

BT Group PLC

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BT faces "race to the bottom" as 5G adds to broadband competition

BT Group PLC (LON:BT.A) has been downgraded to 'underweight' from 'equal weight' by analysts at Barclays who have flagged risks from what they see as increased competition over internet infrastructure.

The bank, which also slashed its target price for BT to 160p from 240p, said efforts by regulator Ofcom to deregulate the wholesale internet infrastructure market will lower costs for BT's competitors, notably Talktalk Telecom Group PLC (LON:TALK) and Vodafone Group plc (LON:VOD), and reduce reliance on its Openreach network.

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Barclays also highlighted the risk of 'overbuild', when telecoms firms build networks on top of each other, as a result of falling costs of AltNets (non-cable internet such as 5G) fuelling expansion at the expense of more traditional fibreoptic cable networks.

"For BT, we see a potential £500mIn [free cash flow] impact for Openreach from AltNet overbuild (potential retail impact on top)", Barclays said.

While 5G and other AltNets would create "attractive business cases" they could also begin a race to the bottom for retail pricing when Openreach will need a high average revenue per user (ARPU) for Openreach to offset its investment in fibre broadband and the loss of traditional copper wire networks.

Barclays also said that the Labour party's plans for free, state-owned fibre broadband, announced last week, created a "near-term overhang around future UK [internet] infrastructure returns", but the ongoing deregulation meant that for BT "the damage has [already] been done".

BT's shares fell 1% to 191.5p in late-morning trading on Monday.

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Price: 171

Market Cap: £16.9 billion

1 Year Share Price Graph



Share Information

Code: BT.A

Listing: LSE

52 week

High	Low
239.85	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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