

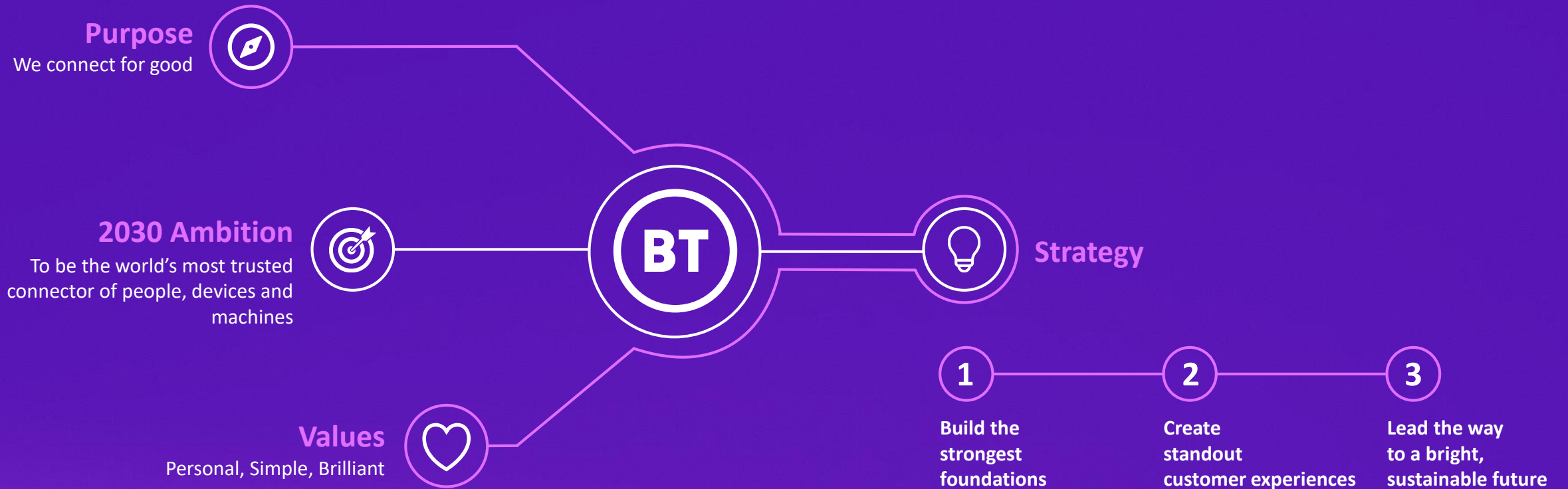


# Consumer Business Briefing

8<sup>th</sup> October 2020

# Consumer business briefing

8<sup>th</sup> October 2020



**Marc Allera - CEO**

# Forward-looking statement caution

This presentation contains certain forward-looking statements which are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements include, without limitation, those concerning: the potential impact of Covid-19 on our people, operations, suppliers and customers; current and future years' outlook; revenue and revenue trends; EBITDA and profitability; free cash flow; capital expenditure and costs; return on capital employed; return on investment; shareholder returns including dividends and share buyback; net debt; credit ratings; our group-wide transformation and restructuring programme, cost transformation plans and restructuring costs; investment in and roll out of our fibre network and its reach, innovations, increased speeds and speed availability; our broadband-based service and strategy; investment in and rollout of 5G; the investment in converged network; improvements to the customer experience and customer perceptions; our investment in TV, enhancing our TV service and BT Sport; the recovery plan, operating charge, regular cash contributions and interest expense for our defined benefit pension schemes; effective tax rate; growth opportunities in networked IT services, the pay-TV services market, broadband, artificial intelligence and mobility and future voice; growth of, and opportunities available in, the communications industry and BT's positioning to take advantage of those opportunities; expectations regarding competition, market shares, prices and growth; expectations regarding the convergence of technologies; plans for the launch of new products and services; retail and marketing initiatives; network performance and quality; the impact of regulatory initiatives, decisions and outcomes on operations; BT's possible or assumed future results of operations and/or those of its associates and joint ventures; investment plans; adequacy of capital; financing plans and refinancing requirements; demand for and access to broadband and the promotion of broadband by third-party service providers; improvements to the control environment; and those statements preceded by, followed by, or that include the words 'aims', 'believes', 'expects', 'anticipates', 'intends', 'will', 'should', 'plans', 'strategy', 'future', 'likely', 'seeks', 'projects', 'estimates' or similar expressions.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: the duration and severity of Covid-19 impacts on our people, operations, suppliers and customers; failure to respond effectively to intensifying competition and technology developments; failure to address the lingering perception of slow pace and connectivity in broadband and mobile coverage, which continues to be raised at a UK parliamentary level; undermining of our strategy and investor confidence caused by an adversarial political environment; challenges presented by Covid-19 around network resilience, support for staff and customers, data sharing and cyber security defence; unfavourable regulatory changes; attacks on our infrastructure and assets by people inside BT or by external sources like hacktivists, criminals, terrorists or nation states; a failure in the supplier selection process or in the ongoing management of a third-party supplier in our supply chain, including failures arising as a result of Covid-19; risks relating to our BT transformation plan; failure to successfully manage our large, complex and high-value national and multinational customer contracts (including the Emergency Services Network and the Building Digital UK (BDUK) programme) and deliver the anticipated benefits; changes to our customers' needs, budgets or strategies that adversely affect our ability to meet contractual commitments or realise expected revenues, profitability or cash generation; customer experiences that are not brand enhancing nor drive sustainable profitable revenue growth; pandemics, natural perils, network and system faults, malicious acts, supply chain failure, software changes or infrastructure outages that could cause disruptions or otherwise damage the continuity of end to end customer services including network connectivity, network performance, IT systems and service platforms; insufficient engagement from our people; adverse developments in respect of our defined benefit pension schemes; risks related to funding and liquidity, interest rates, foreign exchange, counterparties and tax; failures in the protection of the health, safety and wellbeing of our employees or members of the public or breaches of health and safety law and regulations; financial controls that may not prevent or detect fraud, financial misstatement or other financial loss; security breaches relating to our customers' and employees' data or breaches of data privacy laws; failure to recognise or promptly report wrongdoing by our people or those working for us or on our behalf (including a failure to comply with our internal policies and procedures or the laws to which we are subject); and the potential impacts of climate change on our business. BT undertakes no obligation to update any forward-looking statements whether written or oral that may be made from time to time, whether as a result of new information, future events or otherwise.

