

BT GROUP PLC
Form 6-K
May 10, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Date of Announcement: 10 May 2018

BT Group plc

(Translation of registrant's name into English)

BT Group plc
81 Newgate Street
London
EC1A 7AJ
England

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F..X... Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

BT Group plc

Results for the fourth quarter to 31 March 2018

10 May 2018

BT Group plc (BT.L) today announced its results for the fourth quarter and year to 31 March 2018.

Gavin Patterson, Chief Executive, commenting on the results, said

"BT delivered a solid set of financial results in the fourth quarter, with growth in our consumer divisions offset by declines in our enterprise businesses, due to both challenging market conditions and our decision to exit lower margin business.

"We continue to invest for growth, having now passed 1.5m premises with our ultrafast network and securing 40MHz of 3.4GHz spectrum suitable for 5G mobile services. We are improving our customer experience across the Group, with our key metrics of Group NPS1 and Right First Time2 both strongly up.

"Our integration and restructuring activities remain on track. The integration of EE into BT is delivering run rate cost synergies of £290m. Our restructuring programme has removed over 2,800 roles and delivered savings of £180m during the year.

"I am pleased that we have reached agreement with the Trustee on the pension valuation and recovery plan, which is affordable within our capital allocation framework, and draws a line under a key source of uncertainty for our stakeholders.

"We have announced today an update to our strategy to accelerate leadership in converged connectivity and services. Our strategy will drive sustainable growth in value by focusing on delivering differentiated customer experiences, investing in integrated network leadership, and transforming our operating model."

Key developments for the quarter:

Strategy announced today to drive sustainable long term growth in value by leading in converged connectivity, including removal of 13,000 roles at a total cost of £800m - see separate press release

Continued improvement in customer experience metrics; Group NPS1 up 8.3 points and Right First Time2 up 4.3%

Clarity on the pricing of key products provided in Ofcom's final statement on Wholesale Local Access regulation
40MHz of 3.4GHz spectrum secured; positions us well for launch of 5G and strengthens network leadership
Consumer businesses brought together from 1 April 2018 and Enterprise businesses from 1 October 2018

Triennial pension deficit agreed at £11.3bn, 13 year recovery plan including payments of £2.1bn over the three years to 31 March 2020 in line with prior recovery plan and a further £2.0bn contribution, due to be funded by the issuance of bonds which will be held by the BTPS; BTPS closed to future defined benefit accruals from 30 June 2018 reducing future exposure to pensions risk - see separate press release

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Outlook for 2018/19: underlying³ revenue down c.2%, adjusted⁴ EBITDA £7.3bn - £7.4bn, capital expenditure⁵ c.£3.7bn and normalised free cash flow⁴ of £2.3bn - £2.5bn

Proposed final dividend of 10.55p, giving a full year dividend of 15.4p, unchanged from 2016/17

Financial:

Reported revenue down 1% for the year and 3% for the quarter. Underlying⁴ revenue down 1% for the year and 1.4% for the quarter

Adjusted⁴ EBITDA of £7,505m for the year, down 2%, and £2,083m for the quarter up 1%

Reported profit before tax up 11% for the year and up 98% for the quarter mainly due to specific items in the prior year. Adjusted⁴ profit before tax down 2% for the year but up 1% for the quarter

Reported basic earnings per share 20.5p for the year. Adjusted⁴ earnings per share 27.9p for the year

Net cash inflow from operating activities £4,927m for the year, and £746m for the quarter and normalised free cash flow⁴ £2,973m for the year, and £1,026m for the quarter

2017/18 underlying⁴ revenue down 1.0% and lower than our outlook for the full year. Adjusted⁴ EBITDA within our outlook range, normalised free cash flow⁴ exceeded our outlook

| | Fourth quarter to | | Year to | |
|---|-------------------|---------------------|---------------|---------------------|
| | 31 March 2018 | | 31 March 2018 | |
| | £m | Change ⁶ | £m | Change ⁶ |
| Reported measures | | | | |
| Revenue | 5,967 | (3)% | 23,723 | (1)% |
| Profit before tax | 872 | 98% | 2,616 | 11% |
| Basic earnings per share | 7.3 p | 92% | 20.5 p | 7% |
| Net cash inflow from operating activities | 746 | £(845)m | 4,927 | £(1,247)m |
| Adjusted measures | | | | |
| Change in underlying ⁴ revenue excluding transit | | (1.4)% | | (1.0)% |
| Adjusted ⁴ EBITDA | 2,083 | 1% | 7,505 | (2)% |
| Adjusted ⁴ profit before tax | 1,046 | 1% | 3,444 | (2)% |
| Adjusted ⁴ basic earnings per share | 8.8 p | 5% | 27.9 p | (3)% |
| Normalised free cash flow ⁴ | 1,026 | £192m | 2,973 | £191m |
| Net debt ⁴ | | | 9,627 | £695m |

