



Welcome to the Global Services Business Briefing

September 19, 2018



Bas Burger
CEO

Global Services' Business Briefing agenda

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Bas Burger
CEO

Digital Global Services: transforming for growth

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Maria Grazia Pecorari
President, Digital, Global Portfolio & Marketing

Focusing on our core, delivering growth

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Mark Hughes
President, BT Security

Our opportunity, differentiating for growth

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Martin Smith
CFO

Financial performance and strategy

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Bas Burger
CEO

Progress and key messages

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Q&A

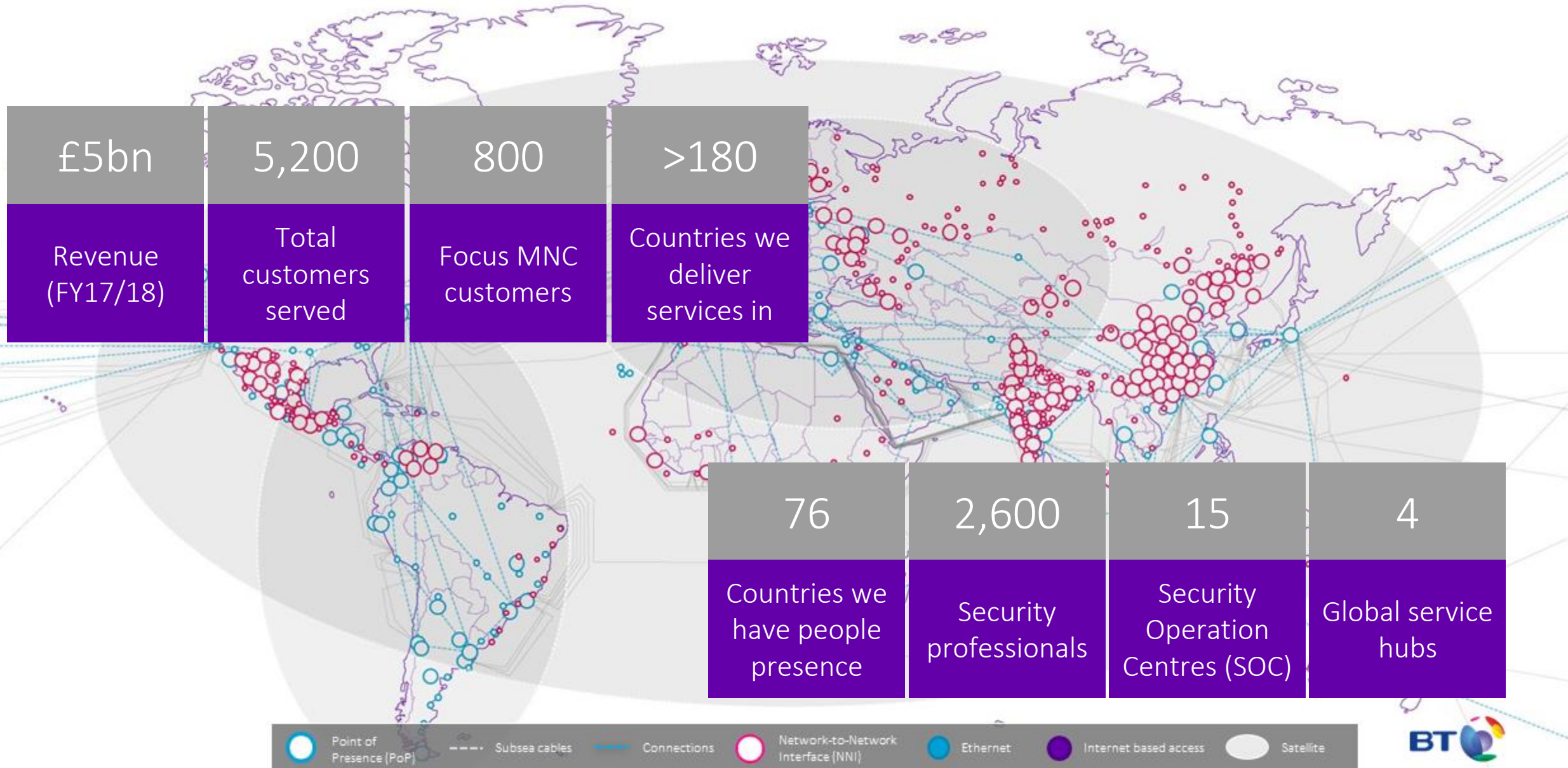
Key messages

We are radically
repositioning our
business around our
core markets

We are
future-proofing
GS by building value in
strategically selected
areas of growth

We are moving at
pace to **reduce risk**
and deliver **higher**
returns

We are the international arm of BT, serving our customers globally and securely



We are connecting and protecting our customers' infrastructure and cloud services to enable their digital transformations

Cloud and network infrastructure

Infrastructure solutions connecting customers' sites and people to secure, scalable cloud services

Cloud collaboration

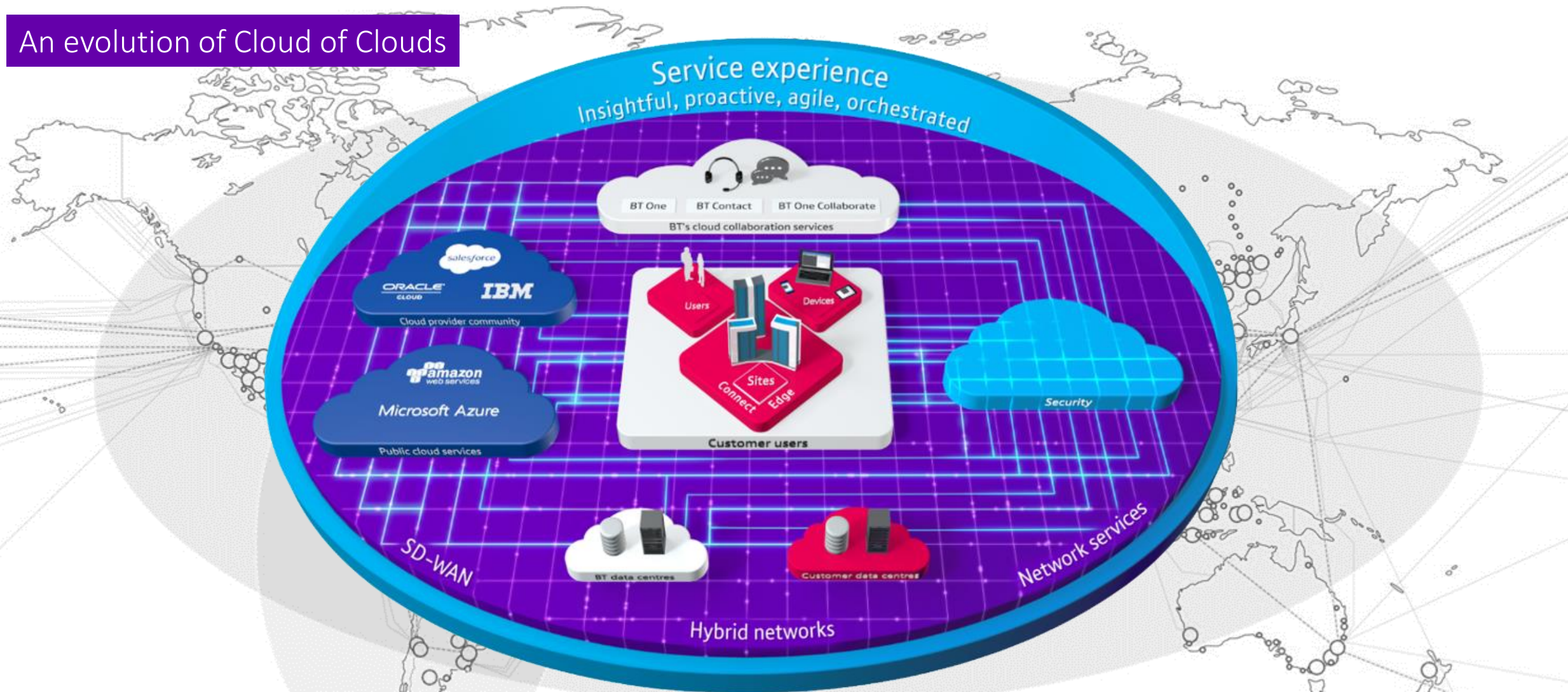
Cloud-based collaboration and contact centre solutions that boost productivity, control costs and adapt to customer demand

Security




Monitoring and managing over 100,000 customer and BT devices around the clock from 15 accredited global Security Operations Centres

