

Consumer





Welcome
Marc Allera, CEO

   @MarcAllera

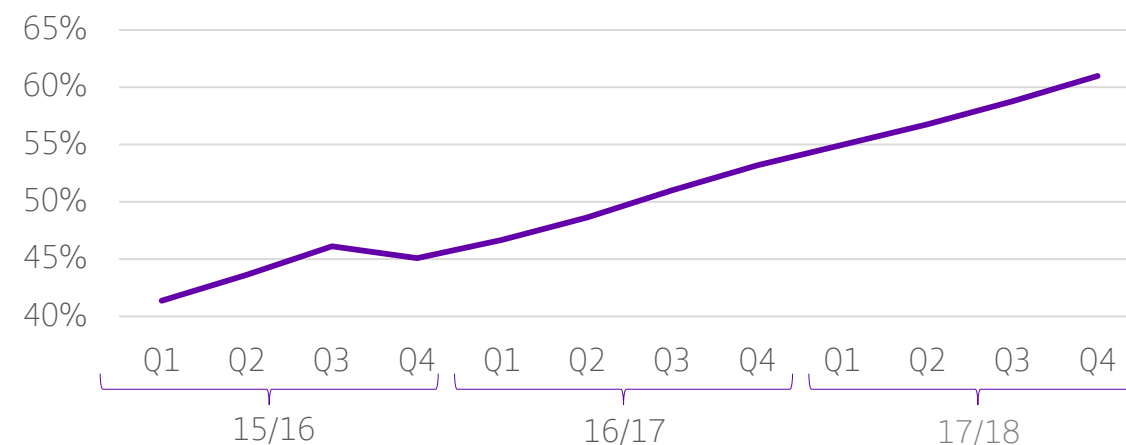
Performance in 17/18

BT Consumer – focus on higher value customers

- Revenue up 3% driven by:
 - Broadband, TV, Sport, and Mobile
 - 12-month rolling ARPU¹ up 5%
 - RGUs² per customer up 3% to 2.03
 - 61% of broadband customers now on fibre
 - BT Sport continued to deliver strong viewing figures across all platforms, up 19% YoY
- EBITDA up 13%, driven by revenue growth partially offset by higher network costs from an increase in fibre customers
- Further investments in customer experience:
 - e.g. Premier League continuing on BT Sport for three more years from the 19/20 season

	Q4 17/18	Change	FY 17/18	Change
Revenue	£1,289m	3%	£5,066m	3%
EBITDA	£295m	13%	£1,023m	1%
Capex	£92m	28%	£291m	23%

Fibre share of Group retail broadband base



¹Average Revenue Per User

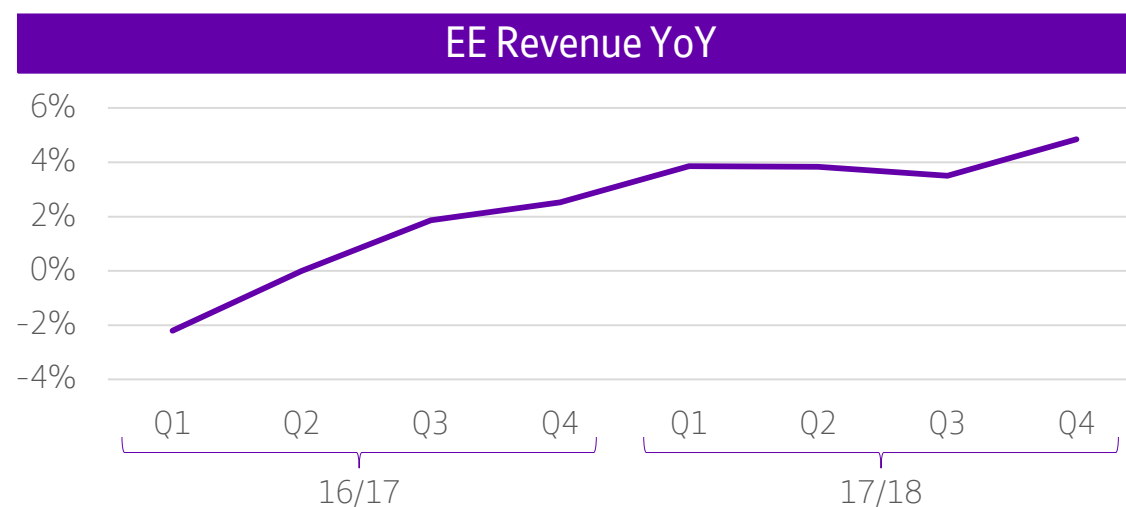
²Revenue Generating Units

Performance in 17/18

EE – sixth consecutive quarter of revenue growth

- Sixth consecutive quarter of revenue growth:
 - postpaid up 6%; prepaid down 10%
- EBITDA up 37%, recovering strongly as forecast:
 - quarterly trends driven by seasonal customer behaviour
 - EBITDA up 17% over 17/18
- Group mobile base 29.6m
 - 95,000 postpaid adds, group base now 17.6m
 - 433,000 prepaid decline, group base now 5.5m
 - postpaid churn 1.2%, continuing to reflect loyalty
- Investing to improve customer experience:
 - 4G geographic coverage 90% of the UK
 - named the leading mobile network for the ninth consecutive time in latest RootMetrics survey
 - introduced in-store and call centre video-calling to connect customers with technical experts

	Q4 17/18	Change	FY 17/18	Change
Revenue	£1,320m	5%	£5,294m	4%
EBITDA	£433m	37%	£1,353m	17%
Capex	£178m	9%	£628m	2%



A photograph of three people sitting on stone steps in front of a building. A woman in a blue jacket is on the left, a man in a red and white plaid shirt is in the middle, and a man in a grey jacket and white pants is on the right. They are all looking at a laptop held by the man in the middle. A bicycle is parked to the right of the man in white pants. The background shows stone columns and a wall.

Market context and current positioning

The new Consumer unit vision

The brand plans

Transformation and finance

Wrap-up



Market context and current positioning

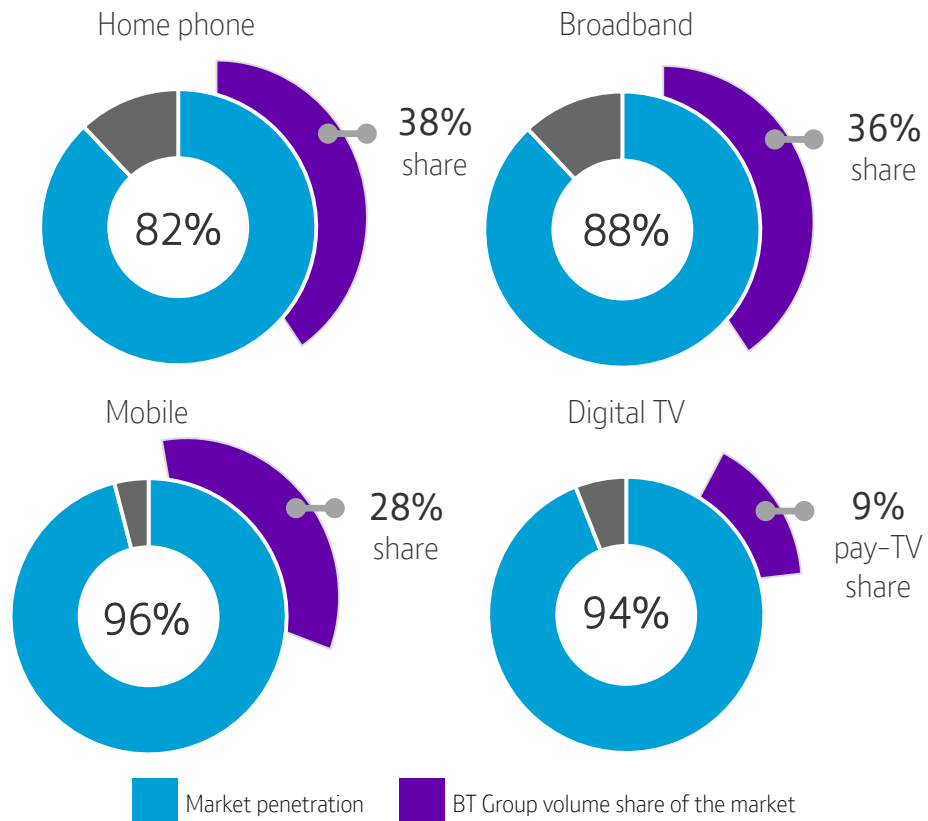
Andy Haworth, MD Content & Strategy

UK consumer market

Opportunities for growth in a mature market

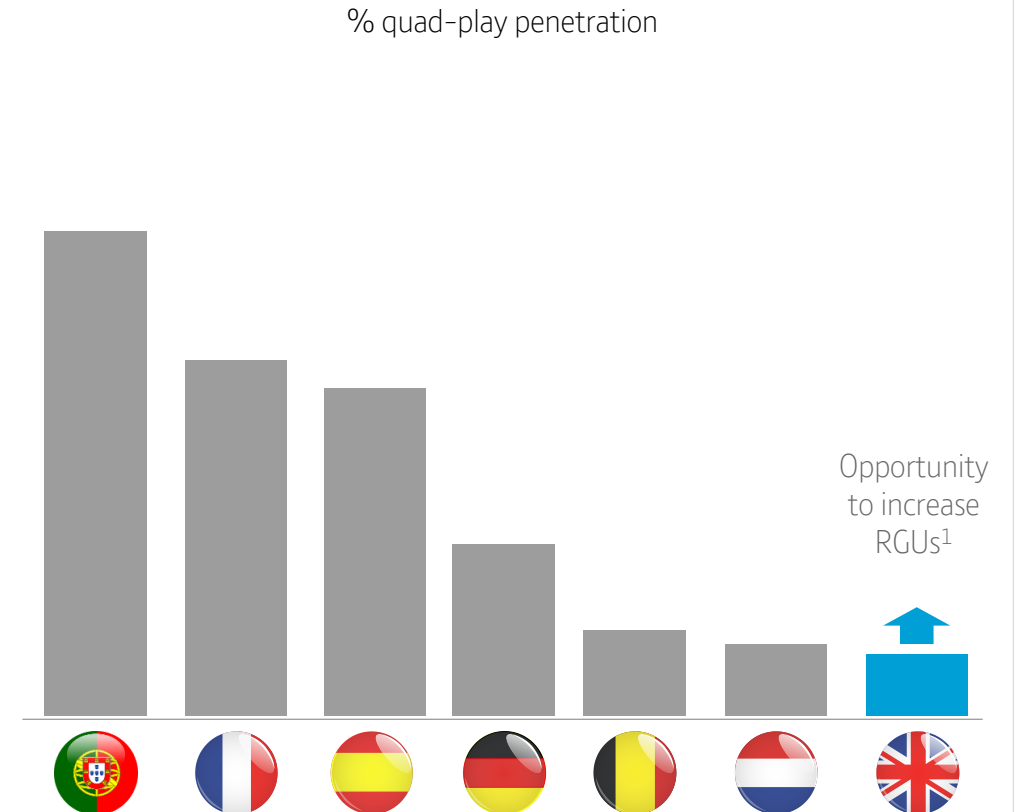
Mature market with high penetration of telecommunications and TV services

UK market penetration and BT Group share (% , 2017)



