

# BT Group PLC

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## BT investors shrug off Labour's Openreach nationalisation plan, UEFA rights renewed

BT Group PLC's (LON:BT.A) Openreach will be nationalised if the Labour Party wins the general election, the party announced on Friday, while the company was more interested in its new Champions League football broadcast deal.

Openreach is the infrastructure arm of the FTSE 100 telecoms group, running most of the UK's current broadband network via its ownership of phone lines, internet cables and associated equipment, with other networks like TalkTalk and Sky having access to use telegraph poles and ducts to lay their own high-speed broadband fibre-optic lines for residential and business customers.

READ: BT will have to open up business network to rivals, watchdog says  
BT, formerly a state monopoly until it was denationalised under Margaret Thatcher in 1984, is currently in the middle of a huge project to roll out super-fast fibre internet lines throughout the country.

The Labour Party's plan, set out on Thursday night, would be to nationalise this network to create a UK-wide network owned by the government called British Broadband, with one arm to roll-out the public network and another to deliver free broadband.

This will be formed by bringing parts of BT into public ownership along with Openreach, namely parts of BT Technology that oversee the backhaul network and the BT Enterprise and BT Consumer delivery arms, by 2030.

It was suggested that the cost of renationalising Openreach would cost £15bn, paid for by swapping bonds for shares, "as occurs with other public ownership processes".

BT has been terrible at providing super fast broadband. 'Openreach' doesn't reach swathes of the country & too often inaccessible & unaffordable when it does

Like public control of failing rail, this will turn a failing private oligarch into an accountable public service

— Andrew Adonis (@Andrew\_Adonis) November 15, 2019

Labour said it does not intend to bring EE, Plusnet, BT Global Services, BT TV and other such "non-broadband-relevant parts of BT" into public ownership.

Shadow Chancellor John McDonnell will say, according to the prepared statement issued on Thursday night, that the plans represented "public ownership for the future" and that "every part of this plan has been legally vetted, checked with experts, and costed".

The roll-out of a full-fibre network would cost £20bn, ie adding an extra £15bn to the government's existing £5bn broadband strategy, he told the BBC, as a "one-off capital cost", with the cost of maintaining full-fibre "more than

**Price:** 172.78

**Market Cap:** £17.09 billion

### 1 Year Share Price Graph



### Share Information

**Code:** BT.A

**Listing:** LSE

**52 week High Low**  
240.4 157.674

**Sector:** Telecoms

**Website:** www.btplc.com

### Company Synopsis:

*Operating in over 170 countries, BT is one of the world's leading providers of communications solutions and services.*

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covered" by a tweak to corporation tax for multinationals such as Google and Facebook to pay more.

A surprised BT, which had been assured by Labour fairly recently that they weren't being considered as a nationalisation candidate, disputed the cost of the fibre rollout, with its calculations pointing to a cost nearer £40bn.

### **Investor concern?**

Investors did not seem that concerned with the Labour plans, with BT shares, which have more than halved in the past four years to around eight-year lows, dropping an initial 3% in early trading on Friday but quickly shrugging this off at 194p.

"There are a lot of concerns about the implications of this policy on the rest of the business, the pension fund deficit, and of course pensions that own the stock," said Neil Wilson at Markets.com.

"This latest move on BT certainly brings a new political overhang for the stock, but factored into this, as with the entire nationalisation question, is the likelihood of a clear Lab majority to get these contentious and costly policies through. On that front, polls suggest BT is safe for now. However, the regulator stalks and BT needs to up its game."

The relatively muted share price response was likely to be, said Russ Mould at AJ Bell, a reflection of "investors' scepticism about the plan getting off the ground. Current polling suggests Labour is unlikely to win a majority in the looming election".

However, he noted that if the party was to enjoy a late surge in the polls, "BT shareholders might start to get a little bit more nervous".

Market analyst Michael Hewson at CMC Markets said: "Putting to one side the costs of doing so, which will always be disputed whichever side you talk to, BT has put the cost much higher, this appears to be yet another eye-catching pledge by a political party."

Hewson added: "With other companies also being told the same thing by the Labour Party, investors will no doubt be looking very carefully at other possible candidates for nationalisation, and whether they need to be concerned."

### **UEFA broadcast rights**

On Friday morning, BT revealed that it had won the rights to broadcast all 420 games of the UEFA Champions League, UEFA Europa League and the new UEFA Europa Conference league from the three seasons beginning with 2021/22.

The broadcast deal, which represents an increase of 77 games from the previous arrangement, will see BT pay £400mIn each year for the rights, compared to £394mIn a year it agreed for the current deal.

BT said it was in "a strong position to monetise this investment through subscriptions, wholesale access, commercial, and advertising revenues".

Some analysts had suggested that, given the growth of global over-the-top (OTT) providers like Amazon and Netflix, direct content ownership is now less important for BT.

Given the evolving content landscape, Berenberg analysts said recently that they believed BT "should either be able to retain the rights for less, or be willing to lose the rights to Sky or one of the OTT players, in the knowledge that it will still be able to access the content through its wholesale agreements".

These are Labour's costings

- £15.3bn captial cost to roll out network (plus govt £5bn commitment)
- Cost of renationalising BT Openreach (c£15bn?)
- £230m/yr maintenance costs paid for by multinational tax [pic.twitter.com/qlkAC9rjUL](https://pic.twitter.com/qlkAC9rjUL)

— Beth Rigby (@BethRigby) November 14, 2019

Crikey. Another huge "retail" offer to voters from Labour. Free broadband, funded in part by new taxes on Google, Amazon and Facebook. And delivered by a part of BT to be nationalised. Labour is blitzing giveaways, and creating enormous noise that drowns out the Brexit debate. [pic.twitter.com/ndwX4tMg5S](https://pic.twitter.com/ndwX4tMg5S)

— Robert Peston (@Peston) November 14, 2019

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