Leading our customers' digital transformations as a trusted partner

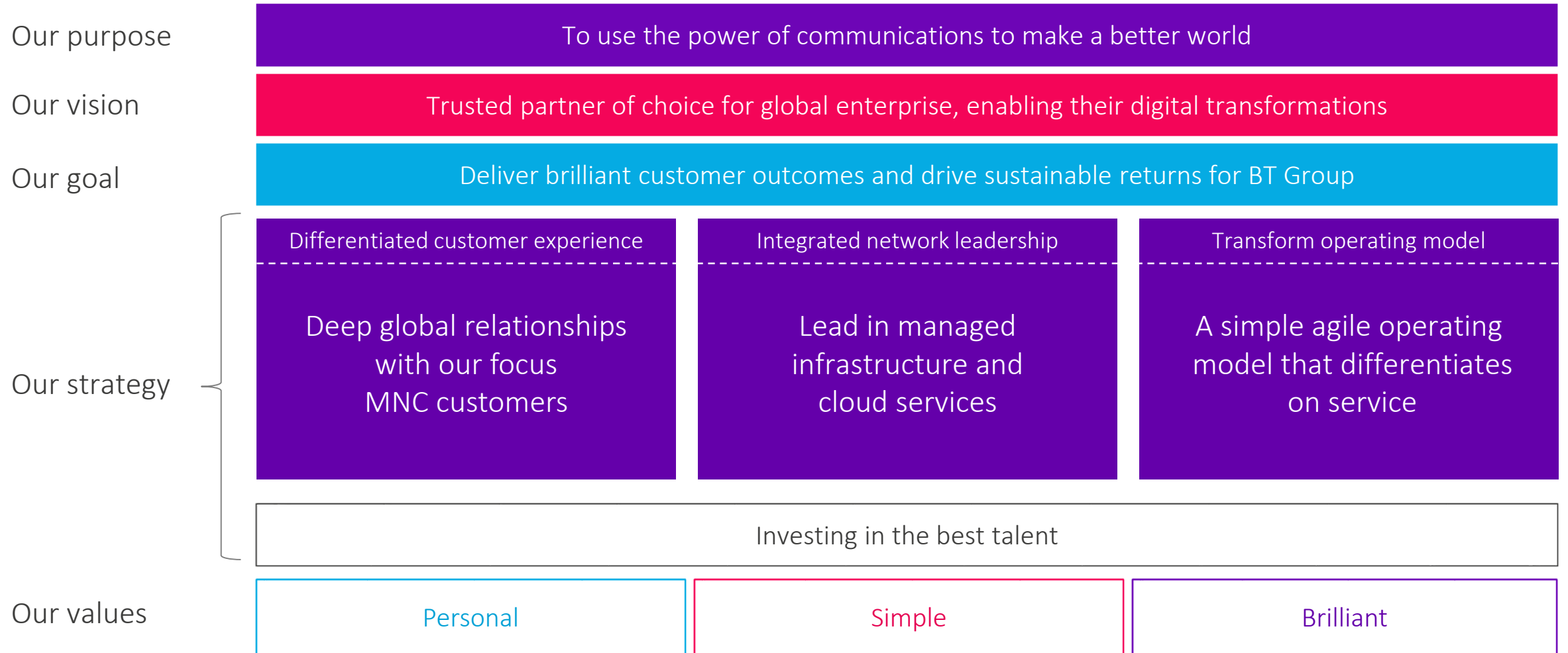
An evolution of Cloud of Clouds



Transforming to address challenges and opportunities in a disrupted global marketplace

	Challenges	Opportunities
 <p>Customers</p>	<ul style="list-style-type: none"> • Demand for deal flexibility and Opex models • Budgets increasingly stretched due to competing CIO demands 	<ul style="list-style-type: none"> • Complexity drives demand for trusted partners • Demand for platform-based solutions
 <p>Partners / Vendors</p>	<ul style="list-style-type: none"> • Shift from hardware to software models and from individual products to platform-based propositions 	<ul style="list-style-type: none"> • Managed infrastructure services facilitate customer adoption of new platform-based services
 <p>Technology</p>	<ul style="list-style-type: none"> • Technology migration impacting legacy profit pools 	<ul style="list-style-type: none"> • Shift to solutions requiring lower infrastructure investment
	<p>Changing business models and technology impacting the top-line</p>	<p>GS repositioning to a more asset-light model, driving higher EBITDA margins and ROCE</p>