Operational:

Gfast premises of 1m and FTTP premises of 560,000 passed in Q4; over 1.5m premises able to connect to ultrafast service

Openreach fibre connections at 555,000 in Q4 with superfast fibre broadband passing nearly 27.6m UK premises
4G coverage reaches 90% of the country as we deploy in hard to reach areas

Mobile postpaid net additions of 95,000, with low churn of 1.2%; monthly mobile postpaid ARPU down 1% to £26.0

BT Sport rights packages secured; includes Premier League matches for a further three years from 2019/20

Average BT Sport viewing increased 19% year on year; second best quarterly performance since launch

BT Consumer revenue generating units per customer increased 3% to 2.03, with ARPU up 5% to £41.7

Order intake, on a rolling 12-month basis, up 1% to £3,391m for Business and Public Sector, down 28% to £1,419m for Wholesale and Ventures and down 17% to £3,845m for Global Services, reflecting market conditions and our strategy to exit lower margin business

Integration run rate cost synergies now at £290m; restructuring initiatives delivered in year savings of £180m

Performance against 2017/18 outlook:

2017/18
outlook

2017/18
performance

| | | |
|---|-----------------|--------|
| Change in underlying ⁴ revenue excluding transit | Broadly flat | (1.0%) |
| Adjusted ⁴ EBITDA | £7.5bn - £7.6bn | £7.5bn |
| Normalised free cash flow ⁴ | £2.7bn - £2.9bn | £3.0bn |

Our outlook for 2018/19 is as follows:

2018/19
outlook

| | |
|---|-----------------|
| Change in underlying ³ revenue (IAS18 basis) | Down c.2% |
| Adjusted ⁴ EBITDA (IAS18 basis) | £7.3bn - £7.4bn |
| Capital expenditure ⁵ | c.£3.7bn |
| Normalised free cash flow ⁴ | £2.3bn - £2.5bn |

Glossary of alternative performance measures

| | |
|---------------------------|---|
| Adjusted | Before specific items |
| Free cash flow | Cash generated from operations (after capital expenditure) excluding pension deficit payments and after interest, tax and non-current asset investments |
| Net debt | Loans and other borrowings (both current and non-current), less current asset investments and cash and cash equivalents. Currency denominated balances within net debt are translated to Sterling at swapped rates where hedged |
| Normalised free cash flow | Free cash flow before specific items and the cash tax benefit of pension deficit payments |
| Specific items | Items that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. Further information is provided in note 1 on page 45 |
| Underlying | Excludes specific items, foreign exchange movements and the effect of acquisitions and disposals. Further information is provided in note 2 on page 45 |

Reconciliations to the most directly comparable IFRS measures are in Additional Information on pages 45 to 48. Our commentary focuses on the trading results on an adjusted basis. Unless otherwise stated in the commentary, revenue, operating costs, earnings before interest, tax, depreciation and amortisation (EBITDA), operating profit, profit before tax, net finance expense, earnings per share (EPS) and normalised free cash flow are measured before specific items. Further information is provided in note 1 on page 45.

1 Group NPS measures Net Promoter Score in our retail businesses and Net Satisfaction in our wholesale businesses
2 Measured against Group-wide 'Right First Time' (RFT) index

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3 Including transit, but excluding specific items, foreign exchange movements and the effect of acquisitions and disposals