Growth opportunity from low penetration of converged products

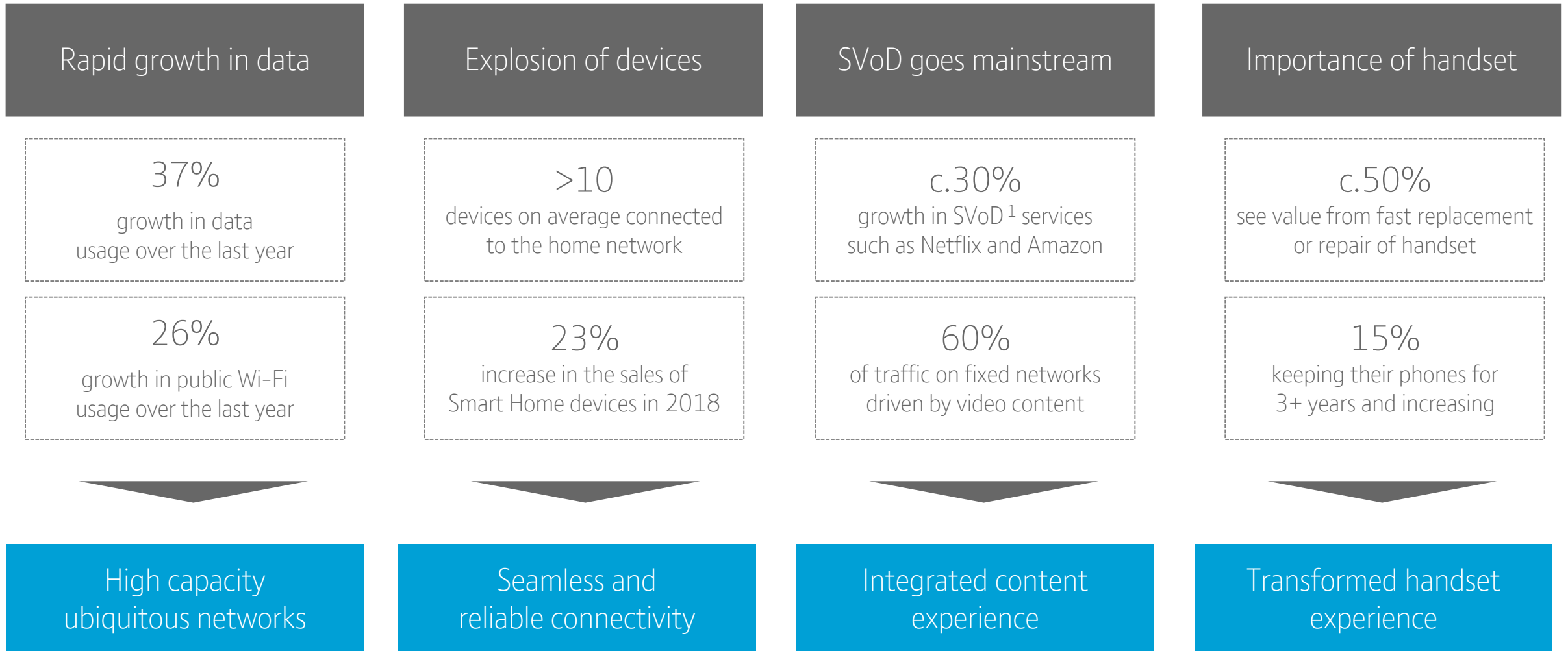
% quad-play penetration



¹ Revenue Generating Units

UK consumer market

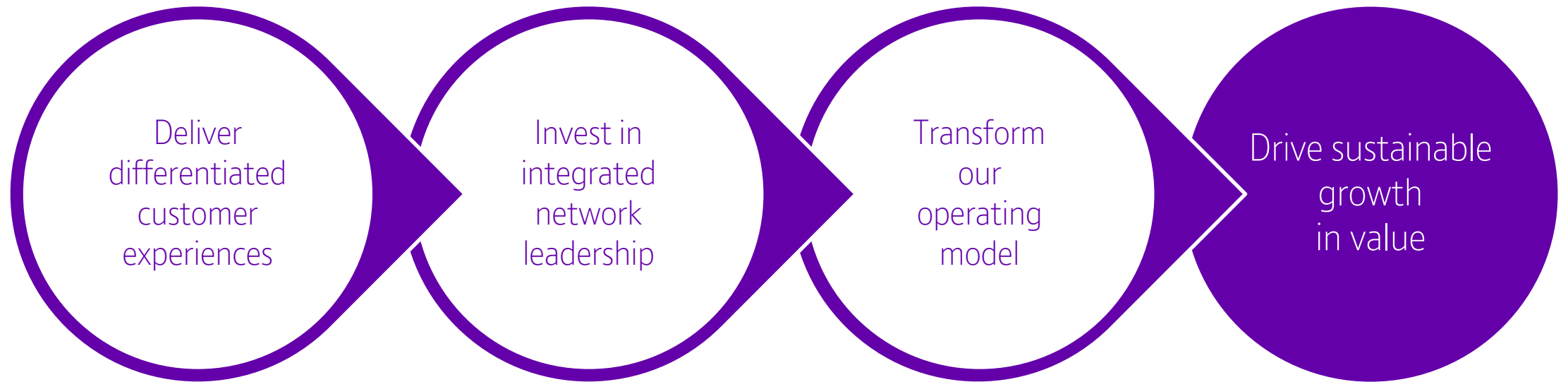
Dynamic marketplace creates opportunity for differentiation



¹Subscription Video on Demand

BT Group focus

Looking to the future



Consumer unit positioning

Introduction to the new Consumer unit and multi-brand operating model

Bringing together EE and BT Consumer from 1 April 2018 with three distinct brands

38%

of BT Group revenue
in Q4 17/18

35%

of BT Group EBITDA
in Q4 17/18

14m

homes with
30m relationships

>1bn

yearly customer
touchpoints

Focus for today



Home-centric

#1 for superfast fibre

Convergence ready

Premium content



Mobile-centric

#1 UK mobile brand

#1 UK mobile network

#1 Best Big Company to Work For

No change in strategy



Value-focus

#1 value brand

High NPS

Broadband and mobile

Consumer unit positioning

New Consumer unit is well placed to succeed

The Consumer unit is well-placed to drive convergence and accelerate transformation

Integrated network leadership



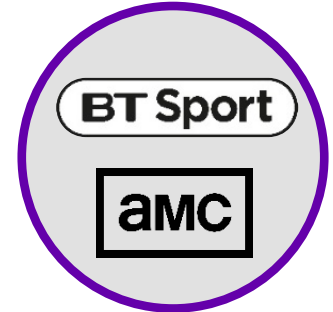
✓ The best 4G network & 5G spectrum secured



✓ Access to largest Superfast network & Ultrafast rolling out



✓ Unrivalled public Wi-Fi with c6m hotspots



✓ Network showcased through premium content

Differentiated customer experiences



✓ Extensive retail estate with >620 stores



✓ Multi-skilled agents across all UK



✓ Advanced digital & self-serve tools



✓ Highly motivated and engaged workforce

A focus on value to create oxygen for differentiation and drive sustainable growth

We have already started to prioritise value over volume in the last 12 months



Mobile

£5 ► £7.50

entry level price plans with
500MB usage for
BT Broadband homes



TV

£0 ► £3.50

entry level price for
TV bundle with BT Sport
and AMC



Broadband

27%

increase in the
base ARPU¹



Mobile

£5 ► £6

entry level price
for 30-day contract
with 500MB usage

¹ Average Revenue Per User

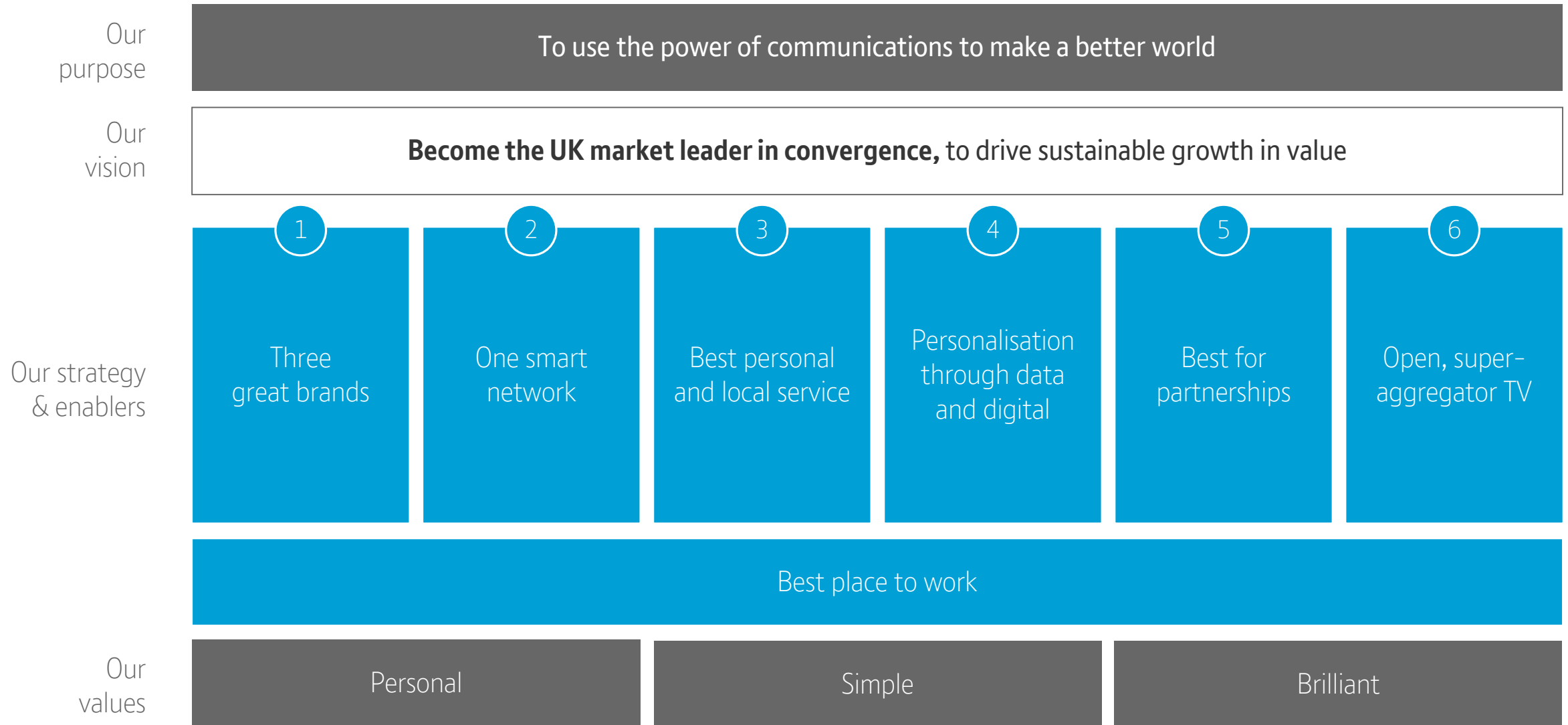


The new Consumer unit vision

Marc Allera, CEO

New Consumer unit

Our strategy



New Consumer unit

Announcements we have made this week in line with our strategy

1	2	3	4	5	6
Three great brands	One smart network	Best personal and local service	Personalisation through data and digital	Best for partnerships	Open, super aggregator TV
Launch BT Plus	>98% time on 4G	95% of customers within 20 mins of a store	360° customer view	Creation of the partnership unit	Now TV on BT TV
Reposition BT brand	Accelerate Ultrafast	100% UK call centres for all brands	Re-launch BT.com	Nest & Hive partnerships	Enhanced BT Sport for EE
Data sharing plans	Integrate BT Wi-Fi	BT return to high street	Remote virtual support	Smart home assistants	Amazon Video on BT TV
Stay connected promise	New converged hub	New service in the home	Plusnet self-service app	Buy devices on EE plans	New OTT ¹ TV service from EE

¹Over-The-Top

We have launched our vision for convergence

Our definition of convergence

**Bringing together our best networks,
products and services**



ARPU ▲



Churn ▼



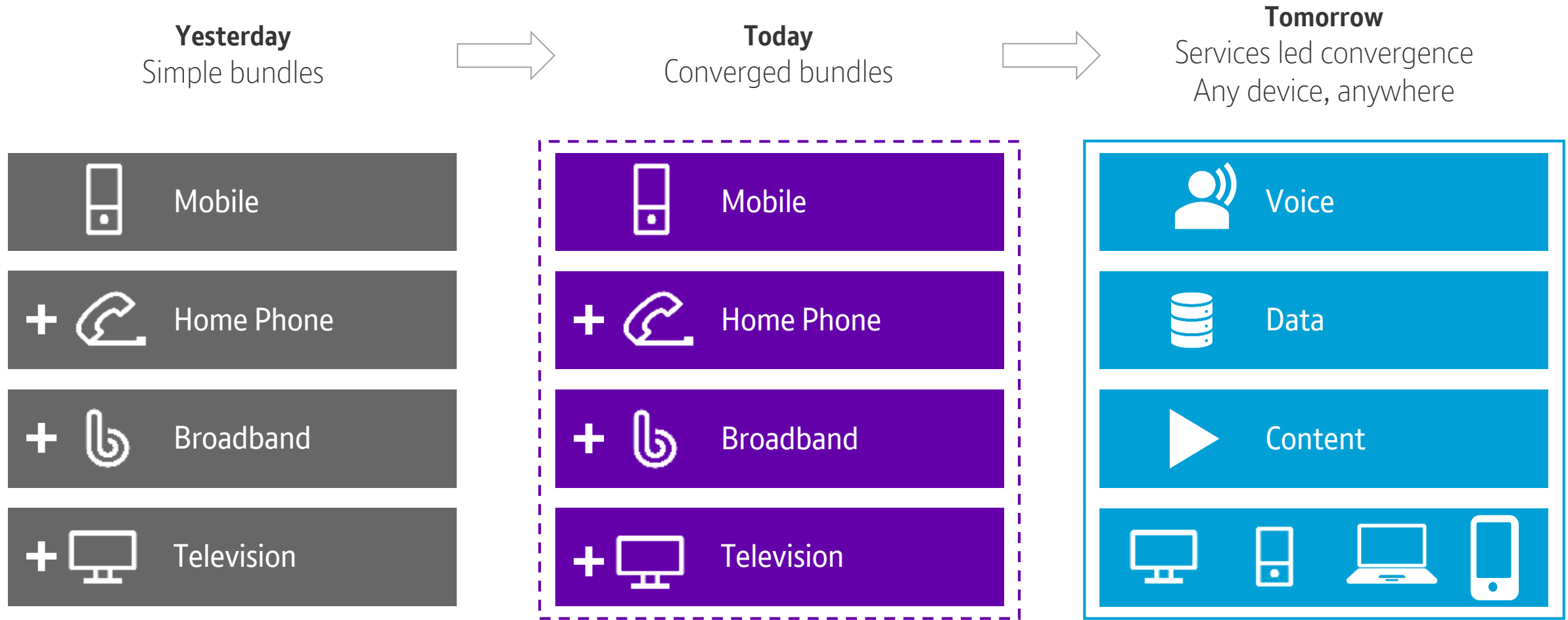
NPS¹ ▲



RGUs ▲

¹Net Promoter Score

We have started a journey towards services led convergence



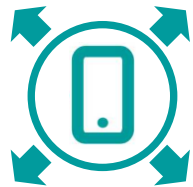
We use three differentiated brands to maximise our reach in the market