Our Digital Global Services strategy aligned to BT Group

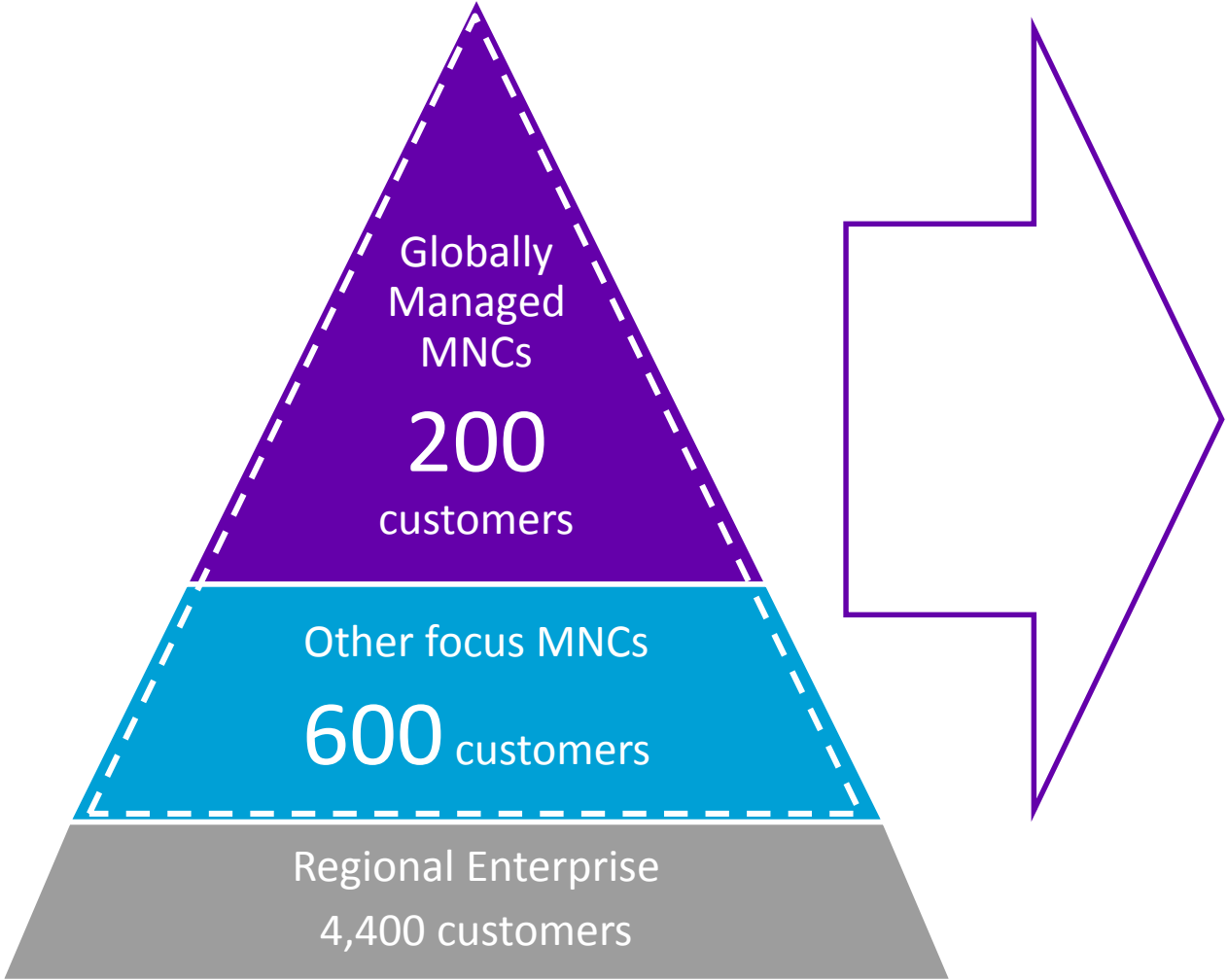


Differentiating through deep global relationships and industry expertise

Deep Global Relationships

Lead in Managed Infrastructure and Cloud Services

Simple, Agile Operating Model



Industry Verticals

Banking and Financial Services



Resources, Manufacturing and Logistics



Technology, Life Sciences and Business Services



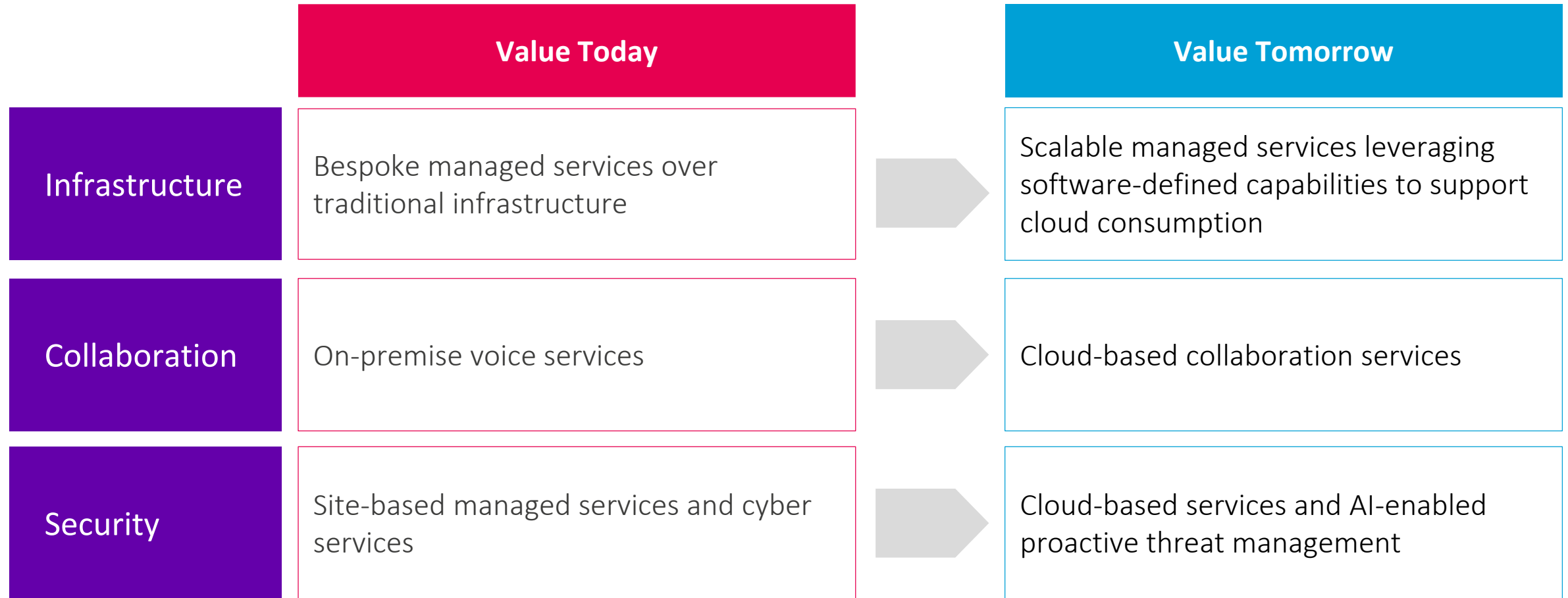
Leading managed infrastructure and cloud services provider

Deep Global Relationships

Lead in Managed Infrastructure and Cloud Services

Simple, Agile Operating Model

Focusing and excelling where we differentiate to achieve better scale and returns



Partnering where others excel with our leading global ecosystem

Deep Global Relationships

Lead in Managed Infrastructure and Cloud Services

Simple, Agile Operating Model

We enable our customers' digital transformation and deliver value by working with best-in-breed partners

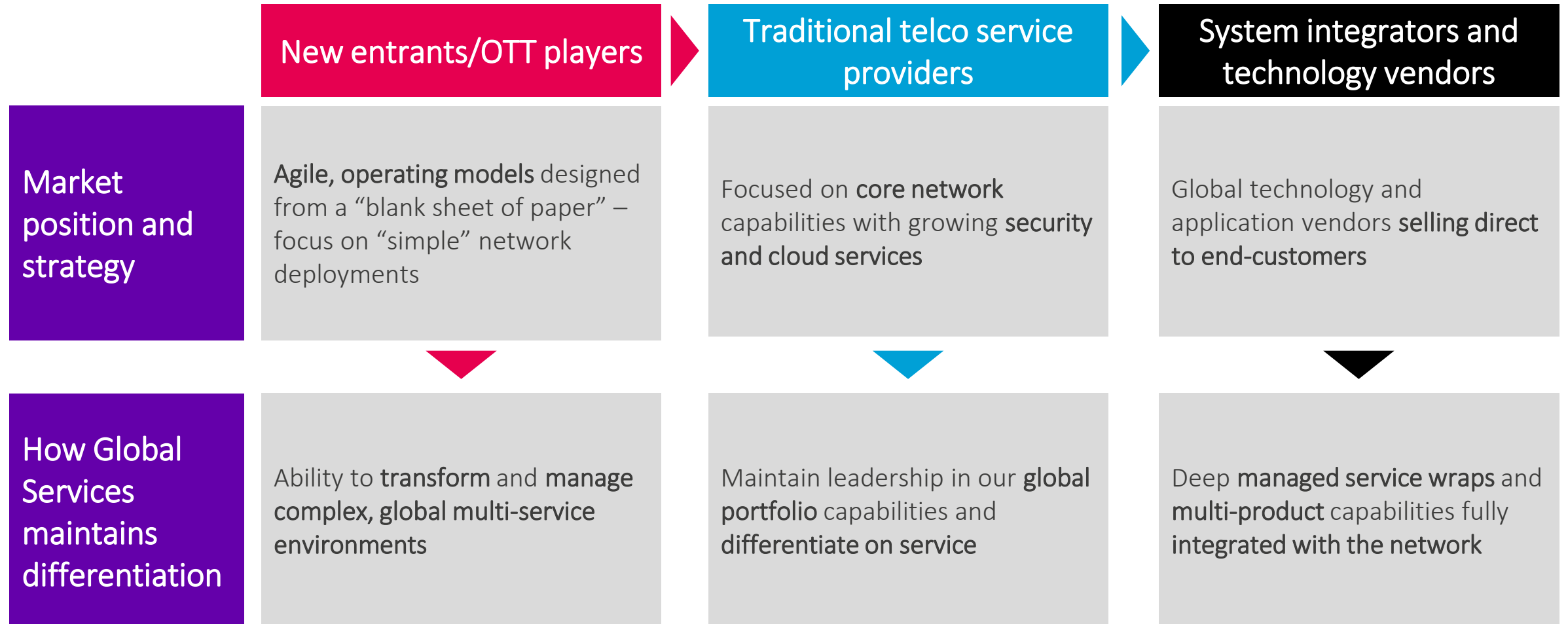


We strategically differentiate against new and traditional competition

Deep Global Relationships

Lead in Managed Infrastructure and Cloud Services

Simple, Agile Operating Model



We are running ten strategic programmes in parallel to simplify our business and position for growth

Deep Global Relationships

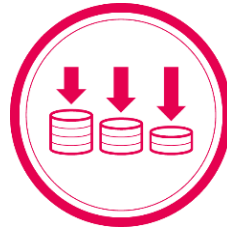
Lead in Managed Infrastructure and Cloud Services

