2019/20.

We are raising our reported capital expenditure guidance (excluding BDUK clawback) for 2019/20 to be in a range of £3.7bn – £3.9bn. We expect normalised free cash flow for 2019/20 to out-turn in the range £1.9bn – £2.1bn.

I look forward to working alongside our colleagues to build the new BT and I am optimistic and energised for the future.

Philip Jansen
Chief Executive
8 May 2019