Our brands will target specific segments and have a differentiated position

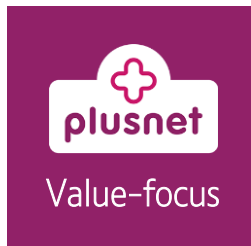
Target customer segment



- ▶ Focus on reliability and peace of mind
- ▶ Require connectivity and entertainment for the whole family
- ▶ Value easy access to support whenever and wherever required



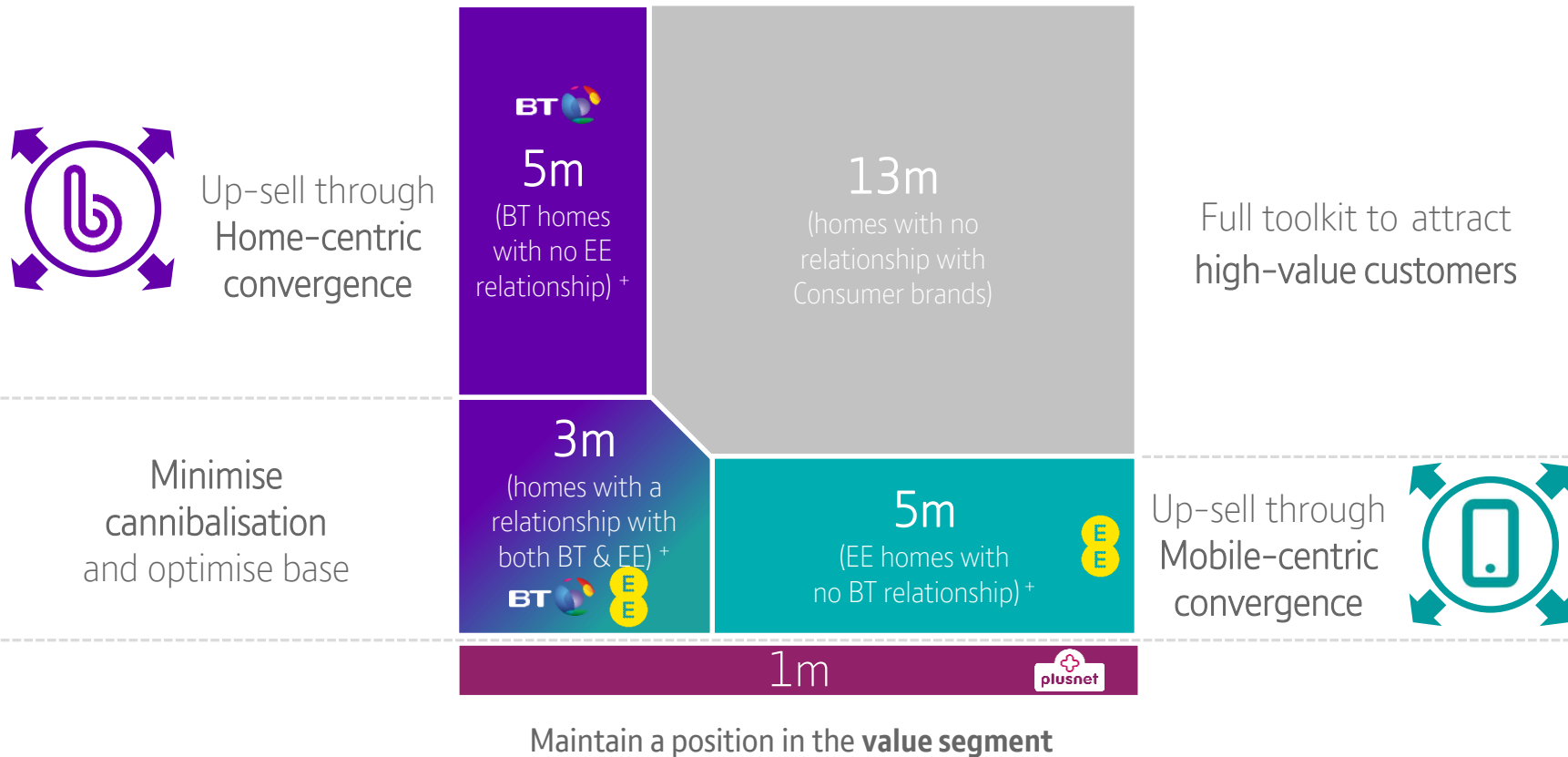
- ▶ Digitally savvy, younger audience
- ▶ Attracted by flexibility, speed and innovation
- ▶ Mobile handset is their most important device



- ▶ Value seekers not prepared to pay a premium price
- ▶ Less interested in pay-TV and convergence
- ▶ Seek good, honest service

A clear strategy for each market segment by brand

UK households split by relationship with Consumer brands



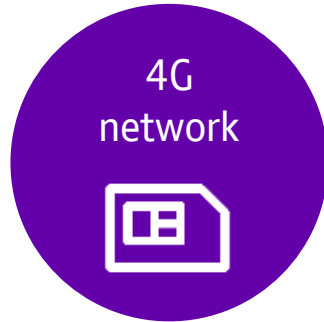
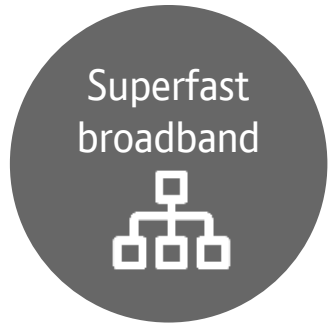
Our priorities

- 1 Up-sell to homes with an existing relationship
- 2 Minimise cannibalisation for homes with BT & EE services
- 3 Identify ways to attract high-value new customers

+ Excludes EE Pay as you Go customers

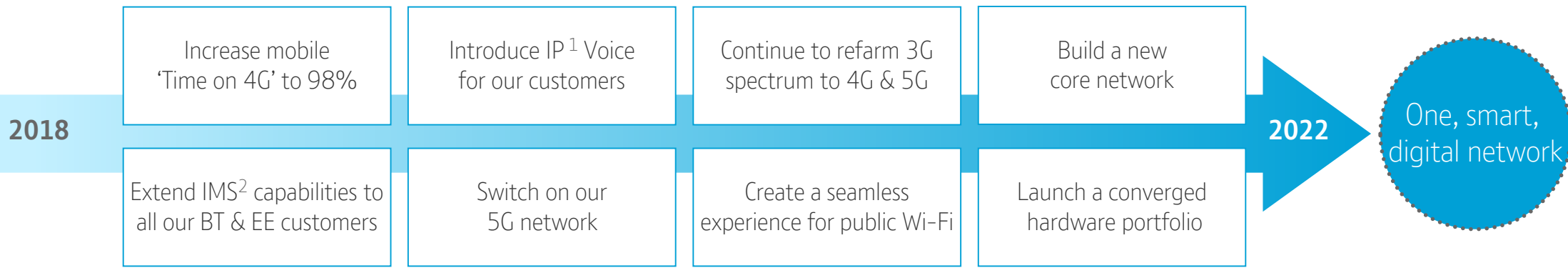
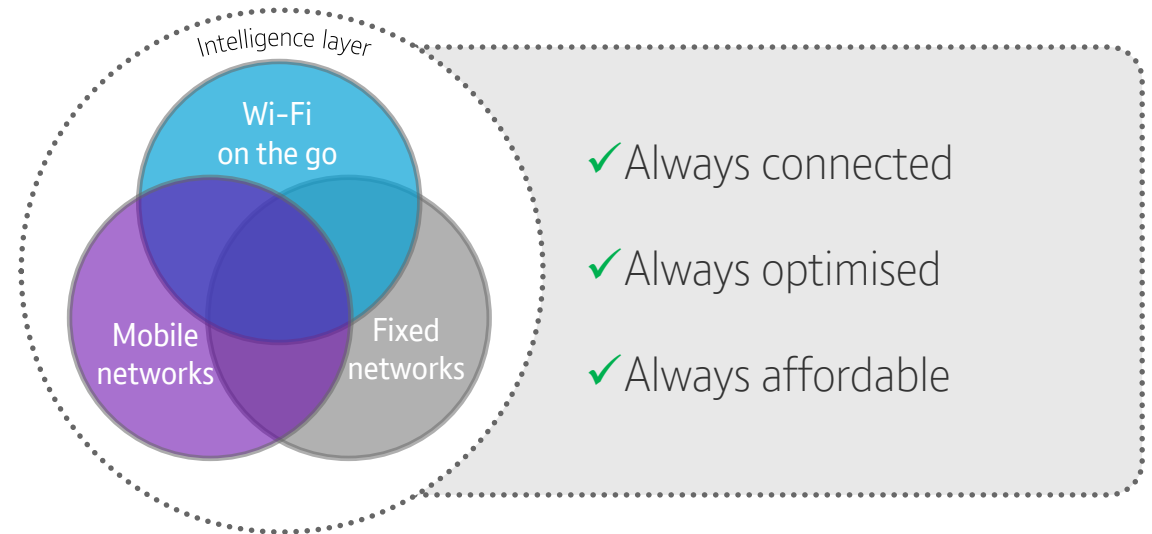
We have a plan to create one smart network

Today:
Three different networks



- ✗ Different usage allowances
- ✗ Complex to switch between networks
- ✗ Inconsistent coverage and speed