Simple, Agile Operating Model



Portfolio

Developing more scalable platforms for better returns



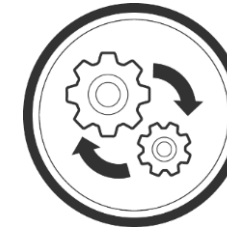
Costs

Reducing overhead costs to improve competitiveness



Network

Evolving our global network for the future



Systems

Enabling a digital customer experience



Service

Simplifying and automating processes



Sales

Implementing one, consistent global approach to sales



Finance

Improving effectiveness of financial reporting



Markets

Aligning resources to core customers



People

Right-sizing and simplifying our organisation



Security

Accelerating growth in a focus market



Maria Grazia Pecorari

President, Digital,
Global Portfolio & Marketing

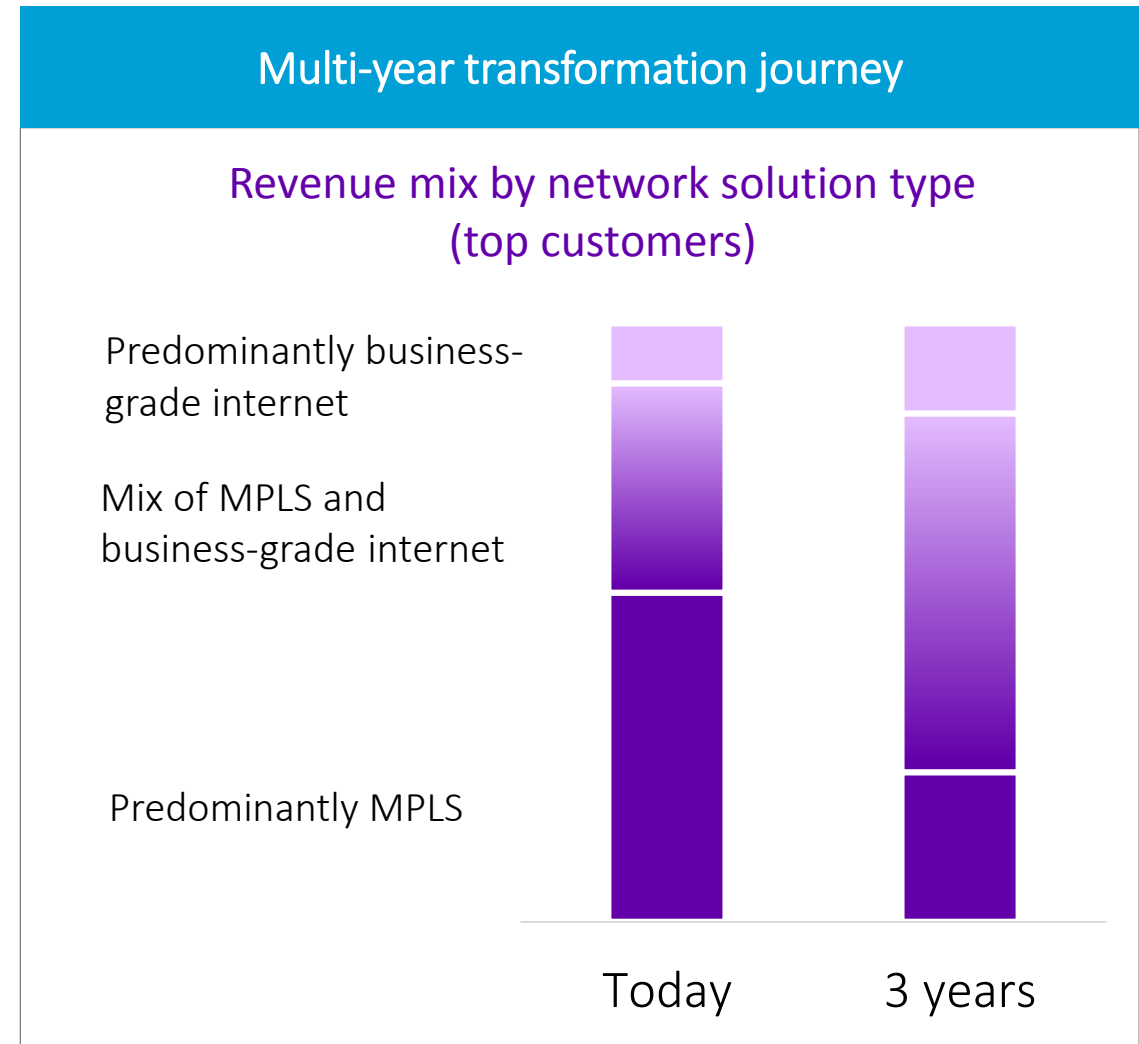
The infrastructure needs of our customers are changing driven by digital, they need a trusted partner

CIOs are focused on the digital needs of their organisations





- Experience
- Digital workplace and business models
- Agility and flexibility
- Cost
- Security

CIOs are adopting new infrastructure capabilities to deliver their digital agenda

- Public/hybrid cloud
- Cloud-based services
- Hybrid network infrastructure
- Software-enabled networking
- Analytics
- Security
- Enabling skills



Our portfolio mix is well-balanced to meet our customers' changing needs

	Legacy Approaching end-of-life or deprioritised	Mature Moderate growth or alternatives emerging	Growth High-demand, new technologies	Other BT BT Enterprise, 3rd party or bespoke
Approximate % of revenue	20%	50%	20%	10%
Portfolio examples	<ul style="list-style-type: none"> Legacy network services Legacy voice Global wholesale voice 	<ul style="list-style-type: none"> WAN/MPLS services On-premise collaboration and contact Radianz 	<ul style="list-style-type: none"> Security SD-WAN solutions Hybrid cloud solutions Cloud-based collaboration and contact Cloud-based trading solutions 	<ul style="list-style-type: none"> UK Business broadband Resale of global 3rd party network services Bespoke customer solutions
Trend				

We build on our strengths as a global leader to differentiate and stay relevant in our changing marketplace

We operate in business areas where global scale matters

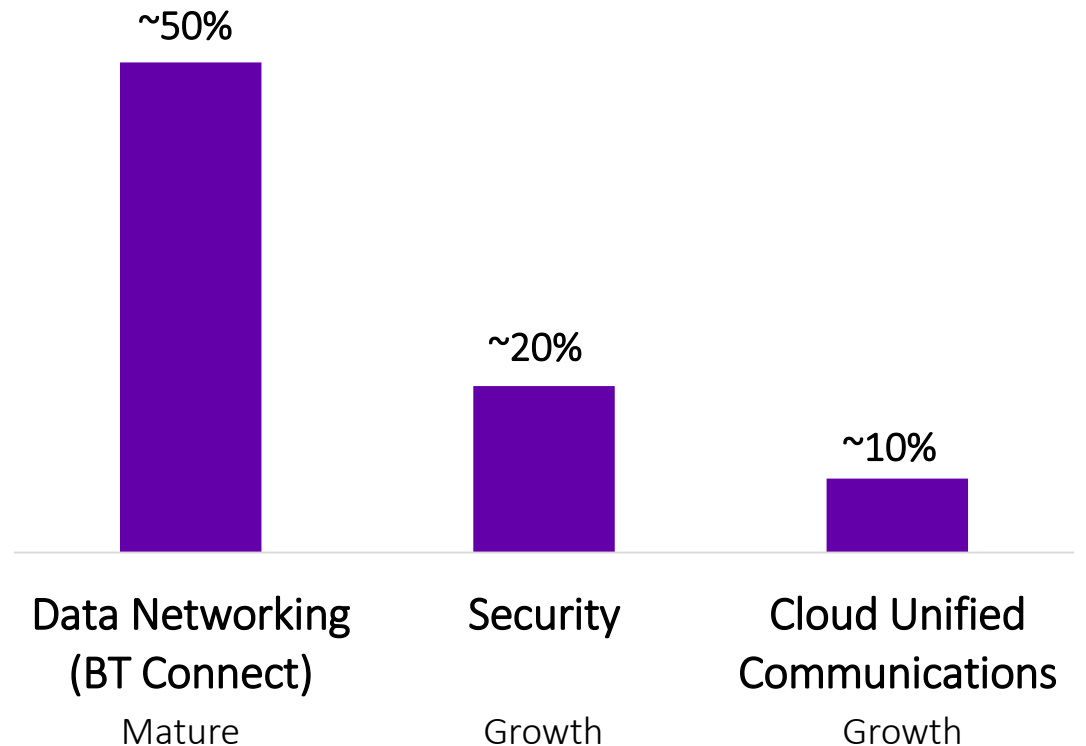
- Global customer relationships
- Global infrastructure
- Global capability depth
- Global ecosystem of partners and vendors

We build on our scale to differentiate further

- Customer and employee experience
- Managed solutions capability
- Commercial flexibility

Opportunity to grow with our customers

Percent of focus 800 customers buying Network, Security and Cloud UC solutions



Cloud Collaboration with Cisco: we build on our scale to differentiate and deliver superior customer experience

Customer needs

Migrate from existing voice and collaboration services to flexible, cloud-based services, enabling better employee productivity at a lower cost

Solution

Secure, BT cloud hosted voice and collaboration solution, using Cisco technology (HCS), offered on a pay-per-user, per month basis. Integrated with other services as needed (e.g. IP voice, network, handset, Webex, etc.)

Global scale



- ✓ #1 global provider
- ✓ >400,000 seats

Tools and expertise



- ✓ Solution design tools
- ✓ Automated user configuration
- ✓ Digital portal for add, moves and changes