# What we will cover today

1 Progress on 'loyalty gap', fairness, market pricing and new pricing mechanic

2 Fast improving brand and service platform

3 Our approach to growth through convergence

4 Distribution trends and digital opportunity ahead

5 New metrics to better understand Consumer performance



Context

# The Consumer Division

The UK's largest fixed and mobile customer base

c.8m  
Broadband customers

c.14m  
PAYM mobile customers

>50%  
Presence in UK households

46%  
of BT Group revenue

31%  
of BT Group EBITDA

Best 4G and 5G network

Access to largest superfast and FTTP network

Nationwide multi-channel service

Unique platform for partnerships

Growing marketplace platform

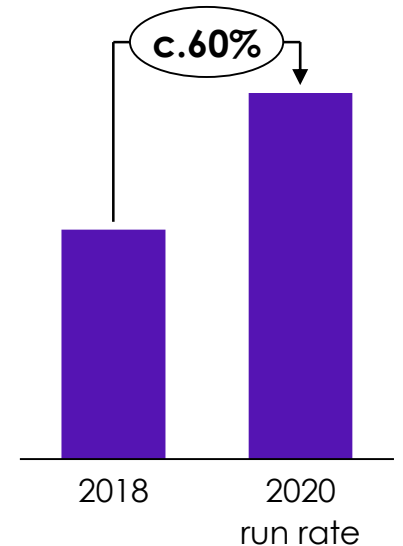
UK's no.1 network seven years in row



Welcome to Halo



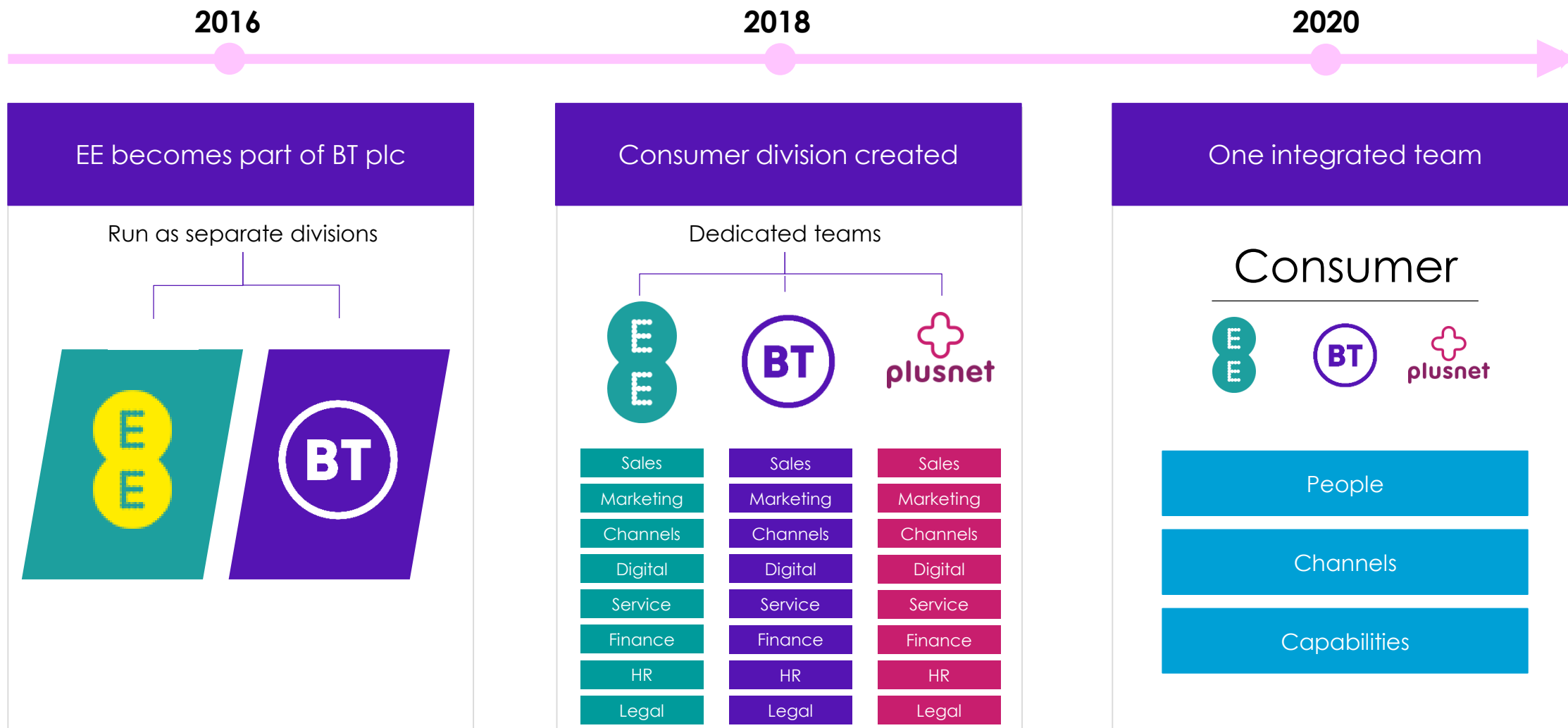
Platform transactions



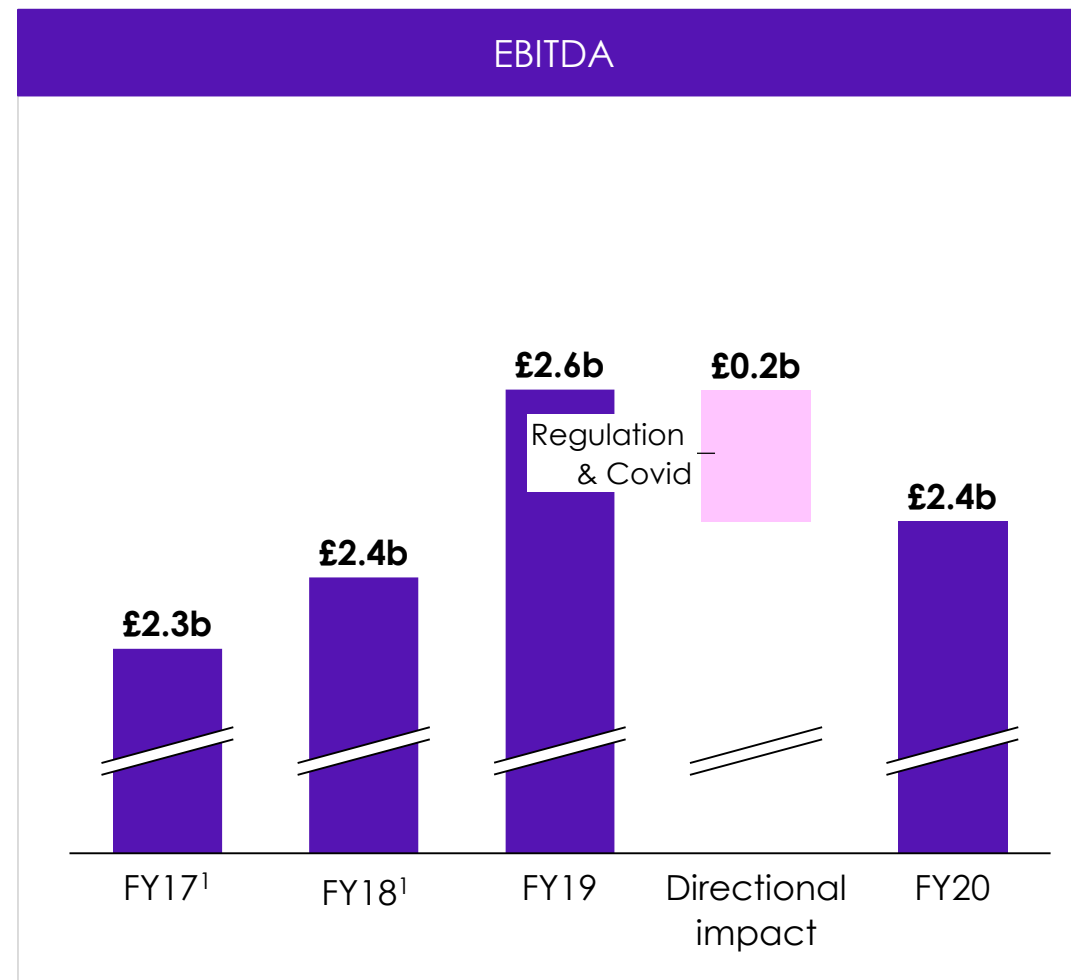
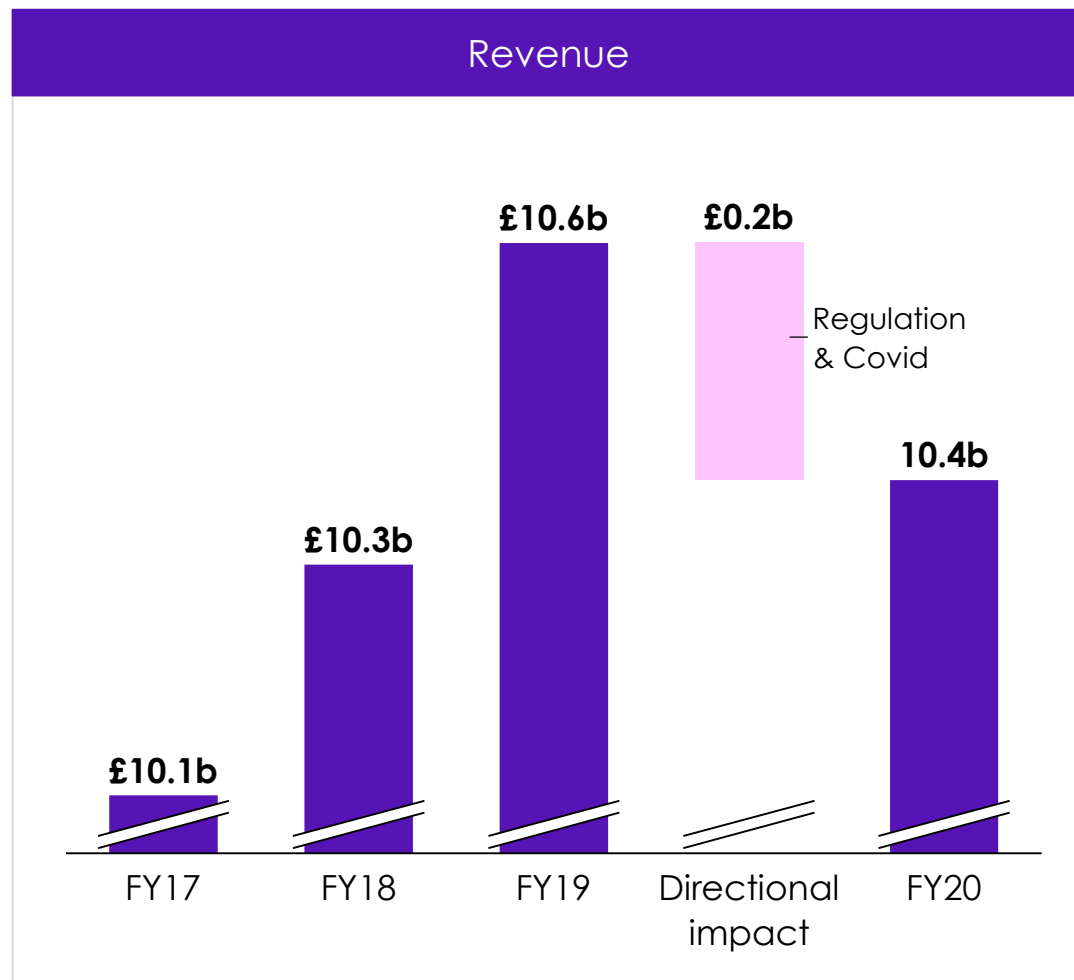
No.1 for 5G