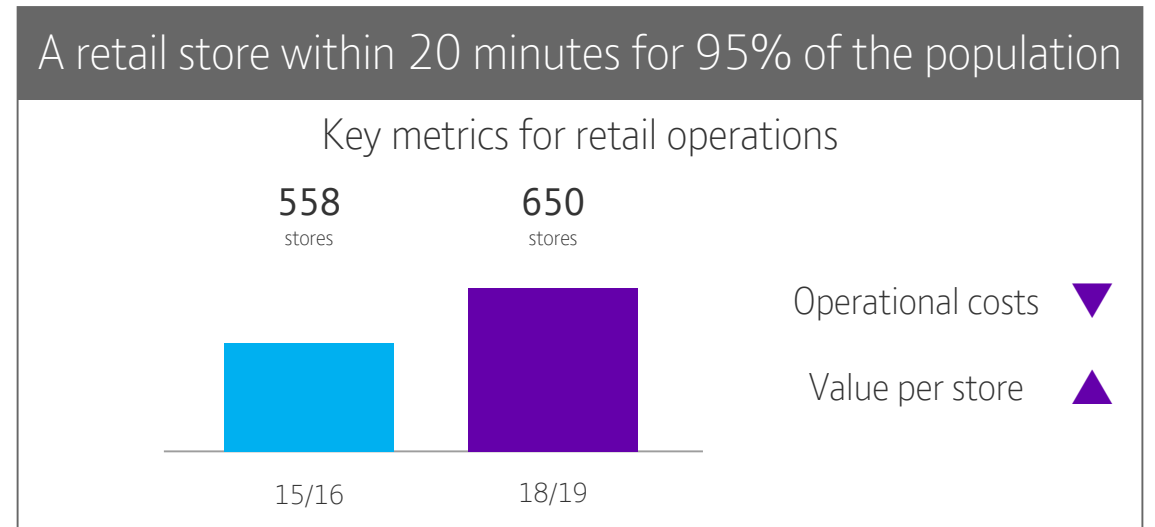
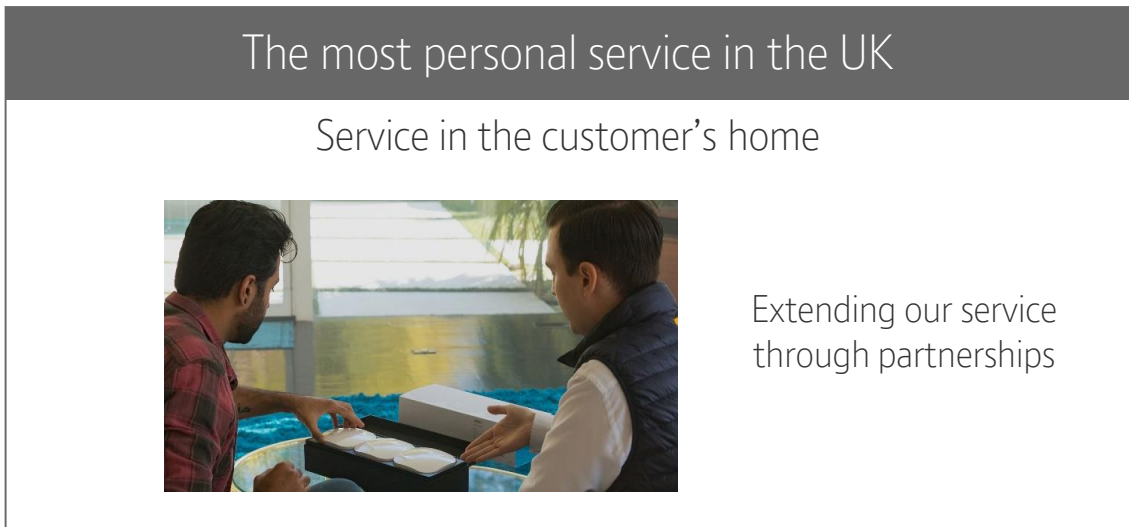
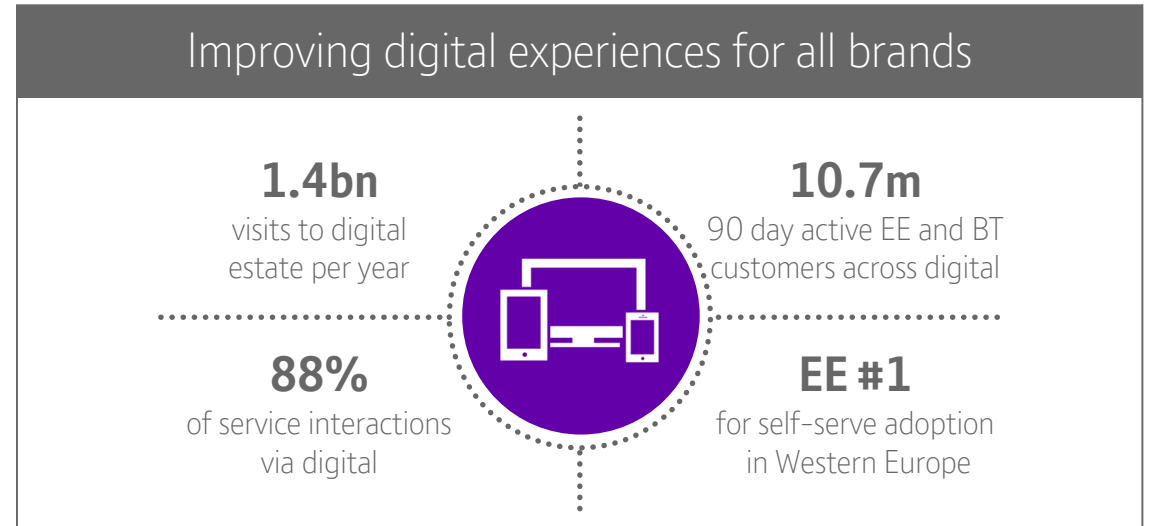
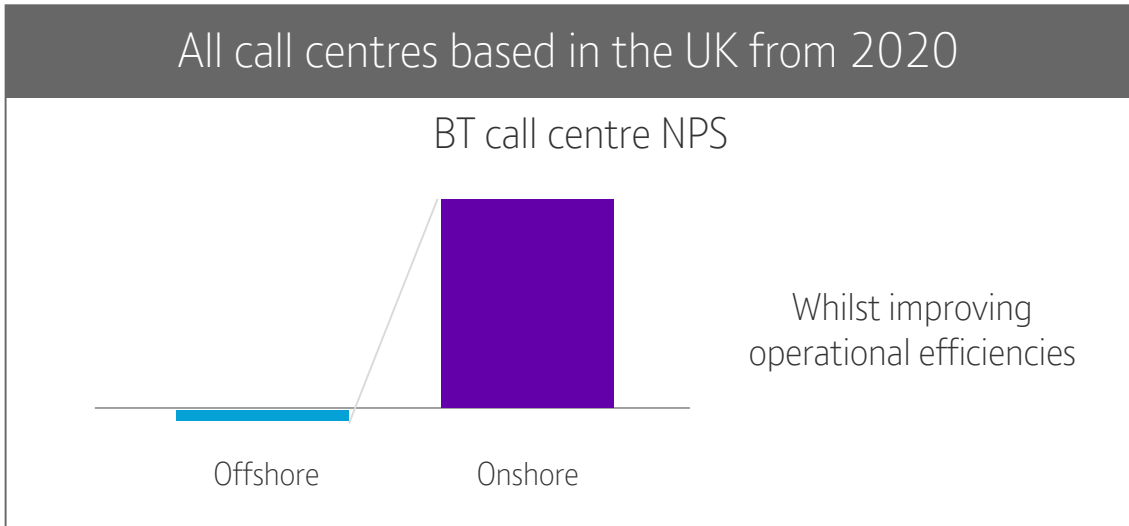
Tomorrow:
One smart network



¹ Internet Protocol

² IP Multimedia Subsystem

We will offer the most personal and local service in the UK



Three great brands

One smart network

Best personal and local service

Personalisation through digital

Best for partnerships

Open, super-aggregator TV

Our retail stores will showcase our best local experience



To drive convergence

All services demonstration and hand holding

Maximise wallet share in the home

For BT customers

Older demographic seeking face to face interaction

Early 'BT in store' trials show significant broadband uplift

For EE customers

Immediate handset screen repair and old devices trade in store

Improvement in ARPU compared to digital channels

Three great brands

One smart network

Best personal and local service

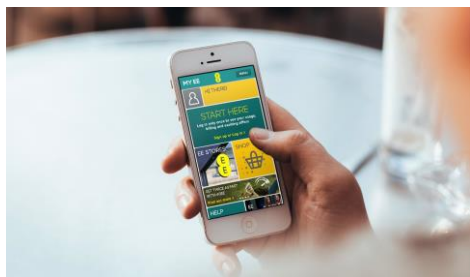
Personalisation through digital

Best for partnerships

Open, super-aggregator TV

We will evolve our digital capabilities to target segments effectively

Using digital and data to optimise marketing and segment the base



Services upsell and cross-sell



Cross-brand dilution mitigation

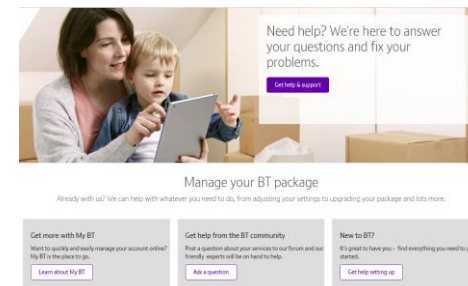



Digital transformation


Cost efficiency




Customer satisfaction


360° multi-brand customer view across our brands



>1bn tailored customer contacts each year



Fully personalised and authenticated online offers



Centres of excellence with AI¹ and machine learning

¹ Artificial Intelligence

Our scale creates a unique platform for partnerships

We have created a new Consumer Partnership Unit

90%

geographic 4G coverage

30m

customer relationships

14m

household relationships

>620

retail stores

For our partners

- ✓ Launch products with an unrivalled scale of marketing
- ✓ Unlock innovation by working with an R&D leader
- ✓ Simplify service and distribution in retail & digital stores
- ✓ Accelerate go-to-market for new services

For our customers

- ✓ Access to the most innovative products and services
- ✓ Wide choice of products and services providers
- ✓ Integrated experience with excellent support
- ✓ Seamless experience through EE or BT connectivity

Partnerships will broaden choice for our TV customers

Today:

Lack of key pay-TV content to drive switching



Tomorrow:

Embracing content trends and partnership opportunities, to offer an unrivalled choice of content across the pay-TV providers

✓ All the must-have content



Home-centric

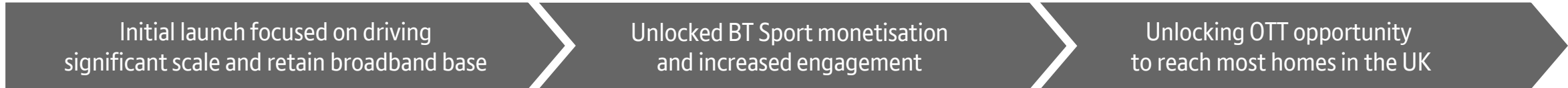
Primary central set-top-box experience
Multi-screen, multi-platform access

Mobile-centric

OTT and digital first
Fully flexible mobile & app centric

BT Sport focus is to grow reach through broader distribution and OTT proposition

BT Sport



- ✓ Reached 5m customer base



- ✓ All BT Sport customers are now paying for their package



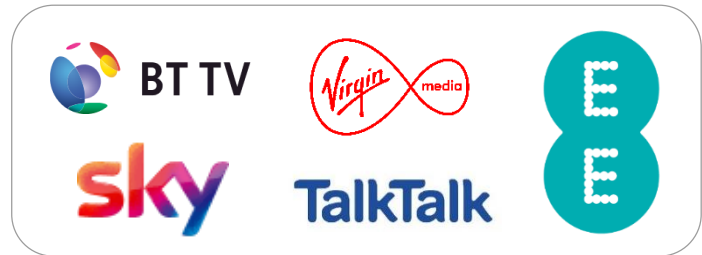
- ✓ Strong viewing and engagement with record growth through digital

YoY viewing growth

19%
on TV

40%
on apps and online

- ✓ Enabling big screen access for EE customers



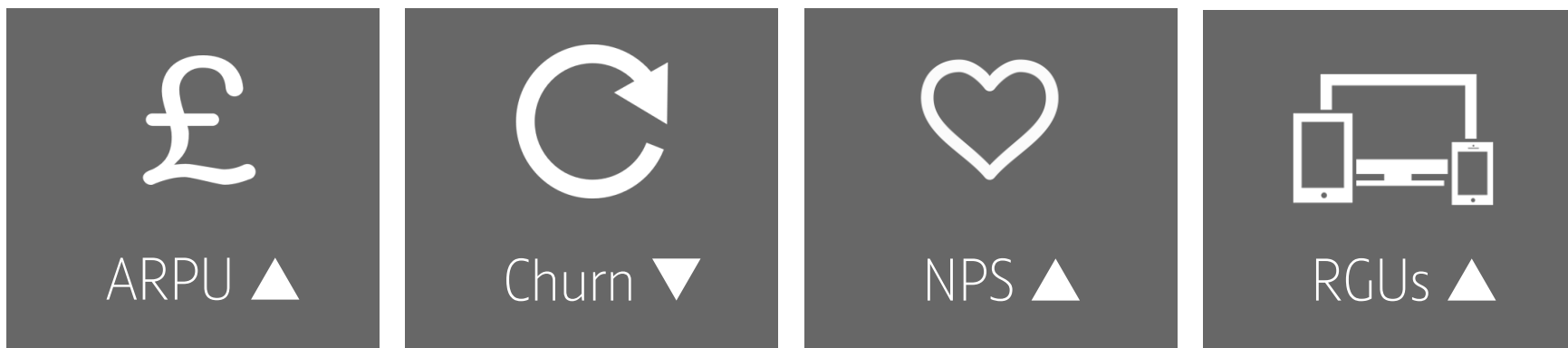
- ✓ BT Sport will be available on additional platforms through an OTT proposition

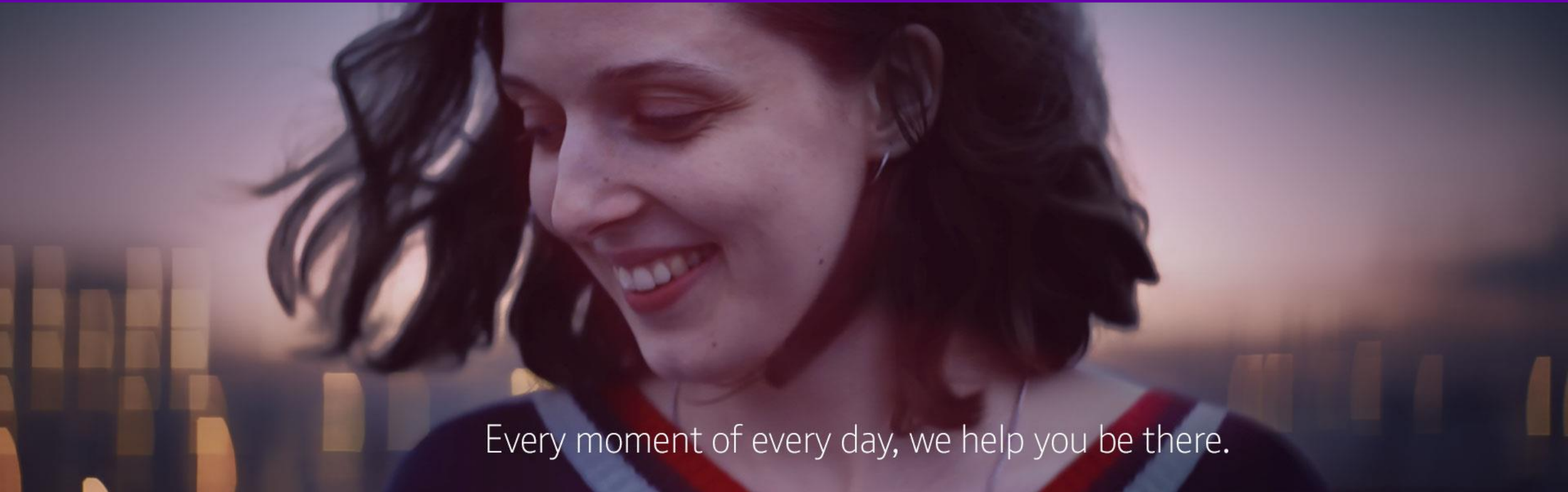
>5m
incremental households we can reach with OTT propositions

New Consumer unit

Summary of our new Consumer strategy

We will become the UK market leader in convergence, to drive sustainable growth in value





Every moment of every day, we help you be there.