Speed and agility






- ✓ 21,000 seats deployed globally in past 2 months
- ✓ Real time add/changes

Commercial flexibility



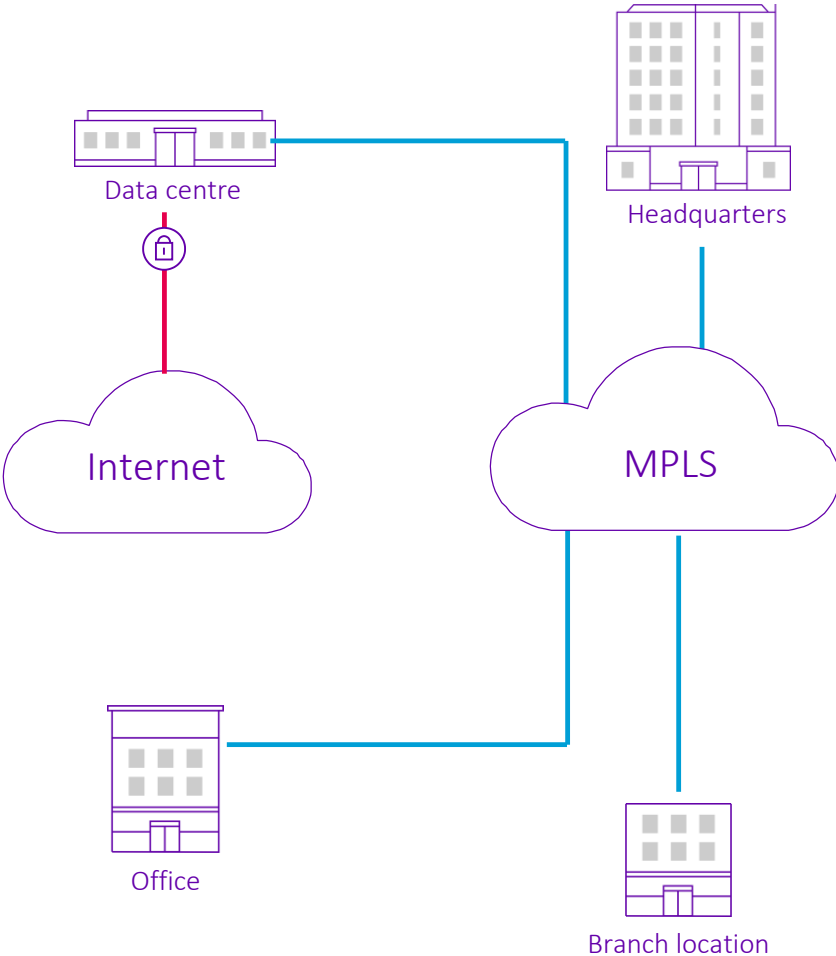
- ✓ Global bundle PAYG pricing

Market and technology changes create opportunities to transform the economics of our business, compensating for a decline in legacy profit pools

		Opportunities	Enablers
	Network Infrastructure	Optimised global network	<ul style="list-style-type: none">New network access optionsNew network technologiesMaturity of 3rd party infrastructure
	Managed Service	More agile and digital operations	Network operations augmented and automated through software and analytics
	Cloud Platforms	Greater scale returns	Portfolio delivered as scalable solutions from shared, cloud infrastructure

Our infrastructure and security propositions are mutually amplifying forces for growth

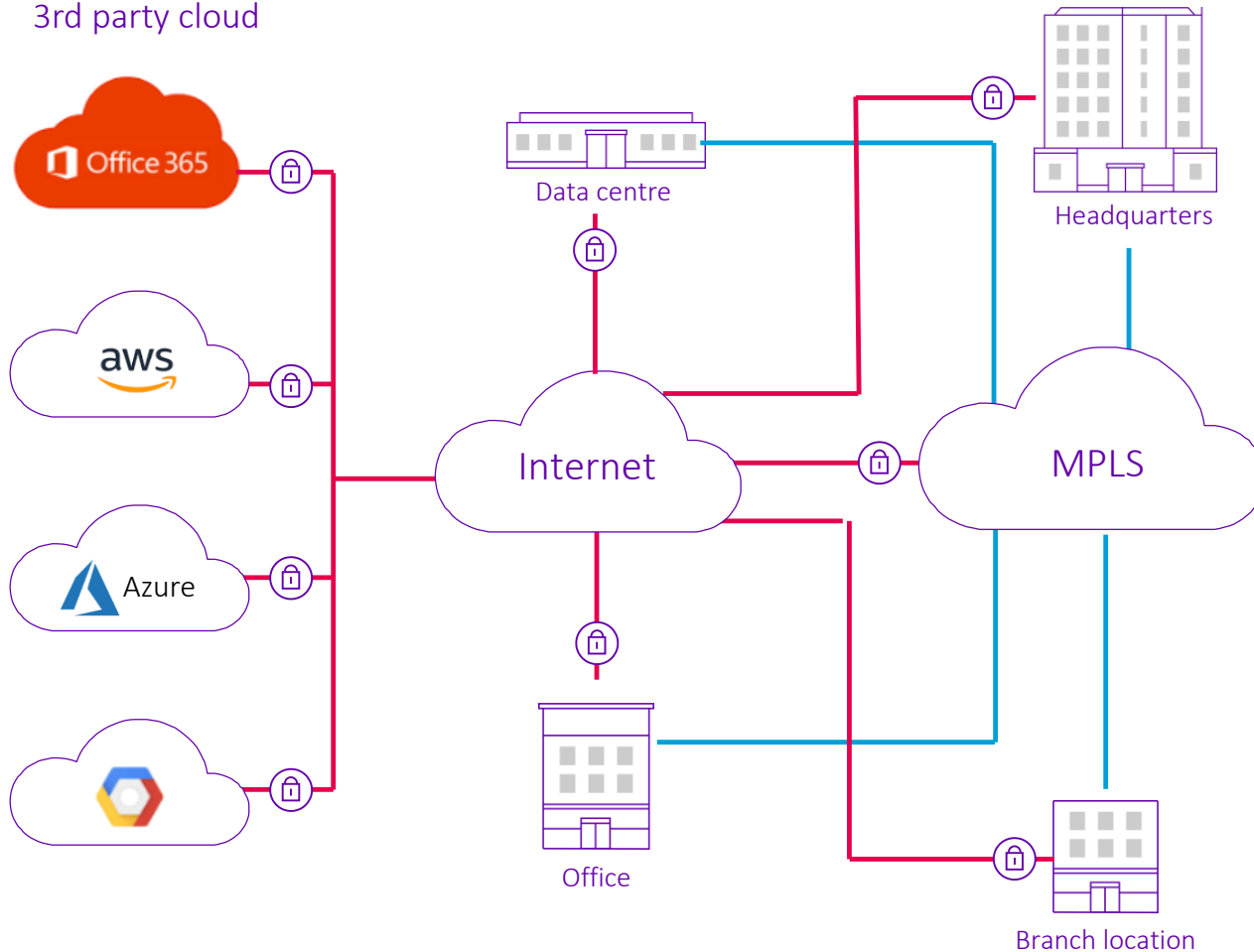
Move to hybrid networks increases security complexity



Our infrastructure and security propositions are mutually amplifying forces for growth

Move to hybrid networks increases security complexity

3rd party cloud



Network and security domains converging

Network and security managed services increasingly delivered as cloud-based solutions hosted on the same infrastructure

The ownership and management of BT's global network drives differentiation for BT Security

Visibility and insights on emerging threat at global level, strengthening our position in cybersecurity



Mark Hughes President, BT Security

We are the trusted partner-of-choice to solve our customers' security challenges

Enabling the business to move to the cloud responsibly

44% see software-defined apps and networks as a major disrupter

19% have moved all apps to the cloud

46% have moved half

Staying ahead of the changing threat landscape

97% of firms have security skills concerns

66% have difficulty with security staff retention

Supporting customers to protect their organisations and enable compliance

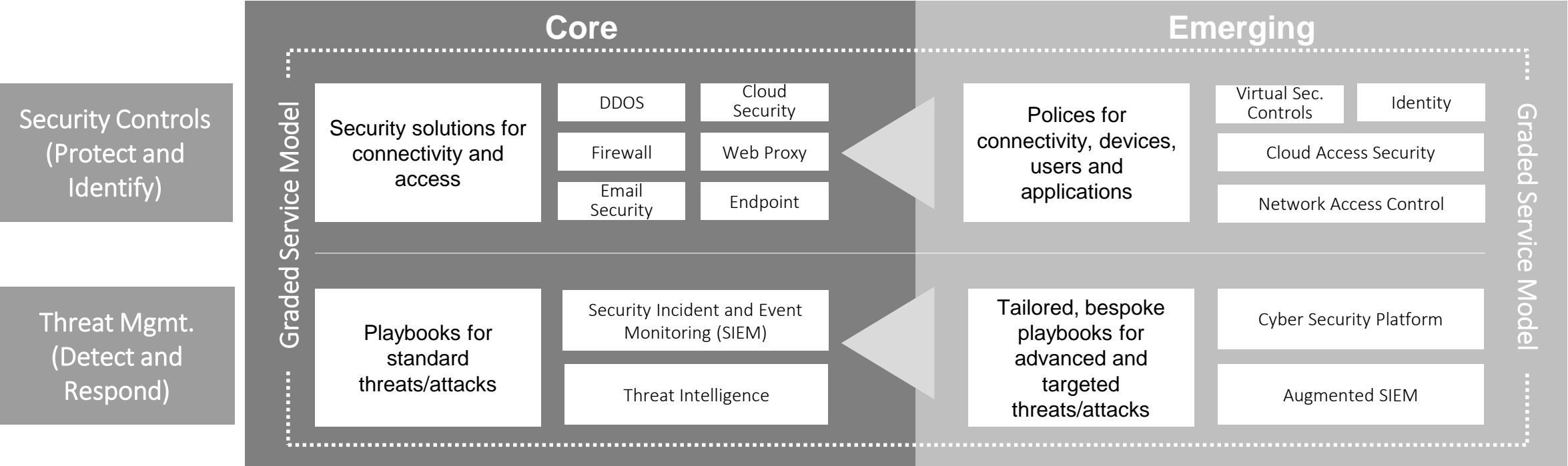
4% of revenue at risk from a GDPR breach