# We are 2 years into our integration journey



# Consumer Division financial performance

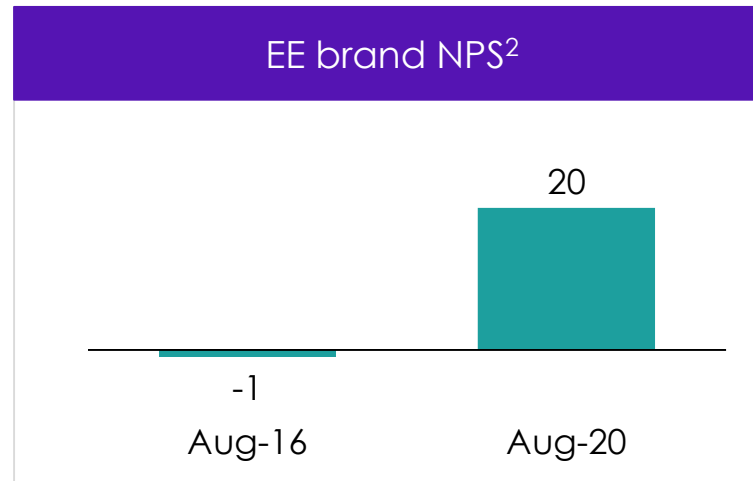
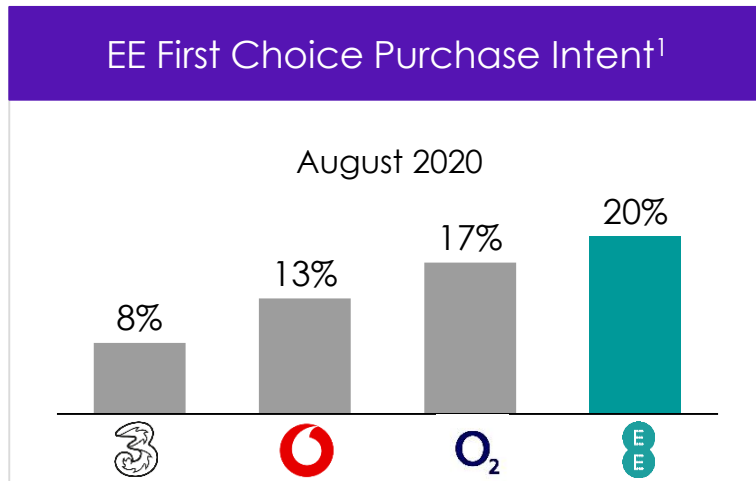
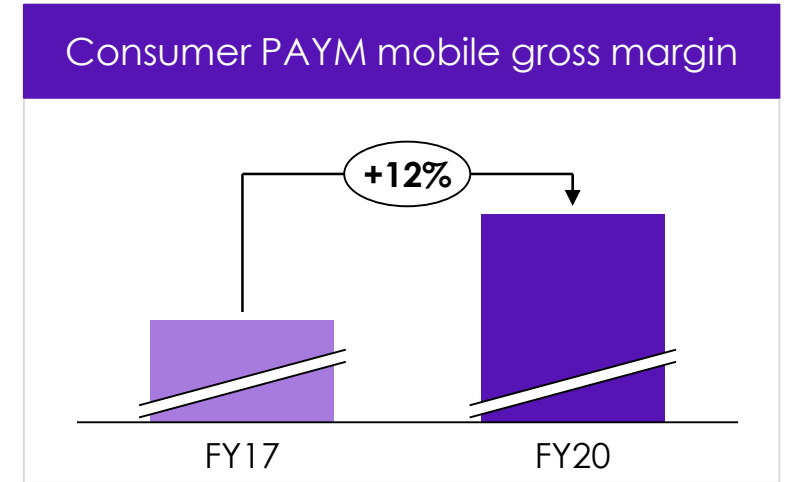
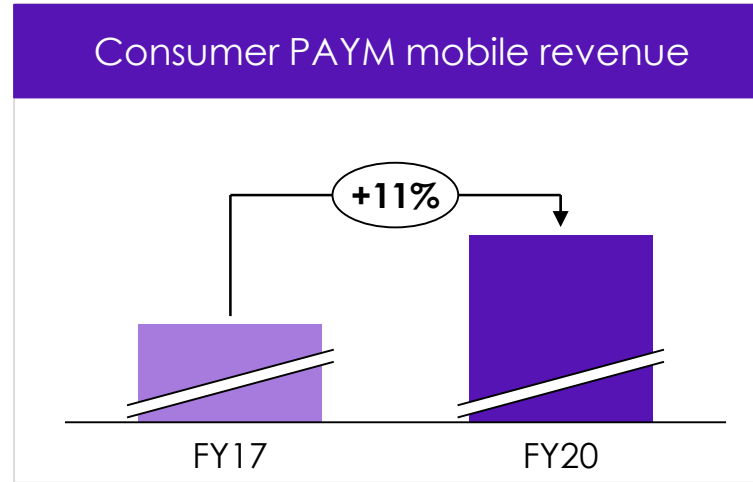
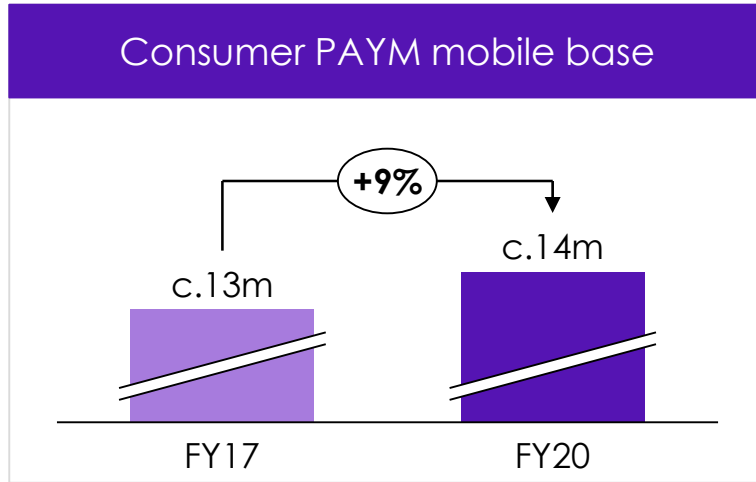