[PLACEHOLDER FOR BT BRAND TV ADVERT]

Pete Oliver

MD, BT Marketing & Sales

BT brand plans



Broadband | Mobile | TV | Sport

High value, home-centric customers with propositions that give them peace of mind



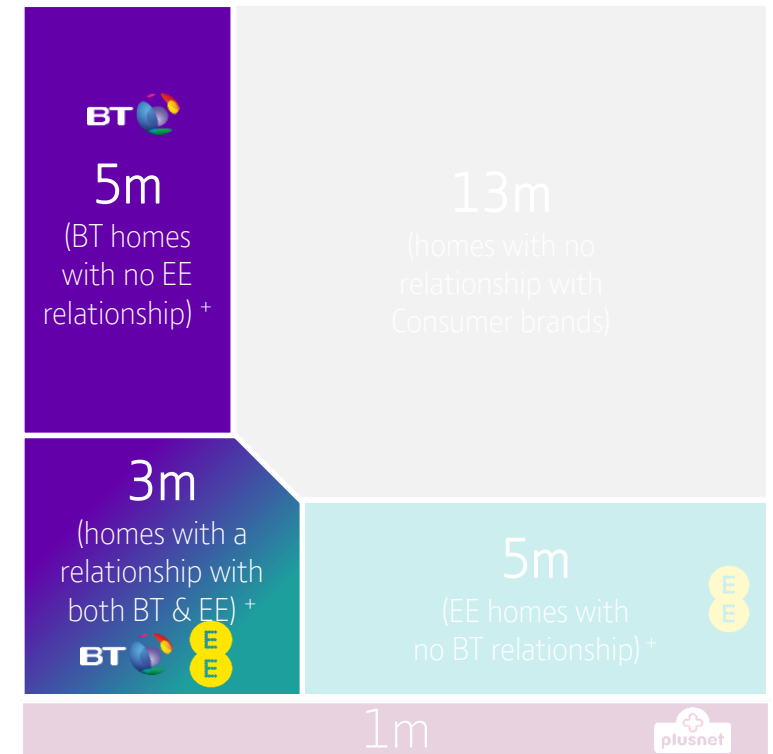
We make life simple for customers – by bringing together the best connection and entertainment

Home-centric



Target customer segment characteristics

Focus on reliability and peace of mind
Require connectivity and entertainment for the whole family
Value easy access to support whenever and wherever required



+ Excludes EE Pay as you Go customers

Home-centric convergence



Fast, reliable connection everywhere



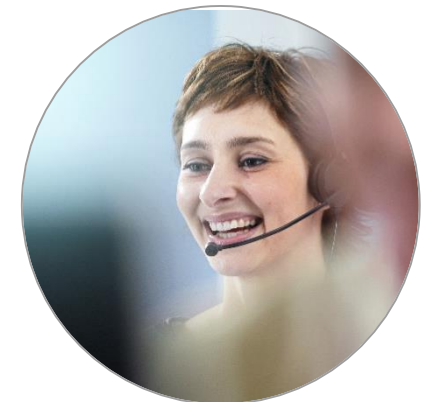
Built for the whole family



Entertainment for everyone

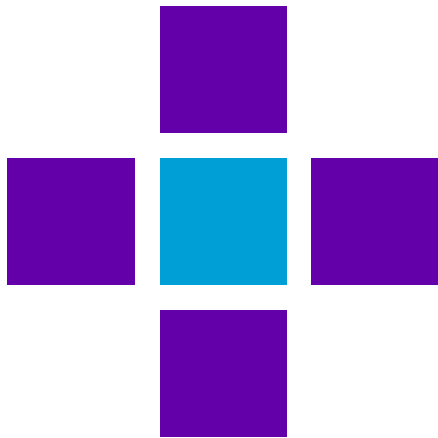


Personal & local support



Broadband | Mobile | TV | Sport

New BT Plus



Fibre &
4G together.

Our best connection in
and out of the home

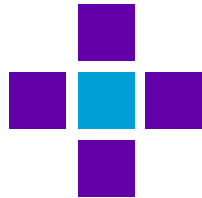
- BT Plus gives customers the best of BT
- Launch proposition brings fibre and 4G together
- New sales and marketing approach

Home-centric convergence



Home-centric convergence – BT Plus

BT Plus brings together the best fibre and 4G connectivity experiences



Our best connection



Speed – Fastest fibre and 4G speeds
Reliability – Ultrafast speed guarantee

Best for the whole family



Data – Unlimited fixed & double mobile data
Family SIM – Flexible family add-ons

Backed by our best service



Keep connected promise
Dedicated UK & Ireland support

Add the best entertainment
to the best BT Plus connection



Execution designed to drive loyalty and value enrichment

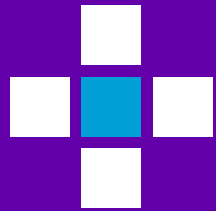
Premium
price point

Existing
customer focus

Value accretive
retention

Home-centric convergence - BT Plus

BT Plus will always have the best of everything



BT Plus
1.0

- Fastest fibre and 4G
- Mobile data boost
- Ultrafast speed guarantee
- Keep connected promise
- Family SIM on mobile
- UK & Ireland support

BT Plus
2.0

H2
18/19

BT Plus
3.0

H1
19/20

The best entertainment Bringing the best entertainment to our BT TV and BT Sport customers



Home-centric convergence

Fast, reliable
connection
everywhere



Built for
the whole
family



Entertainment
for everyone



Personal &
local support



The best entertainment Making it simple to discover and watch the best entertainment



Bringing together all the best entertainment to watch in one place



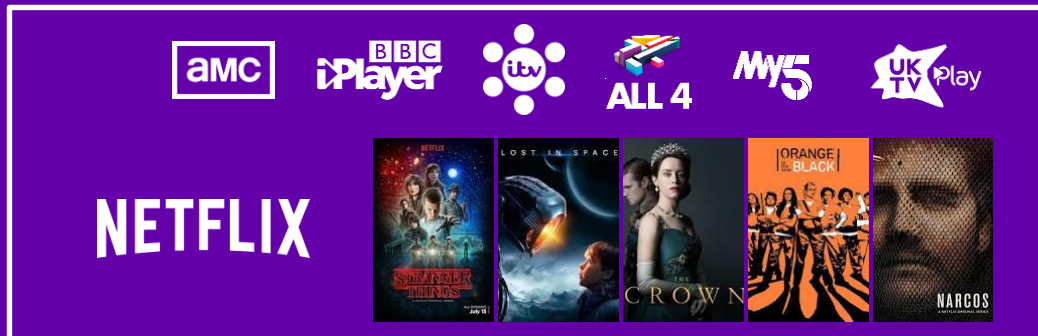
From early 2019



From June 2018



Available today



Making it simple for customers to find, watch & pay for the best entertainment



Single search engine
across multiple entertainment services



Integrated user interface
providing a consistent experience



One easy bill
including subscriptions like Netflix



Catch up, record and stream
at home and on the go



One help desk
offering personal support

The best entertainment

Improving the sport portfolio and making it available in more places



BT Sport

Our biggest ever season bringing more top live sport to BT Sport customers



Football



42 matches live & exclusive



Double header nights



More live matches

Other sports



Home of European rugby



BOX OFFICE



Most ever races

Making BT Sport available for our customers to watch in more places



Multi-platform distribution

New platforms coming soon...

Enabling big screen access for EE customers



Available on traditional pay-TV platforms



Making life simple for customers

Personal and local support for our customers



Voice

Personal & local support



- 100% UK & Ireland calls
- Local call routing
- New advisor desktop
- Personal sales

Retail

Return to the high street



- BT presence in every EE store
- Premium BT display
- Nationwide coverage
- 4,000 trained staff

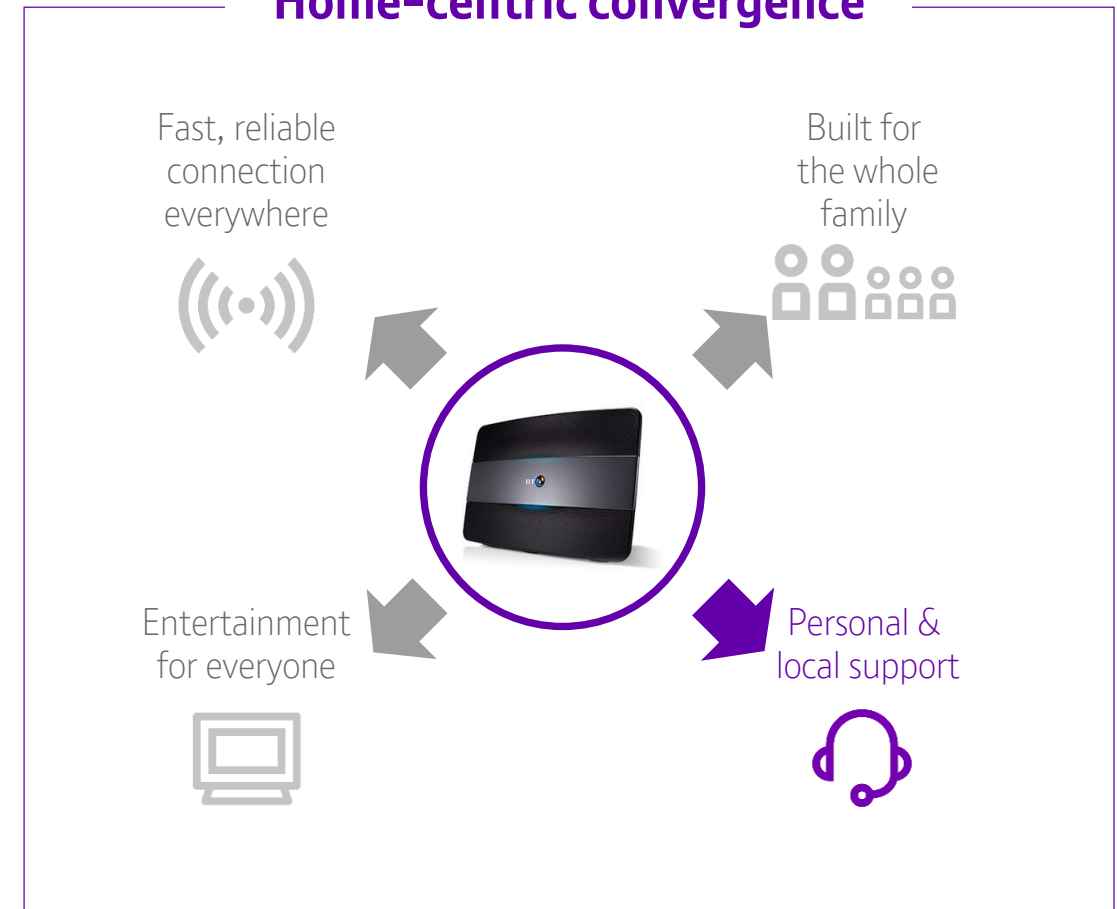
Digital

Easy to self-serve



- New BT.com homepage
- Personalised upgrade offers
- Contextual service experiences
- Prioritised investment in digital