37% of large enterprises have 50+ security vendors

Customers look to BT as their trusted partner to remove complexity and ensure they are secure in a rapidly changing global marketplace

Our comprehensive portfolio uniquely and effectively addresses our customers' rapidly evolving security challenges

Enabling the business to move to the cloud responsibly Staying ahead of the changing threat landscape Supporting customers to protect their organisations and enable compliance



Portfolio Differentiators

- Cyber Assessment Lab to identify best new emerging vendors
- 20 strategic partners
- Protect BT security practitioners key to service design
- Cloud Security Best Practice guides customer on secure transformation
- Integrated with GS portfolio
- Rapid down-streaming turns emerging into core



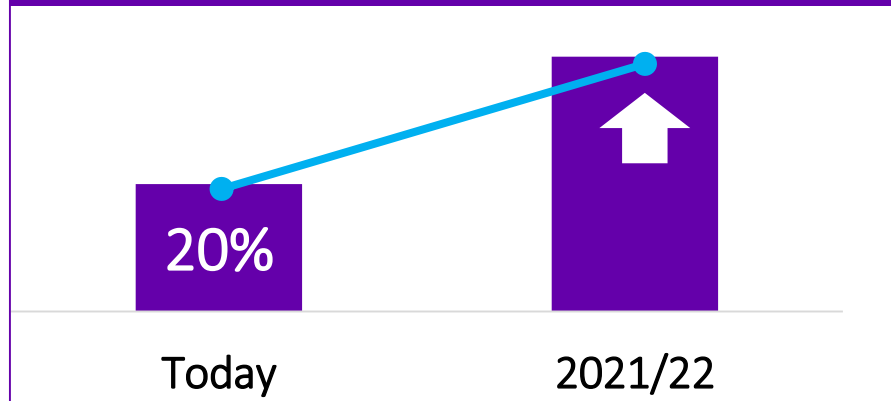
Our security experts leveraging our innovation to stay ahead of cybercrime



- An evolving approach to analytics to address the sheer scale of data generated by hybrid networks
- Identifying more complex relationships between multiple data points e.g. from people, servers, applications rather than simple point-to-point
- Advances in graph databases and GPU processing giving us the ability to interrogate huge data sets and derive more actionable intelligence than previously thought possible

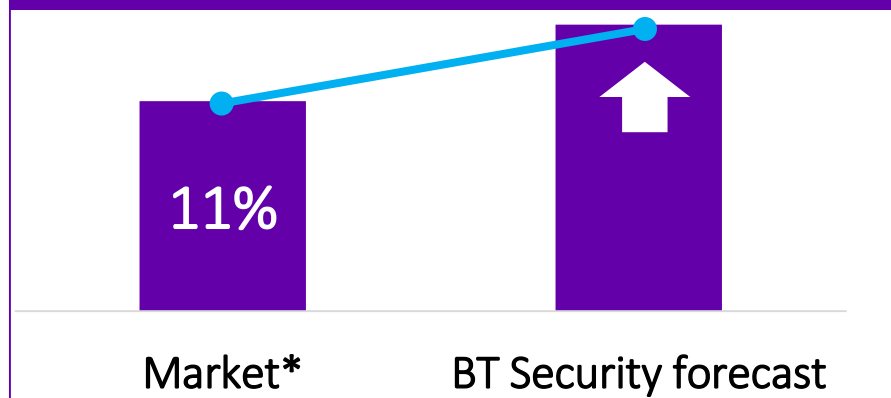
We will double the size of the Security business and beat the market's growth rate through differentiation

Focus 800 account penetration



Increasing wallet share and monetising the cloud security opportunity

Growth rates (CAGR)



Differentiators in the market

- Ability to leverage Protect BT expertise to build practitioner-led services
- A mutually amplifying relationship with hybrid network solutions:
 - Pull-through of security portfolio as customers move to the cloud
 - Strengthening our global network to enhance threat hunting capabilities and services
 - Converged security and infrastructure monitoring capability improving customer service levels
- Global coverage - 180 countries versus <60 for our nearest competitors
- Close working relationships with government enabling shared threat intelligence and contributing to policy development
- Leveraging critical mass (2,600 security professionals) in an industry with a scarcity of skills

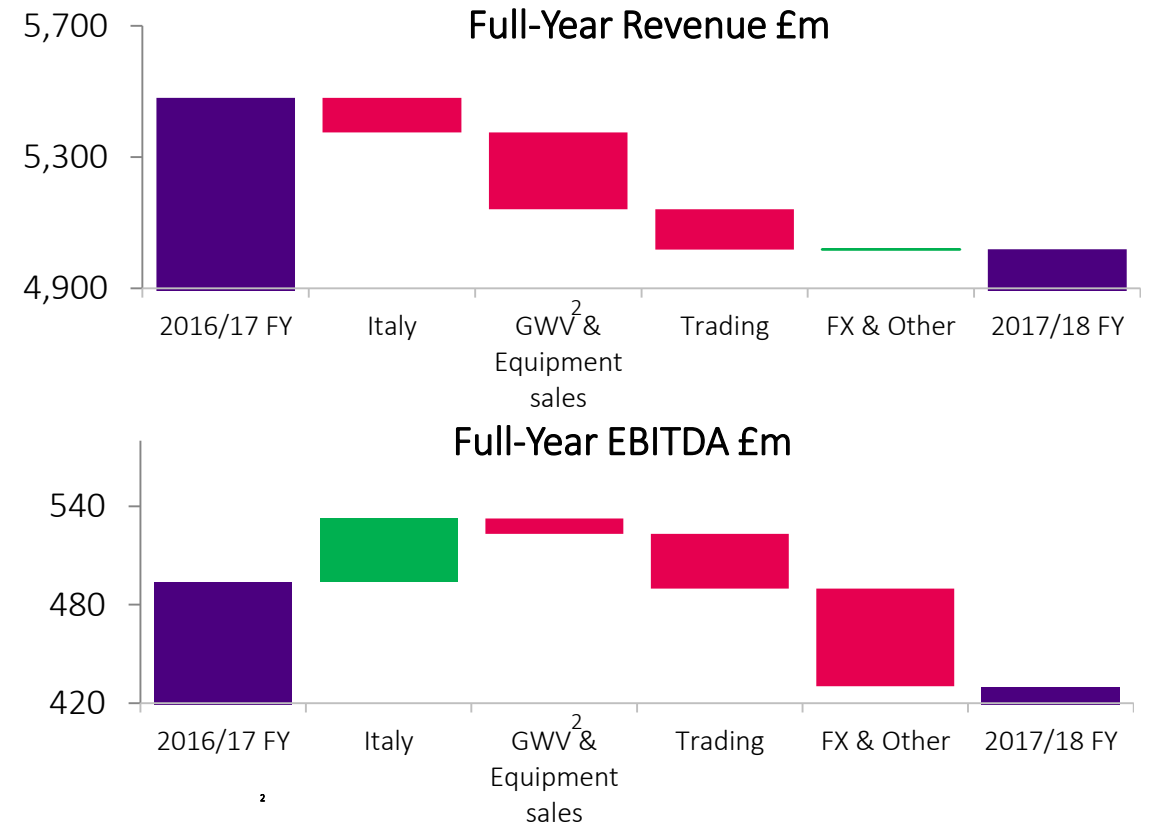


Martin Smith CFO

Historical financial performance: Full-Year 2017/18

Full-Year	16/17 ¹	17/18 ¹	Change
Revenue	£5,480m	£5,019m	(8)%
EBITDA	£494m	£430m	(13)%
Capex	£361m	£278m	(23)%
Normalised Free Cashflow	(£245m)	£115m	147%