(1) EBITDA not restated for IFRS16 accounting policy change, group recharge methodology and ESN Transfer





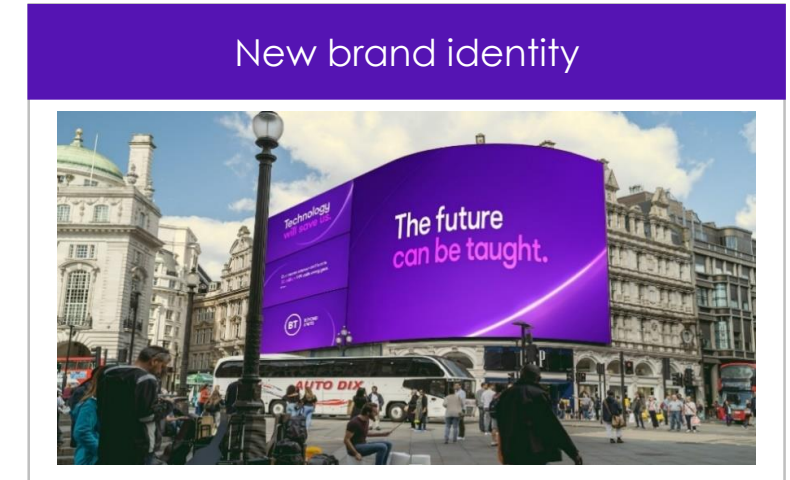
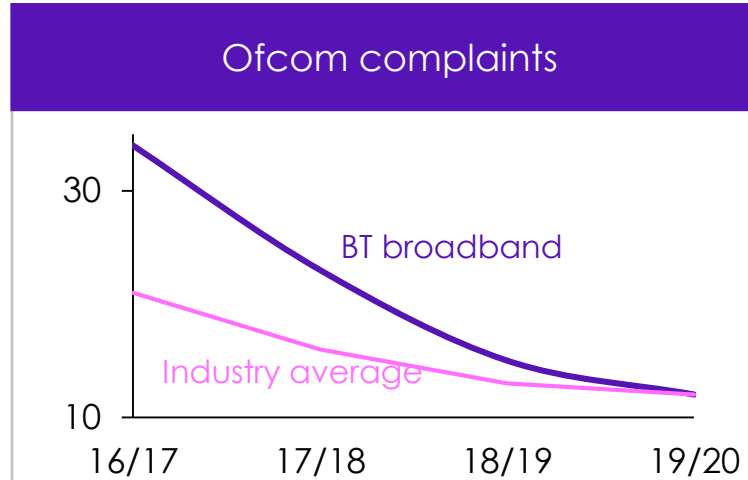
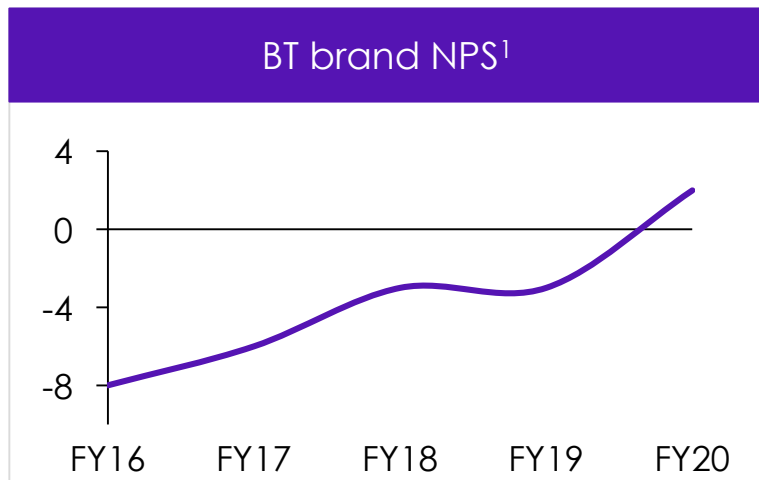
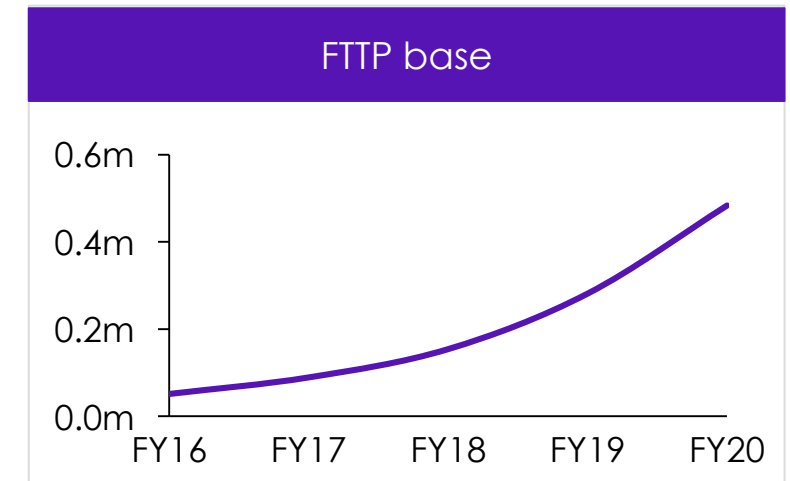
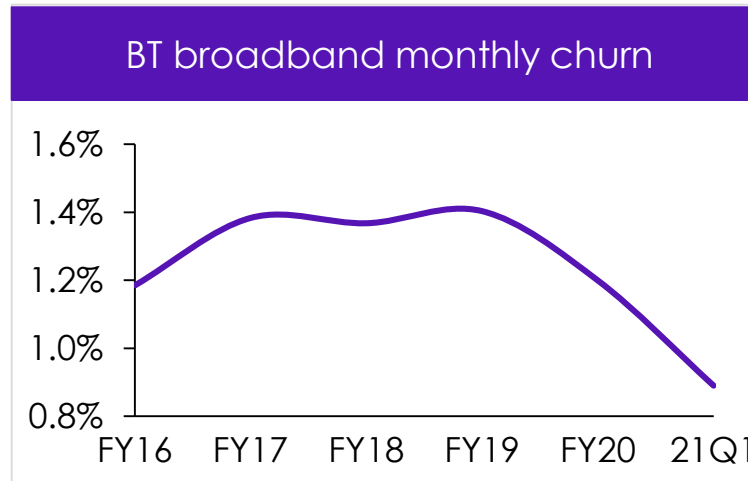
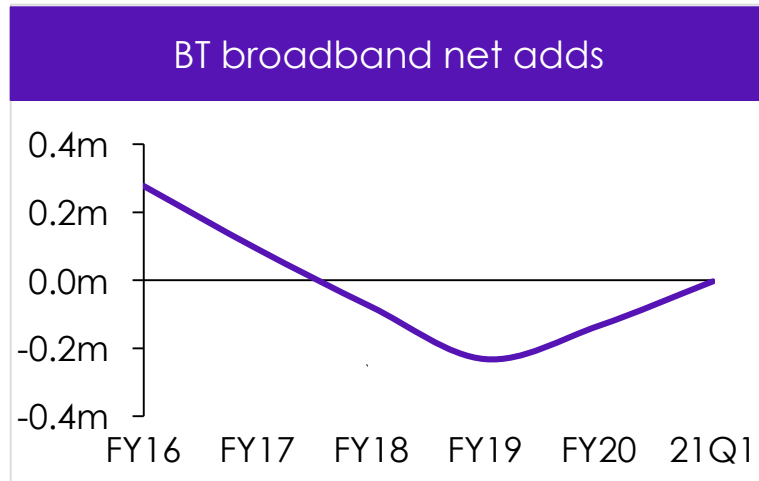
# Mobile performance – successful integration of EE