Home-centric convergence




Home-centric convergence





New
BT Plus


Fast, reliable
connection
everywhere


Built for
the whole
family


New
BT Plus




NETFLIX
amazon
NOW TV
BT Sport

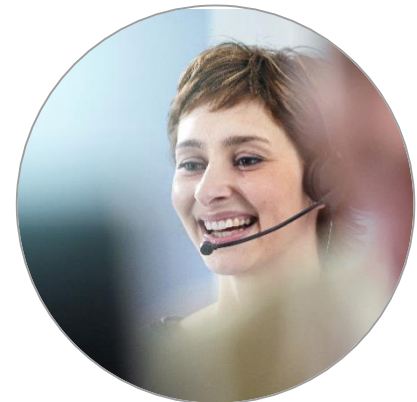
Entertainment
for everyone



Personal &
local support



Local support
Retail return
Self-serve



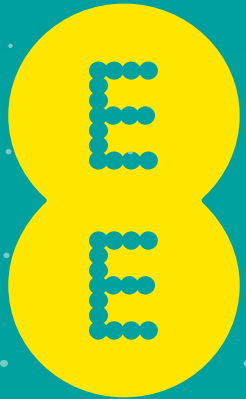


EE BRAND PLAN

MAX TAYLOR - MD EE MARKETING



EE BRAND POSITIONING



#1 MOBILE BRAND

#1 NETWORK

#1 BEST PLACE TO WORK

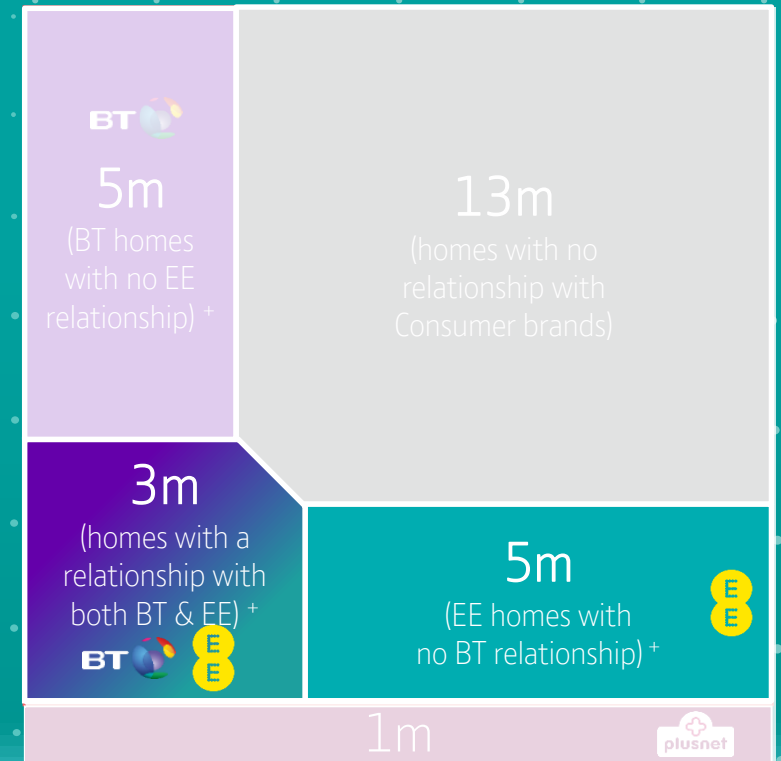


Target customer segment characteristics

Digitally savvy, younger audience

Attracted by flexibility, speed & innovation

Mobile handset is their most important device

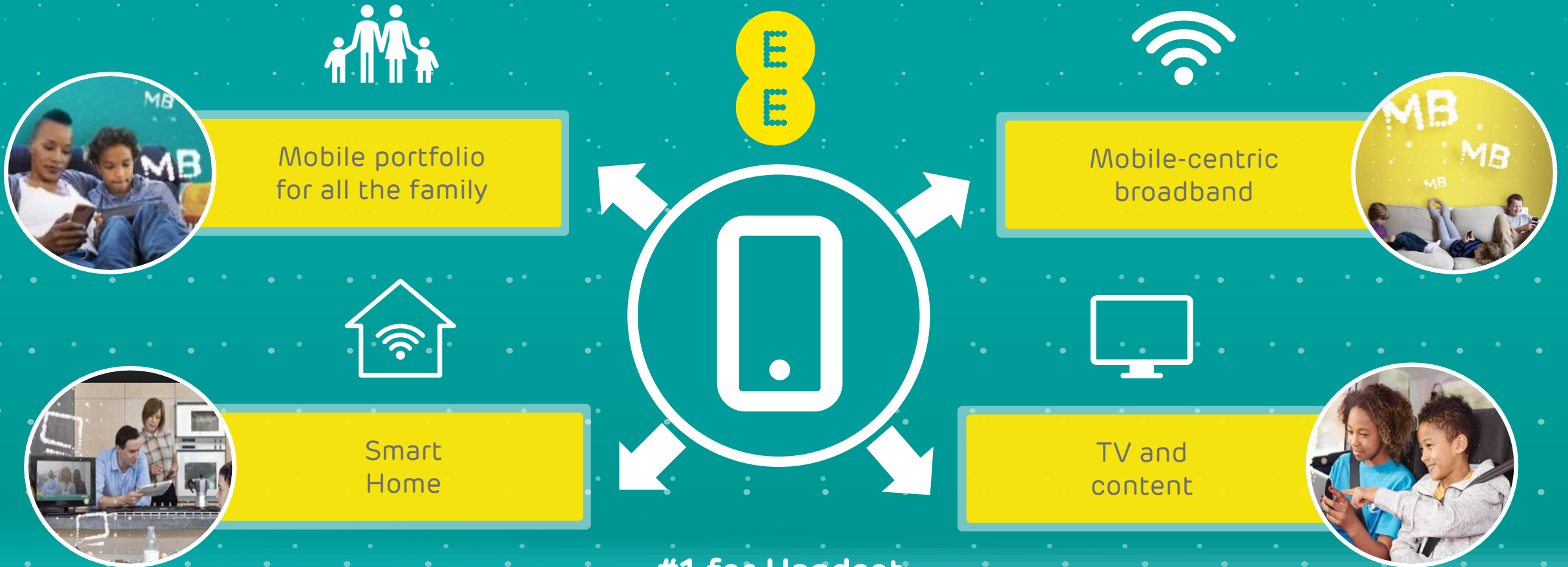


+ Excludes EE Pay as you Go customers

EE – OUR AMBITION

CREATE THE #1 MOBILE-CENTRIC CONVERGENCE BRAND

Mobile-centric convergence



#1 for Handset*

Personal and local service

EE – OUR PORTFOLIO THE WIDEST CHOICE OF MOBILE SOLUTIONS FOR ALL THE FAMILY



New family proposition

- Unique giftable data
- Multi-Sim benefits
- Family controls app

New Flex plans



"absolutely love how you can gift data on @EE. Great idea when you have two teenagers"



EE – OUR PORTFOLIO FAST BROADBAND SOLUTIONS IN MORE PLACES



Broad product range

- 300Mbps fibre
- 4GEE Home router and antenna

Best call centre service

- EE remote support
- EE virtual assistant app
- Converged MyEE app

Converged benefits

- Up to 20GB data boost
- 4GEE backup and Home Move

Hybrid broadband technology



Mobile portfolio
for all the family



Smart
Home

Mobile-centric
convergence

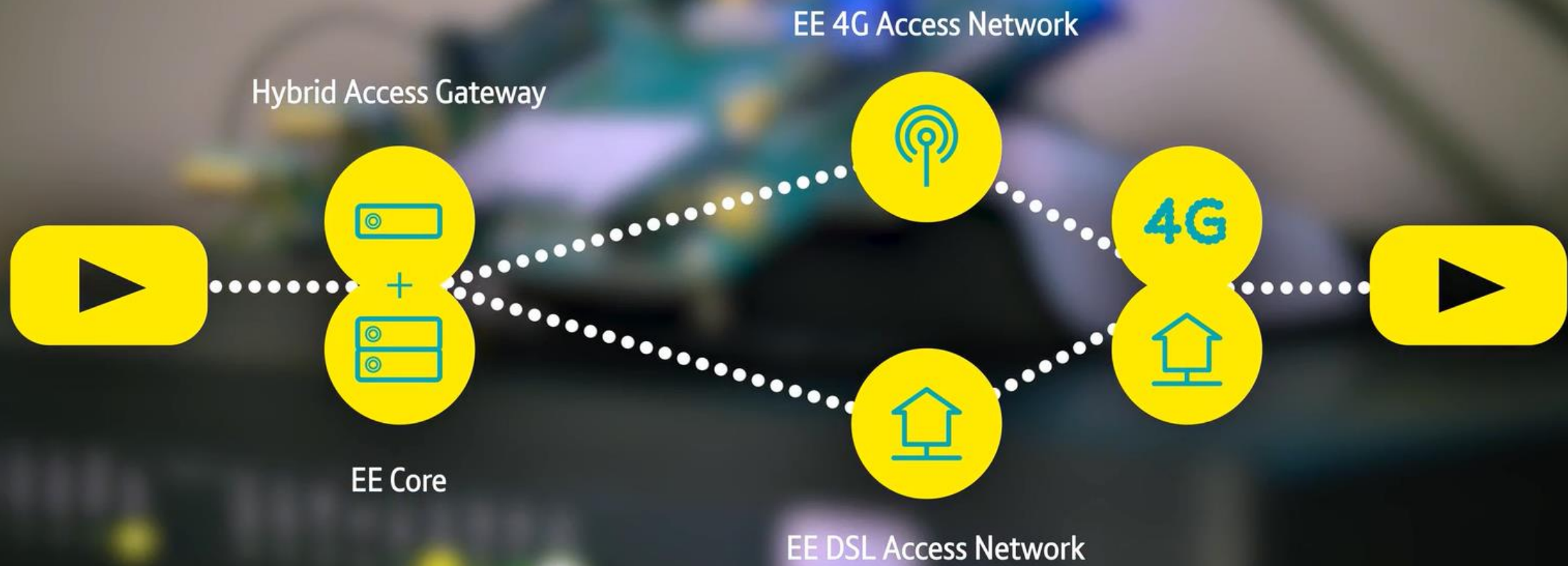


Mobile-centric
broadband



TV
and content

Personal and local service



[PLACEHOLDER FOR HYBRID BROADBAND TECHNOLOGY VIDEO]

EE – OUR PORTFOLIO NEW SMART HOME CATEGORY



Curated product range of market leaders

- Nest, Hive and Honeywell ranges
- Voice assistants

Add to Plan and charge to bill

Help and support

- New EE Smart Home Helpline
- Retail experts

nest

Honeywell



HomePod



EE – OUR PORTFOLIO FLEXIBLE TV AND CONTENT



New TV App (coming Q3)

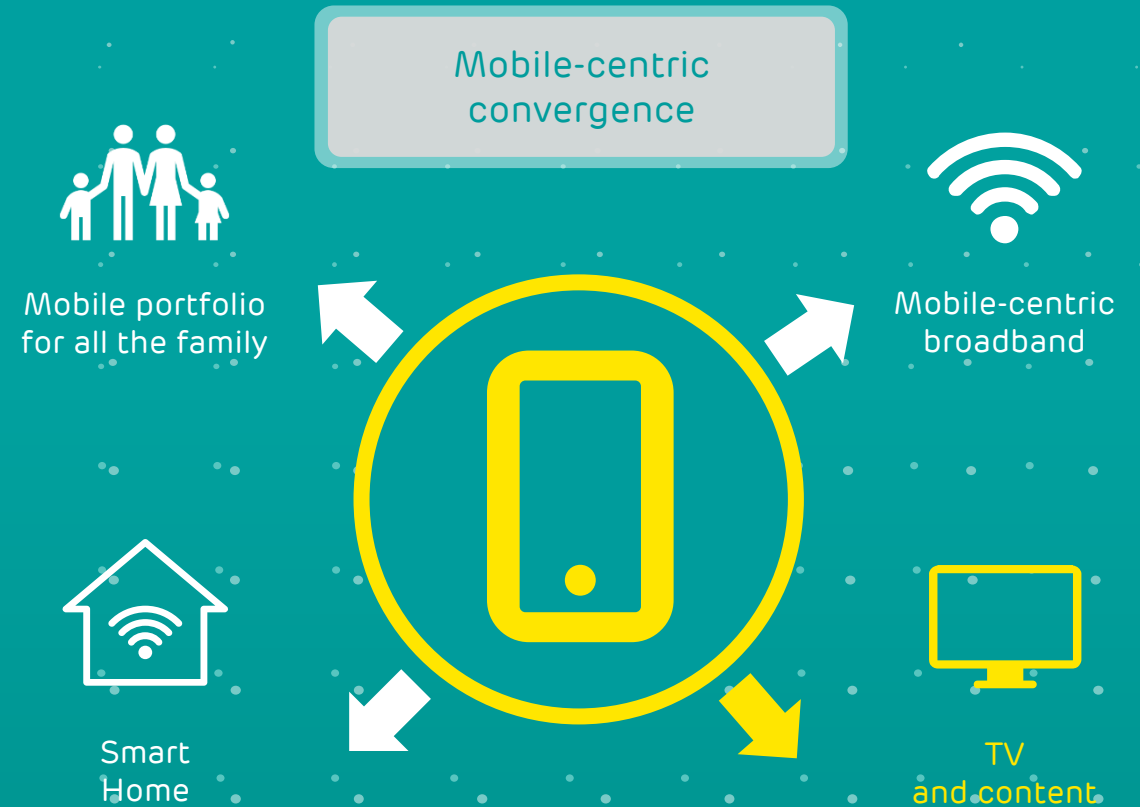
New BT Sport proposition (launch July)

- 30 day flexibility
- Casting and zero rating options
- Charge to bill



BT Sport

Apple MUSIC



Personal and local service

EE – OUR PORTFOLIO

OUR PERSONAL AND LOCAL SERVICE



Retail

620+ stores
Multiple store formats



INNOVATION:

Same day repairs
Trade-in

Contact Centres

#1 UK call centres
Welsh speaking

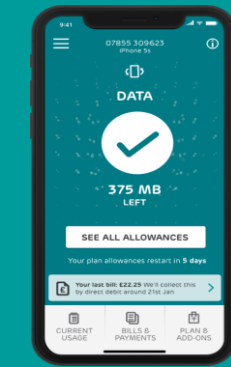


INNOVATION:

Remote Support and Virtual Assistant
Click to call / chat

Digital

10.8m registered
self-serve base
4.5* App



INNOVATION:

Superfast same-day delivery
and personalised set-up

EE – OUR COMMUNICATION
"WHO SAYS YOU CAN'T?"