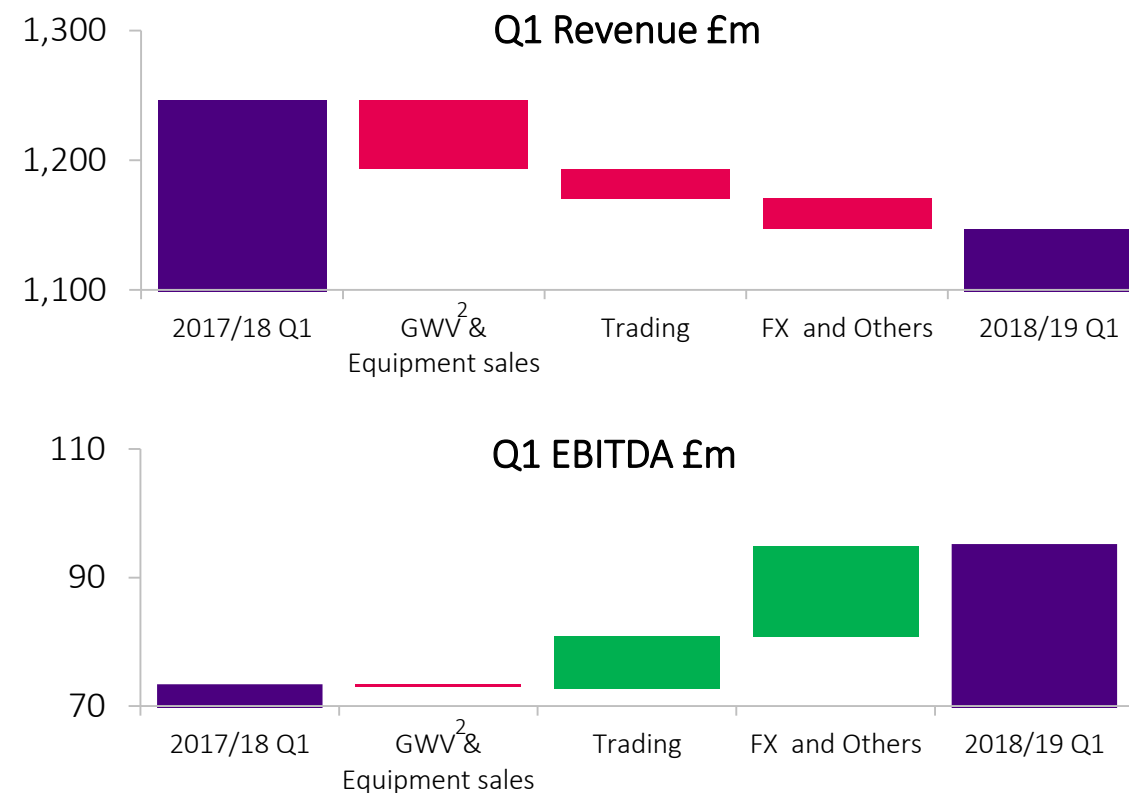
Global Services' revenue and EBITDA movements



Current financial performance: Q1 2018/19

Q1	17/18 ¹	18/19	Change
Revenue	£1,246m	£1,147m	(8)%
EBITDA	£73m	£95m	30%
Capex	£69m	£48m	(30)%
Normalised Free Cashflow	(£178m)	(£126m)	29%

Global Services' revenue and EBITDA movements



We are making substantial progress in de-risking the business

Improved focus

- Focus on strategic accounts – 800 MNCs
- Increased strategic partnering for non-core operations, rationalising country/regional footprint
- Simplify operating model, clearer accountabilities and decision making
- Supplier base rationalisation

Process simplification and standardisation

- Global standardisation across core processes and products
- Transformation focused on efficient, streamlined business processes, automated by technology
- Simplifying, standardising and centralising our support functions

Enhanced controls and assurance

- Maintain strong country and regional governance
- Enhanced financial controls and policies in place, central finance compliance team established
- Redefined three lines of defence model, improved integrated risk and assurance introduced
- Additional financial control and fraud awareness training rolled out globally

Italy stabilisation

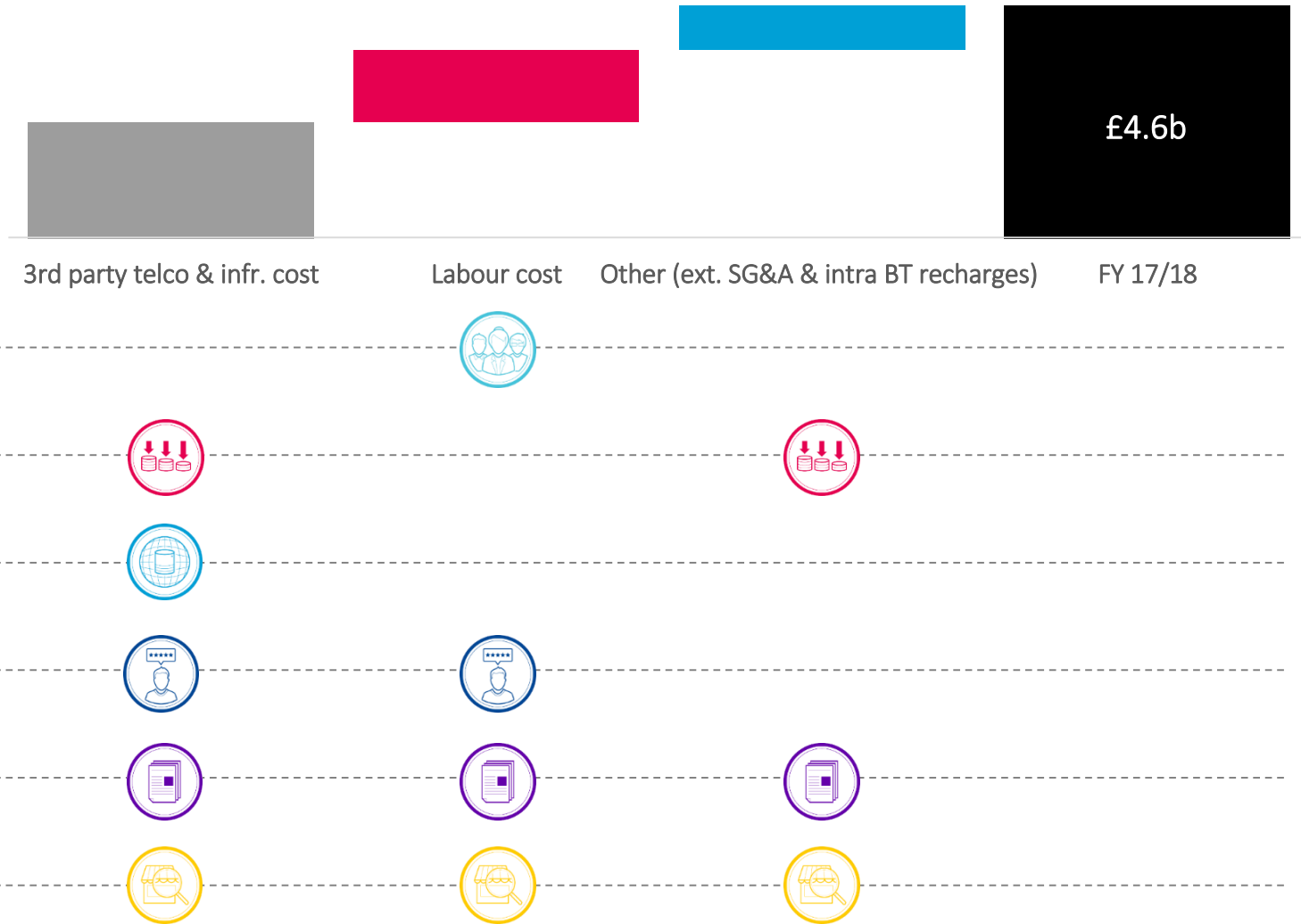
- New senior management team appointed
- Material control weaknesses identified in FY 2016/17 remediated
- Correction of historical financials materially complete
- Significant process improvements implemented

Our transformation work streams are addressing our full operating cost base

17/18 GS operating costs

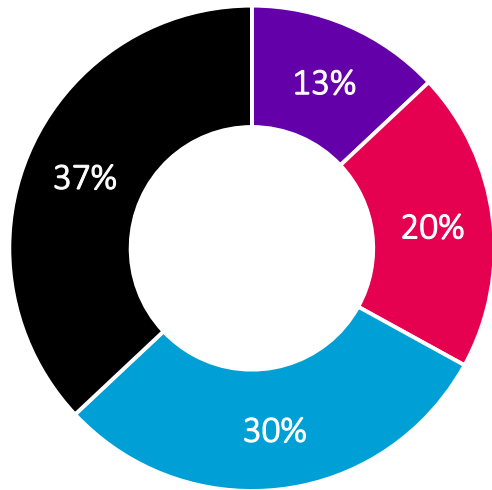
Transformation work streams

People		Right-sizing and simplifying our organisation
Costs		Competitive cost base
Network		Cloud and security optimised network
Service		Simplifying and automating processes
Portfolio		Flexible and scalable platforms
Markets		Focused on core customers and capabilities



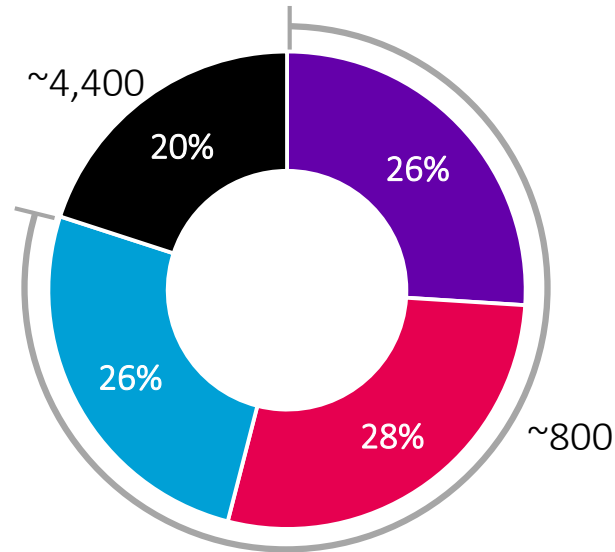
We are changing the focus of our performance reporting