(1) Hall & Partners Brand Tracker

(2) Customer Experience Insights Consumer Relationship NPS Survey

# Broadband performance – BT turnaround in progress



(1) Customer Experience Insights Consumer Relationship NPS Survey



# Major progress on service transformation



## Retail

Nationwide Retail

Products available

Service capability in store



## Contact Centre

UK service calls

Broadband Ofcom complaints Q1

Mobile Ofcom complaints Q1



## In-home

In Home Services team

January 2018



x

✓

x

All

x

Limited

72%

100%

27

12

11

3

x

x

October 2020



✓

✓

BB & TV

All

✓

✓

100%

8  
(below average)

4

3

1

✓

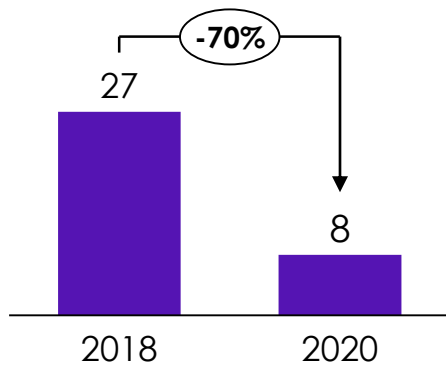
✓

# Continued improvement in customer experience and efficiency

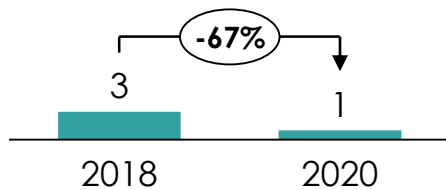