EE – SUMMARY

CREATE THE #1 MOBILE-CENTRIC CONVERGENCE BRAND

Mobile-centric convergence



Mobile portfolio
for all the family



Mobile-centric
broadband



Smart
Home



TV and
content



#1 for Handset*

Personal and local service



Transformation and finance

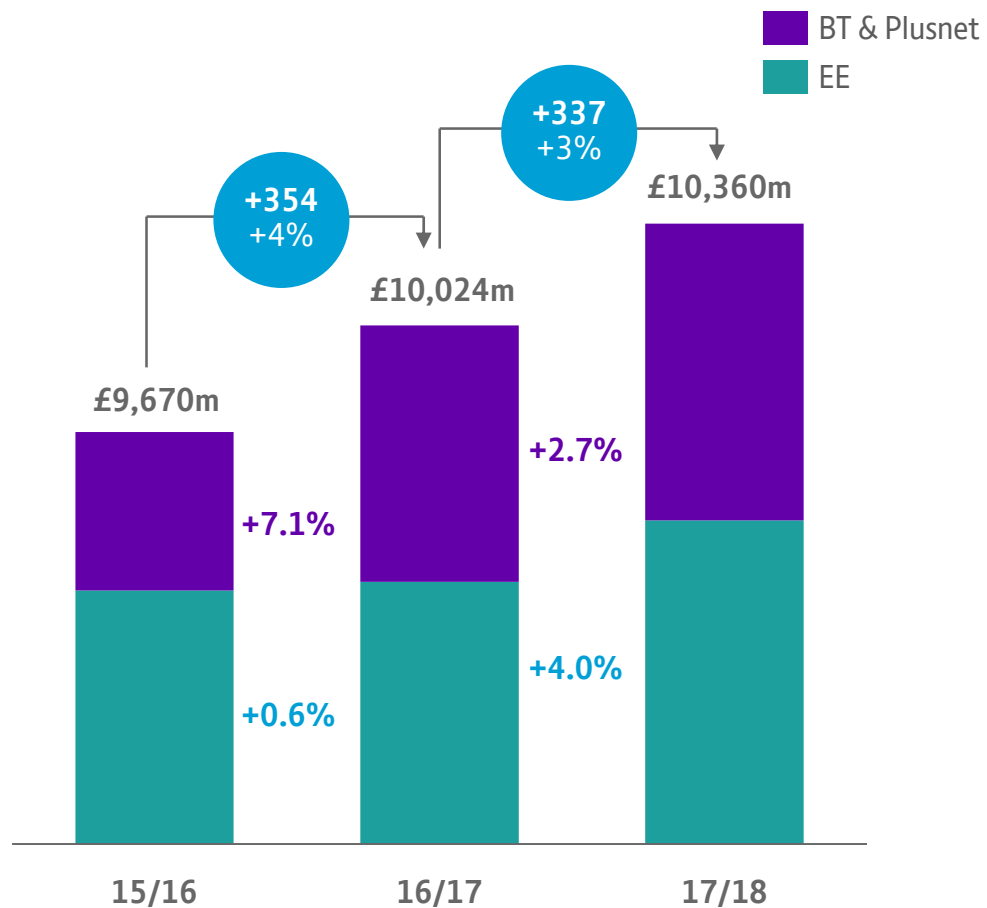
Stephen Harris, CFO

Transformation and finance

A strong foundation for the new Consumer

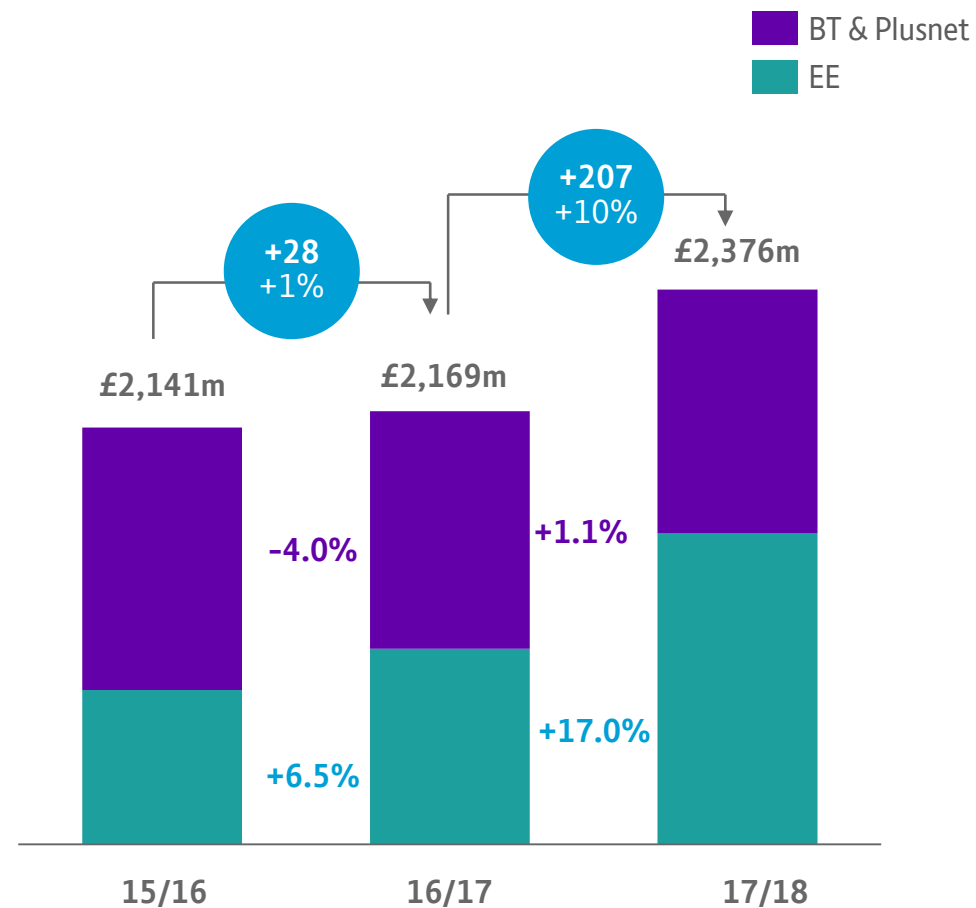
Strong profitable revenue growth

Consumer revenue (£m)



With cost efficiencies to drive EBITDA

Consumer EBITDA (£m)



Consumer has delivered significant synergies and cost reductions over the past 2 years

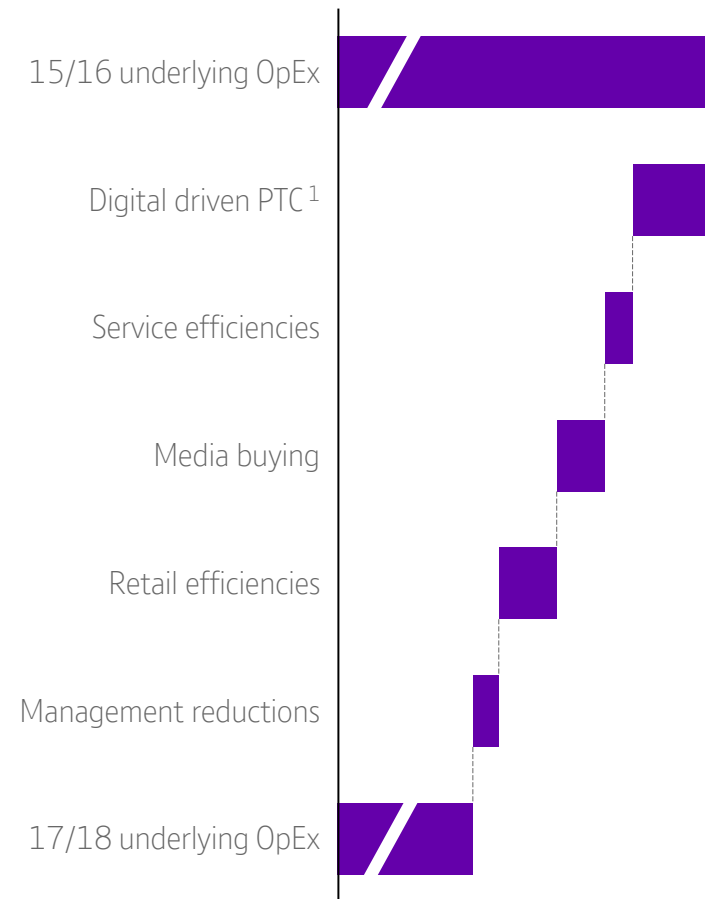
Cross-sell opportunities being realised

- ▶ 22% of EE customers take the top tier tariff (with 42% higher ARPU), a key driver for this is the inclusion of BT Sport
- ▶ BT Broadband and BT TV will be available in all >620 EE stores by the end of May 2018

Significant cost reduction achieved

- ▶ EE indirect costs fell 17% over two years following acquisition
- ▶ Retail footprint increases by 30 stores whilst reducing net retail costs by 6%

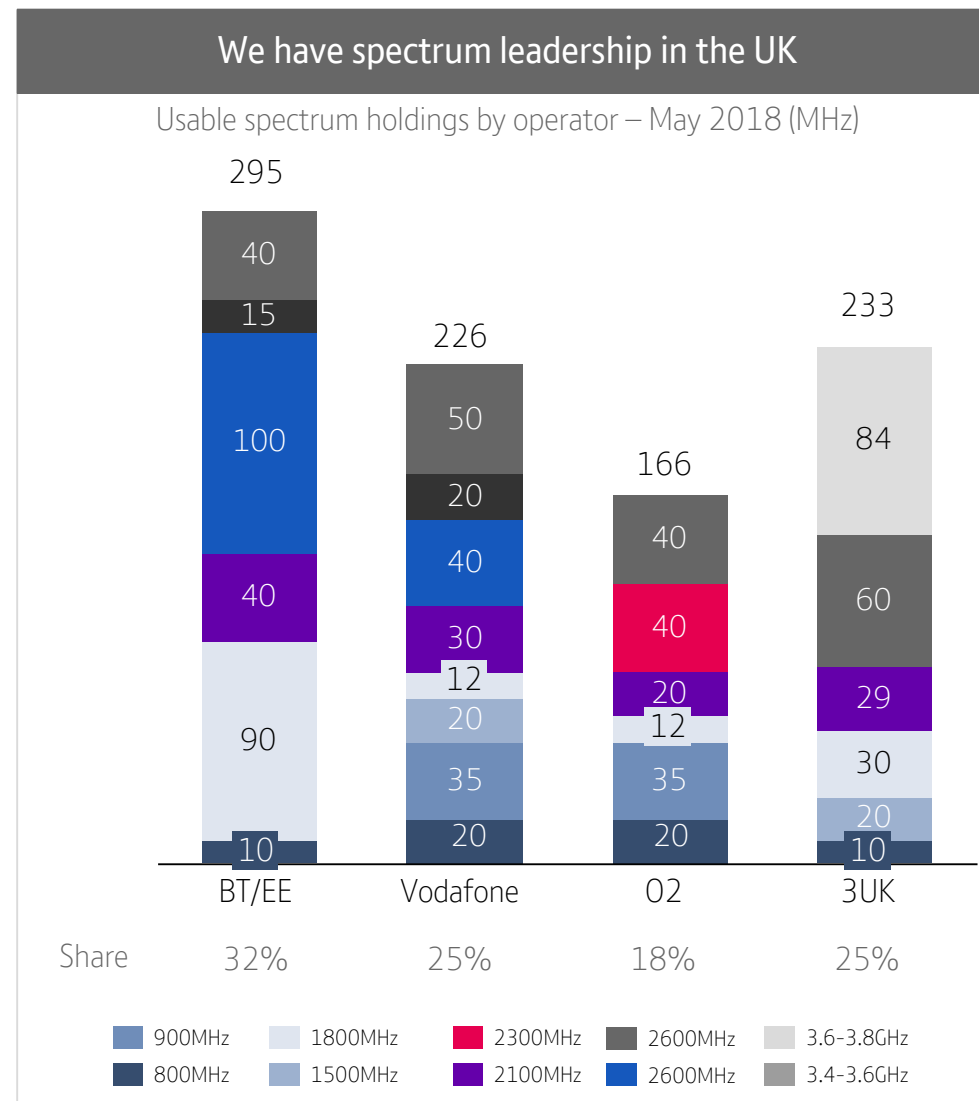
Key cost efficiency and synergy programmes