4 See Glossary above

5 Excluding BDUK clawback

6 Measured against the comparative period in the prior year

Group results for the fourth quarter and year to 31 March 2018

| | Fourth quarter to 31 March | | | Year to 31 March | | |
|---|-------------------------------|------------|-------------|---------------------|------------|-------------|
| | 2018 £m | 2017 £m | Change % | 2018 £m | 2017 £m | Change % |
| Revenue | | | | | | |
| - reported | 5,967 | 6,122 | (3) | 23,723 | 24,062 | (1) |
| - adjusted ¹ | 5,967 | 6,128 | (3) | 23,746 | 24,082 | (1) |
| - change in underlying ¹ revenue excluding transit | | | (1.4) | | | (1.0) |
| EBITDA | | | | | | |
| - reported | 1,964 | 1,591 | 23 | 6,895 | 6,739 | 2 |
| - adjusted ¹ | 2,083 | 2,069 | 1 | 7,505 | 7,645 | (2) |
| Operating profit | | | | | | |
| - reported | 1,075 | 638 | 68 | 3,381 | 3,167 | 7 |
| - adjusted ¹ | 1,194 | 1,178 | 1 | 3,991 | 4,135 | (3) |
| Profit before tax | | | | | | |
| - reported | 872 | 440 | 98 | 2,616 | 2,354 | 11 |
| - adjusted ¹ | 1,046 | 1,031 | 1 | 3,444 | 3,532 | (2) |
| Basic earnings per share | | | | | | |
| - reported | 7.3 | 3.8 | 92 | 20.5 | 19.2 | 7 |
| - adjusted ¹ | 8.8 | 8.4 | 5 | 27.9 | 28.9 | (3) |
| Capital expenditure | 951 | 1,022 | (7) | 3,522 | 3,454 | 2 |
| Normalised free cash flow ¹ | 1,026 | 834 | 23 | 2,973 | 2,782 | 7 |
| Net debt ¹ | | | | 9,627 | 8,932 | £695m |

Customer-facing unit results

| | Adjusted ¹ revenue | | | Adjusted ¹ EBITDA | | | Normalised free cash flow ¹ | | |
|-------------------------------|-------------------------------|------------|-------------|------------------------------|------------|-------------|--|------------|-------------|
| | 2018 £m | 2017 £m | Change % | 2018 £m | 2017 £m | Change % | 2018 £m | 2017 £m | Change % |
| Fourth quarter to 31 March | | | | | | | | | |
| BT Consumer | 1,289 | 1,246 | 3 | 295 | 261 | 13 | 243 | 159 | 53 |
| EE | 1,320 | 1,259 | 5 | 433 | 316 | 37 | 236 | 107 | 121 |
| Business and Public Sector | 1,157 | 1,222 | (5) | 362 | 391 | (7) | 340 | 433 | (21) |
| Global Services | 1,241 | 1,422 | (13) | 137 | 204 | (33) | 220 | 95 | 132 |
| Wholesale and Ventures | 506 | 541 | (6) | 204 | 220 | (7) | 151 | 147 | 3 |
| Openreach | 1,289 | 1,289 | - | 641 | 695 | (8) | 229 | 296 | (23) |
| Other | - | 4 | n/m | 11 | (18) | n/m | (393) | (403) | 2 |
| Intra-group items | (835) | (855) | 2 | - | - | - | - | - | - |
| Total | 5,967 | 6,128 | (3) | 2,083 | 2,069 | 1 | 1,026 | 834 | 23 |

| Year to 31 March | 2018 £m | 2017 £m | Change % | 2018 £m | 2017 £m | Change % | 2018 £m | 2017 £m | Change % |
|---------------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|
|---------------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|

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| | | | | | | | | | |
|----------------------------|---------|---------|-----|-------|-------|------|---------|---------|------|
| BT Consumer | 5,066 | 4,934 | 3 | 1,023 | 1,012 | 1 | 635 | 709 | (10) |
| EE | 5,294 | 5,090 | 4 | 1,353 | 1,156 | 17 | 754 | 570 | 32 |
| Business and Public Sector | 4,563 | 4,758 | (4) | 1,418 | 1,528 | (7) | 1,136 | 1,293 | (12) |
| Global Services | 5,013 | 5,479 | (9) | 434 | 495 | (12) | 118 | (245) | n/m |
| Wholesale and Ventures | 2,009 | 2,109 | (5) | 754 | 834 | (10) | 509 | 587 | (13) |
| Openreach | 5,123 | 5,098 | - | 2,520 | 2,633 | (4) | 1,048 | 1,349 | (22) |
| Other | 8 | 10 | n/m | 3 | (13) | n/m | (1,227) | (1,481) | (17) |
| Intra-group items | (3,330) | (3,396) | (2) | - | - | - | - | - | - |
| Total | 23,746 | 24,082 | (1) | 7,505 | 7,645 | (2) | 2,973 | 2,782 | 7 |

n/m = not meaningful

1 See Glossary on page 2

Click on, or paste the following link into your web browser, to view the associated PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/5902N_-2018-5-10.pdf

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BT Group plc
(Registrant)

By: /s/ Dan Fitz, Company Secretary

Dan Fitz, Company Secretary.

Date 10 May 2018