## Ofcom complaints



### BT Broadband complaints

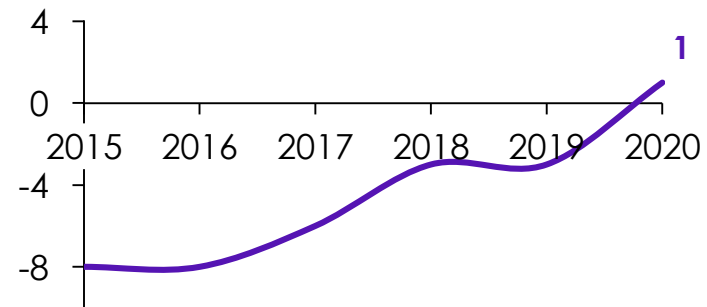


### EE Mobile complaints

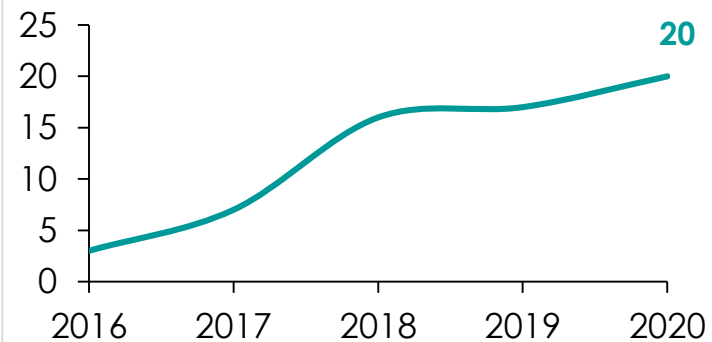


## NPS

### BT brand NPS

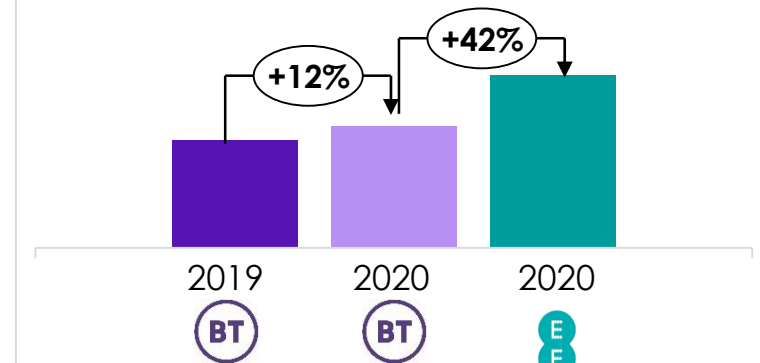


### EE brand NPS

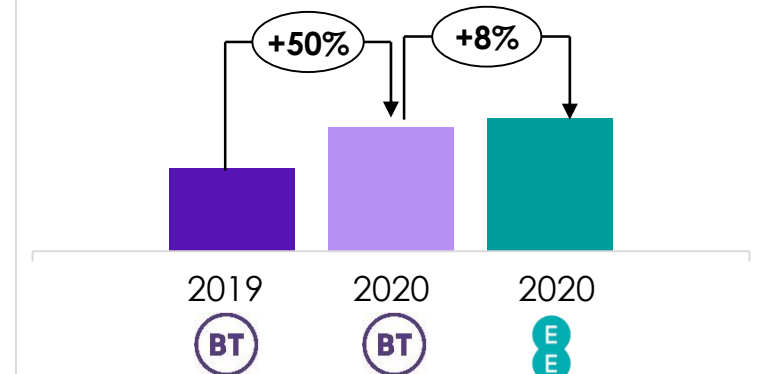


## Contact centre efficiency

### Customers per agent - Broadband

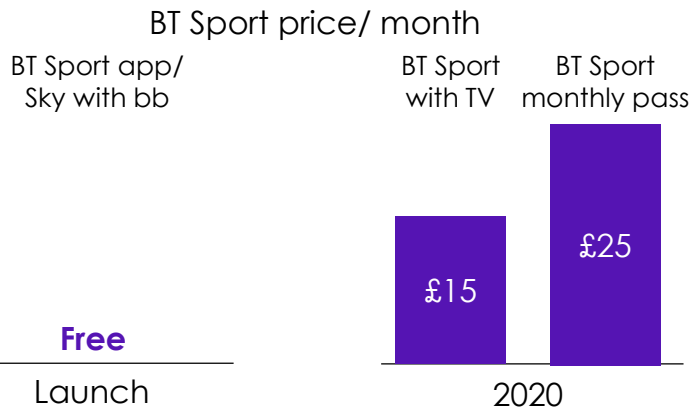


### Customers per agent - Mobile

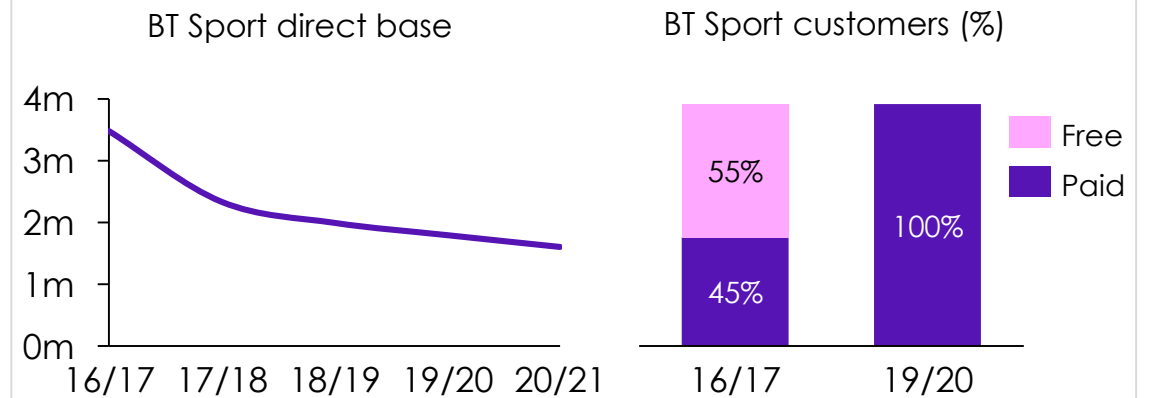


# Progress on BT Sport profitability

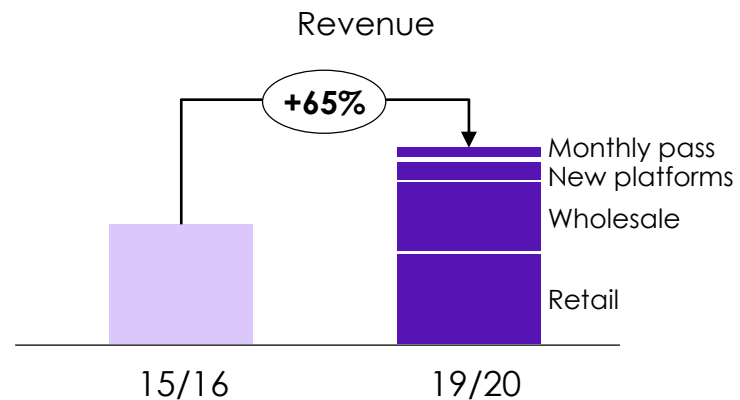
## Evolution of pricing strategy



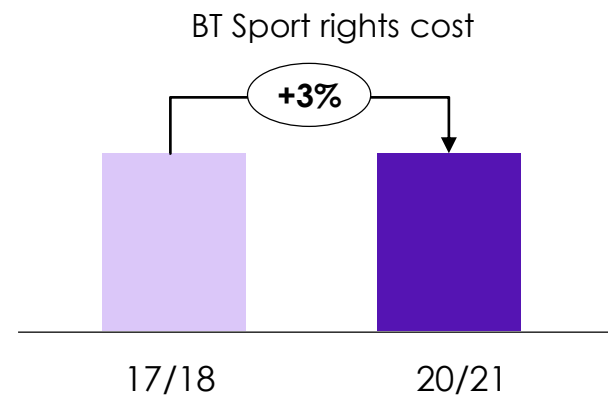
## Base transition from free to paid



## Expanded BT Sport distribution

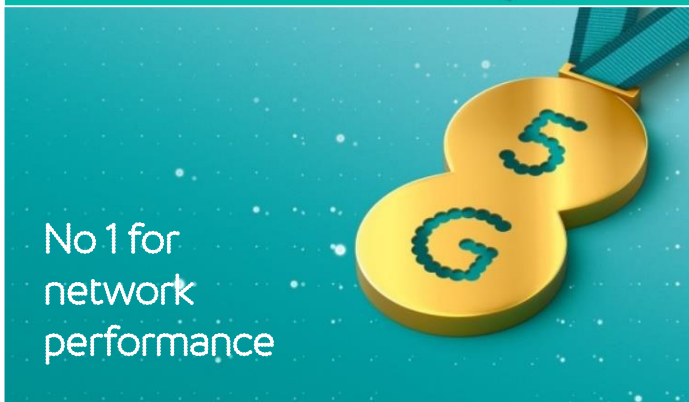


## Maintaining cost discipline on rights

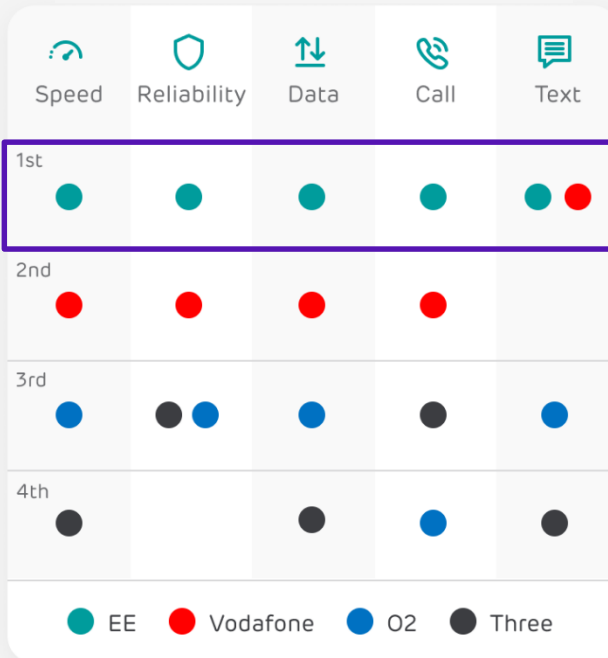