Regional revenue 17/18



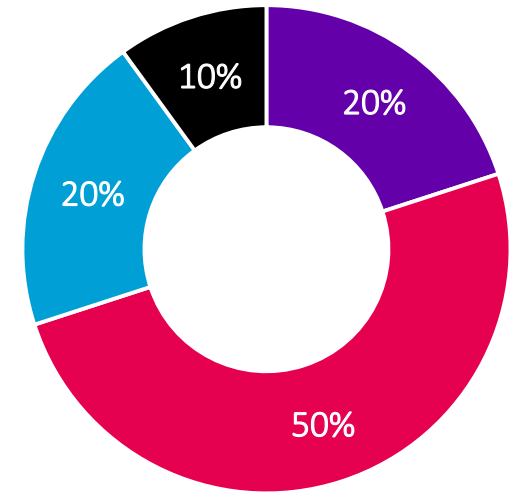
- AMEA
- Americas
- UK
- Europe

Vertical revenue share and # of accounts 17/18



- Banking and Financial Services
- Resources, Manufacturing and Logistics
- Technology, Life Sciences, and Business Services
- Regional Enterprise

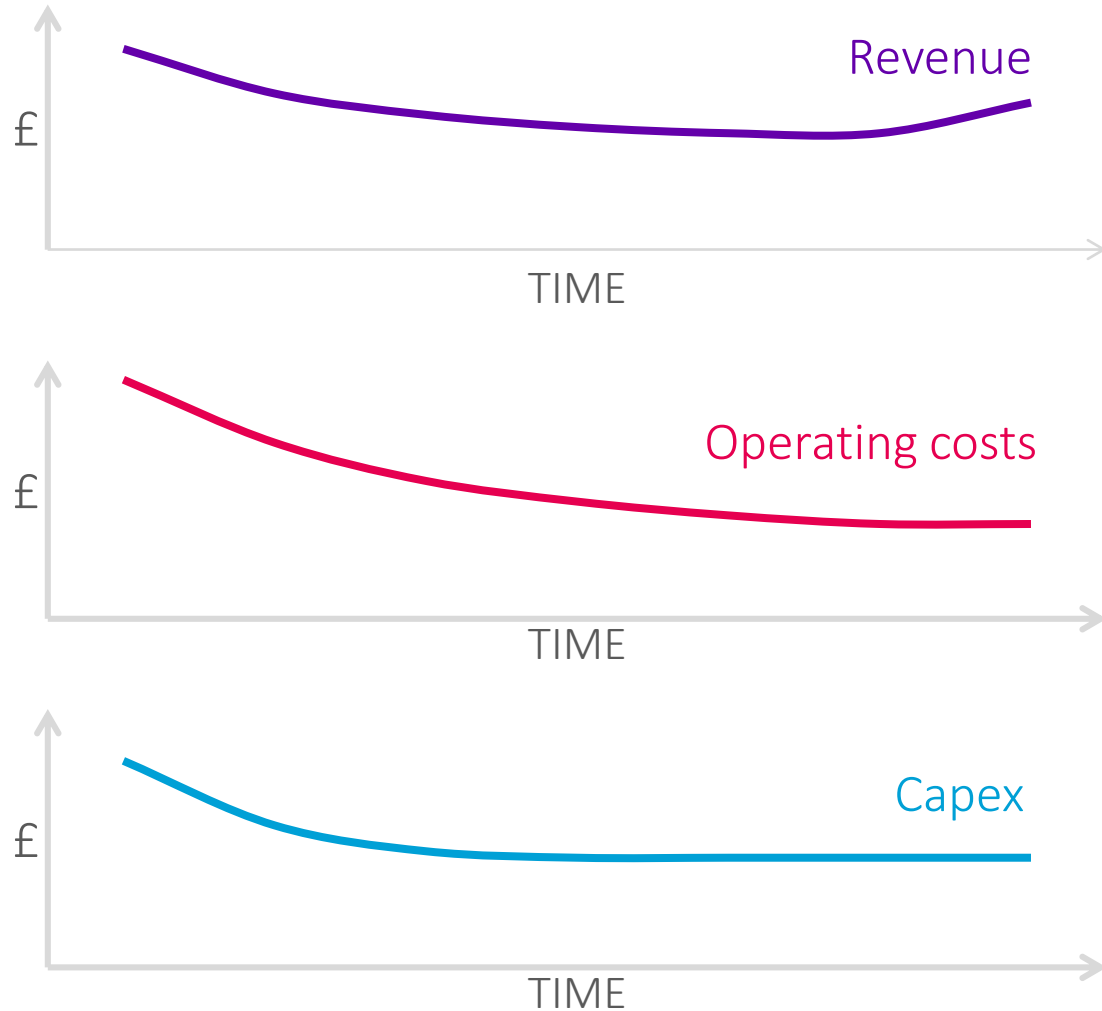
Portfolio (17/18 approx.)



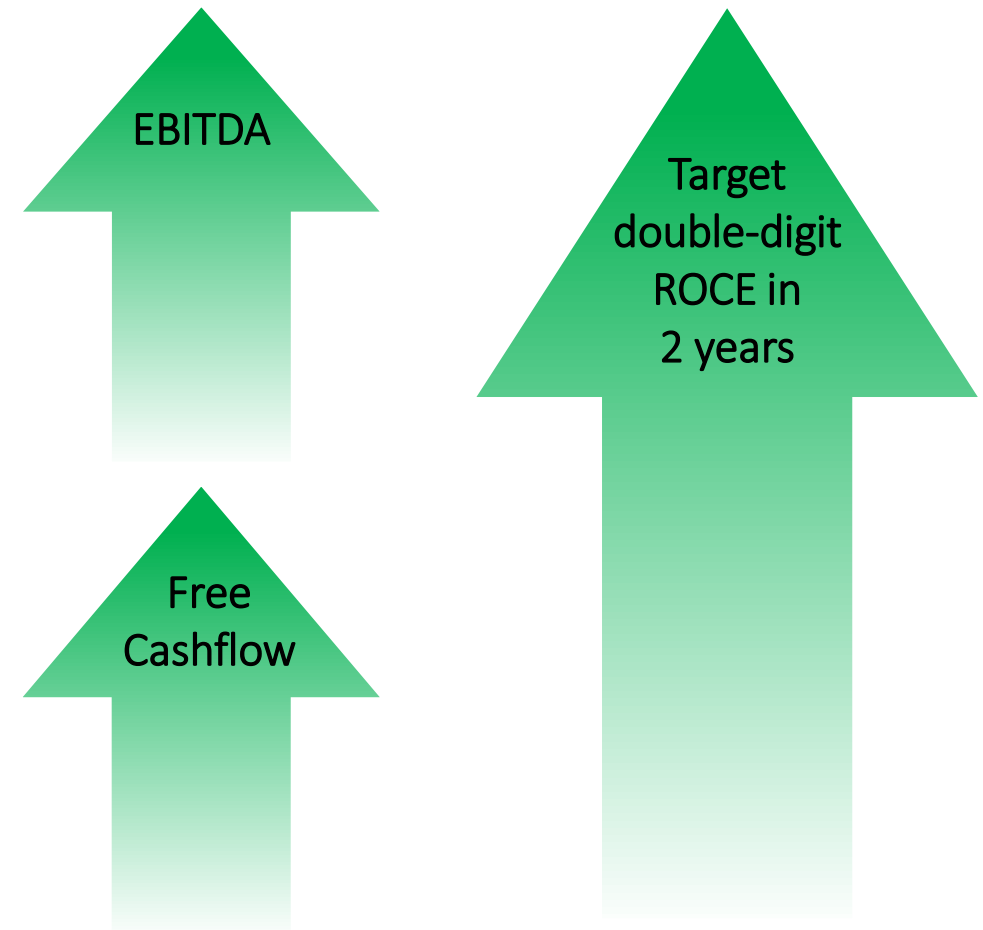
- New Growth
- Mature
- Legacy
- Other BT/3rd Party

Overall, we are moving to an increasingly asset-light operation with an improved return to the business

Illustrative projection



Expected outcomes





Bas Burger
CEO

Global Services is transforming for growth



Transformation

- **Right-sizing GS in line with BT Group strategy:** reduced headcount by 400 roles in Q1
- **Simplified commercial model:** put in place vertical sales structure
- **Improved customer experience:** NPS score up 15 points over past 18 months

Growth

- **Invested in BT Security:** New SOC's in the UK, Germany, Australia, and India supported by newly recruited security experts
- **Expanded partner ecosystem:** AWS, Microsoft, and many leading security providers
- **Launched three new SD-WAN products:** supporting demand for hybrid and asset-light solutions

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Notes

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