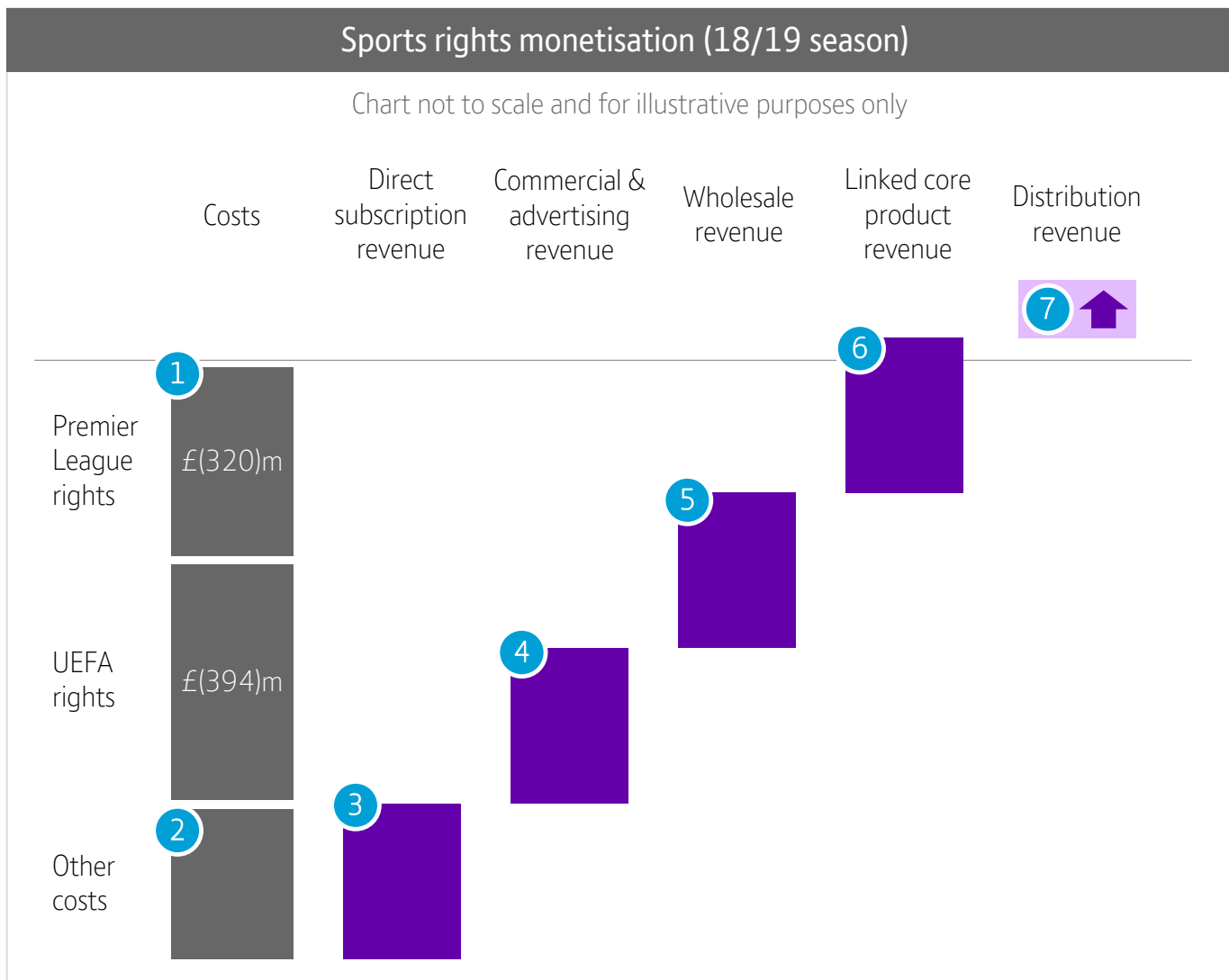
¹ Propensity To Call

We have efficiently retained spectrum leadership, underpinning future differentiation

	4G spectrum auction (March 2013)	5G spectrum auction (March 2018)	Total paid
BT/EE	£775m	£304m	£1,079m
Vodafone	£791m	£378m	£1,169m + L-Band
O2	£550m	£524m	£1,074m
3UK	£225m	£164m	£389m + L-Band



BT Sport content costs are recovered through several revenue sources



- 1 Premier League rights
Premier League rights extended to 2022 with no cost inflation
- 2 Other rights and production
97% of current rights portfolio contracted to 20/21 season
- 3 Direct subscription
All BT Sport subscribers now on paid products
- 4 Commercial & advertising
Widest distribution among UK pubs & clubs of all premium sports channels
- 5 Wholesale
Virgin Media wholesale deal extended, guaranteeing associated revenues
- 6 Core products
NPS +24% for BT Sport customers vs. non-BT Sport customers
- 7 Distribution opportunity
BT Sport to be made more widely available, including to more EE mobile subscribers

We are on a journey to simplify and streamline our business

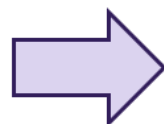


Transformation and finance

New FY 17/18 Consumer financials and KPIs with more transparency

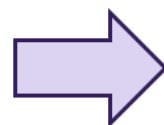
FY 17/18 Financial KPIs*	
Fixed	£4,794m
Mobile	£4,869m
of which postpaid	£4,358m
Equipment	£330m
Other	£366m
Revenue	£10,360m
EBITDA	£2,376m
<i>Margin</i>	<i>22.9%</i>
Normalised Free Cash Flow	£1,389m
Capex	£919m

The new KPIs are simpler, better aligned to the internal metrics we use to manage our business and provide a longer-term focus



- New Consumer perimeter
- **Fixed and Mobile revenues aligned with ARPUs**

Q4 17/18 Operational Metrics		
ARPU	Fixed	£39.4
	Postpaid Mobile	£26.4
Churn	Fixed	1.3%
	Postpaid Mobile	1.2%
Fibre share	Superfast	63.8%
	Ultrafast	0.0%



- **Value rather than volume focus**
- ARPUs and churn across the Consumer brands, split between fixed and mobile
- Fixed churn new disclosure
- Fibre penetration of broadband base illustrates strategy of driving higher value fibre products

* Key Performance Indicators under IAS18

Transformation and finance

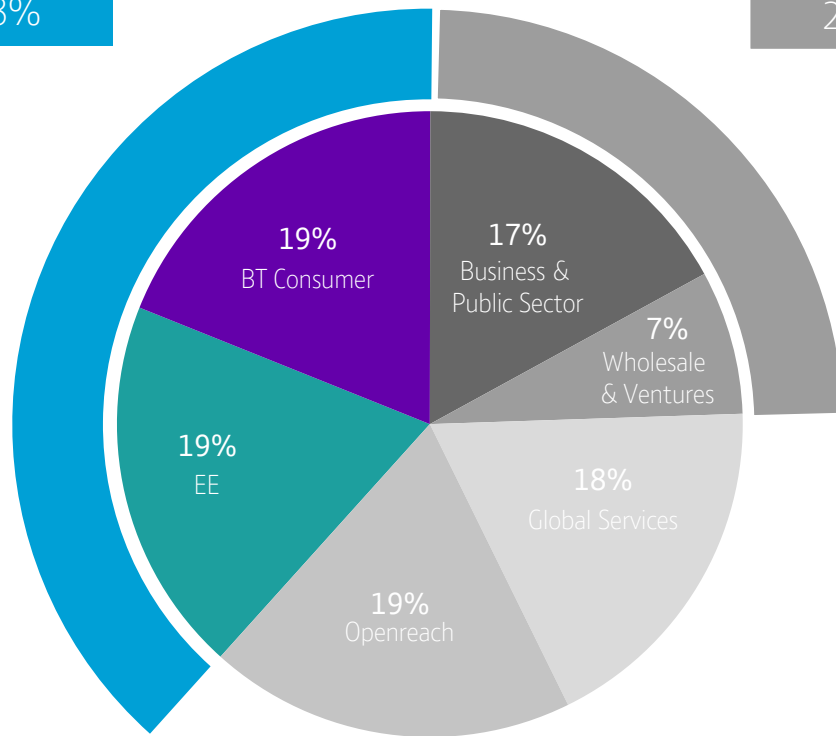
New Consumer is a major contributor to the BT Group

Consumer revenue was up 4% Q4 YoY

Q4 17/18 revenue (%)

Consumer
38%

Enterprise
24%

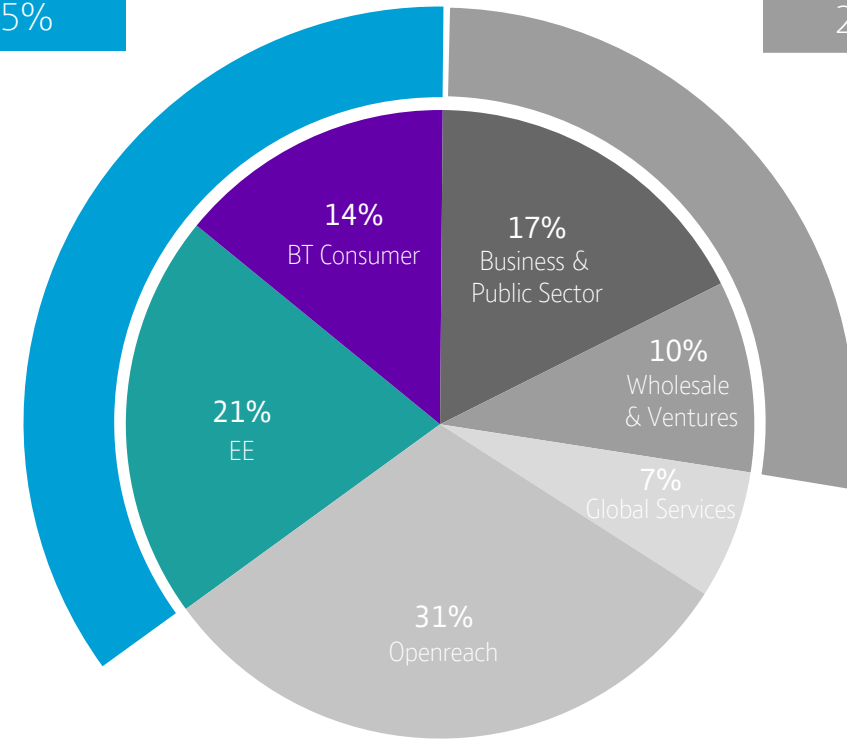


Consumer EBITDA was up 26% Q4 YoY

Q4 17/18 EBITDA (%)

Consumer
35%

Enterprise
27%





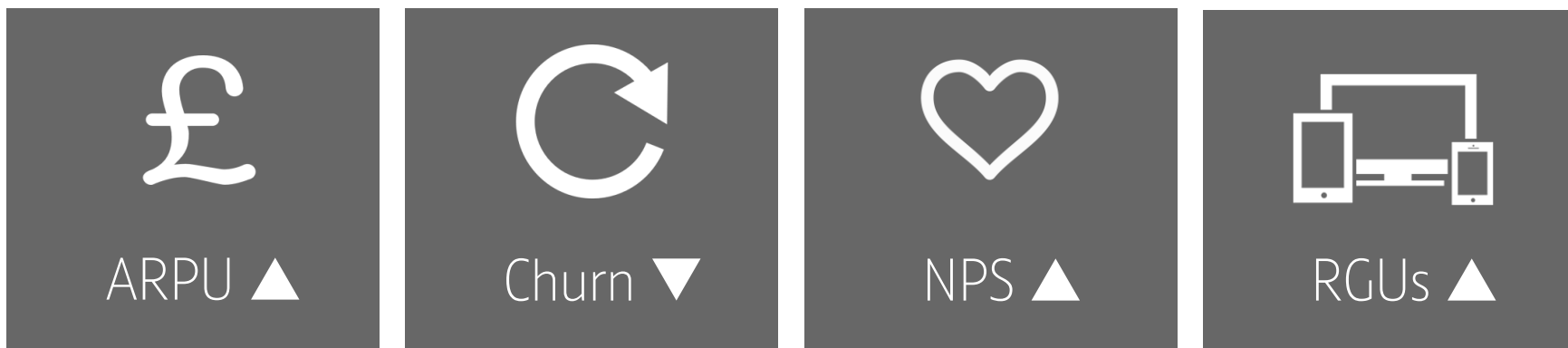
Wrap-up

Marc Allera, CEO

Wrap-up

Summary of our new Consumer strategy

We will become the UK market leader in convergence, to drive sustainable growth in value



Consumer