# Mobile network & 5G leadership with EE

Best for 5G, after 7 years of undisputed network leadership



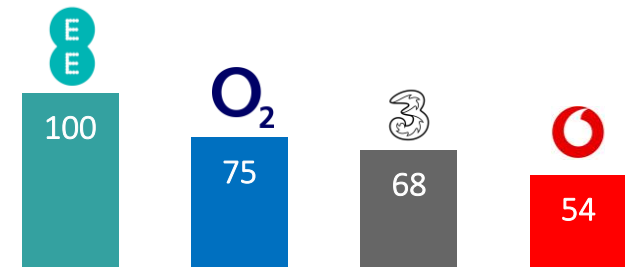
EE has the best overall performance  
UK RootScore results, RootMetrics, H1 2020



Leading the UK on 5G rollout



#5G locations<sup>1</sup> by provider



# Strong portfolio to lead the 5G market

## Pricing approach



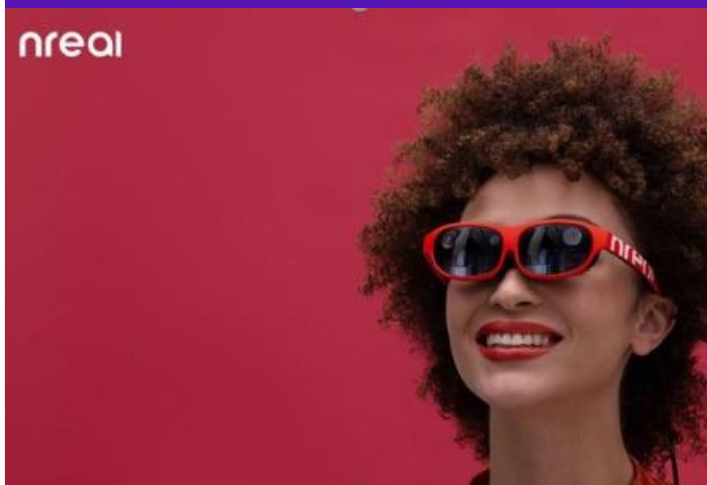
✓ All handset plans 5G ready



✓ Retain premium on SIM:  
Smart plans 5G ready

## Innovative use cases

nreal



5G FWA<sup>1</sup>



## Expand into new categories

Lenovo Yoga – 5G



Exclusive to EE



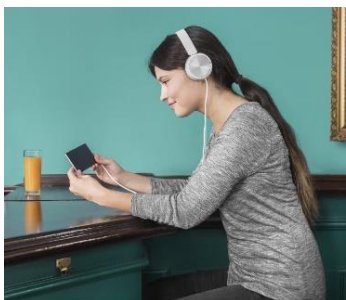
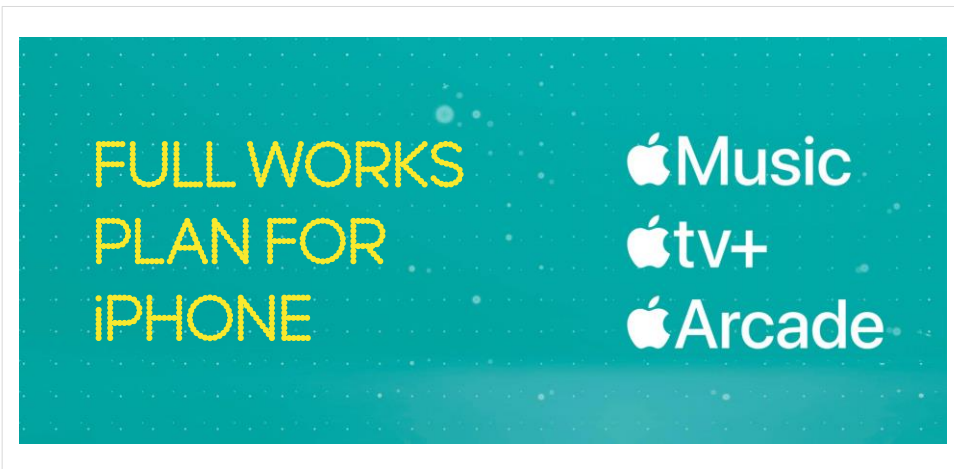
NIANTIC



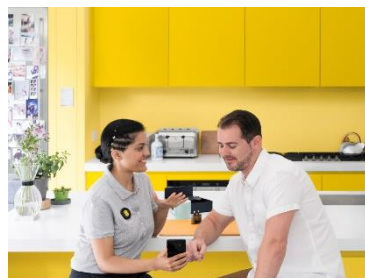
XBOX

# Global first for EE and Apple

## Exclusive plans for iPhone



Upgrade anytime



Service pack

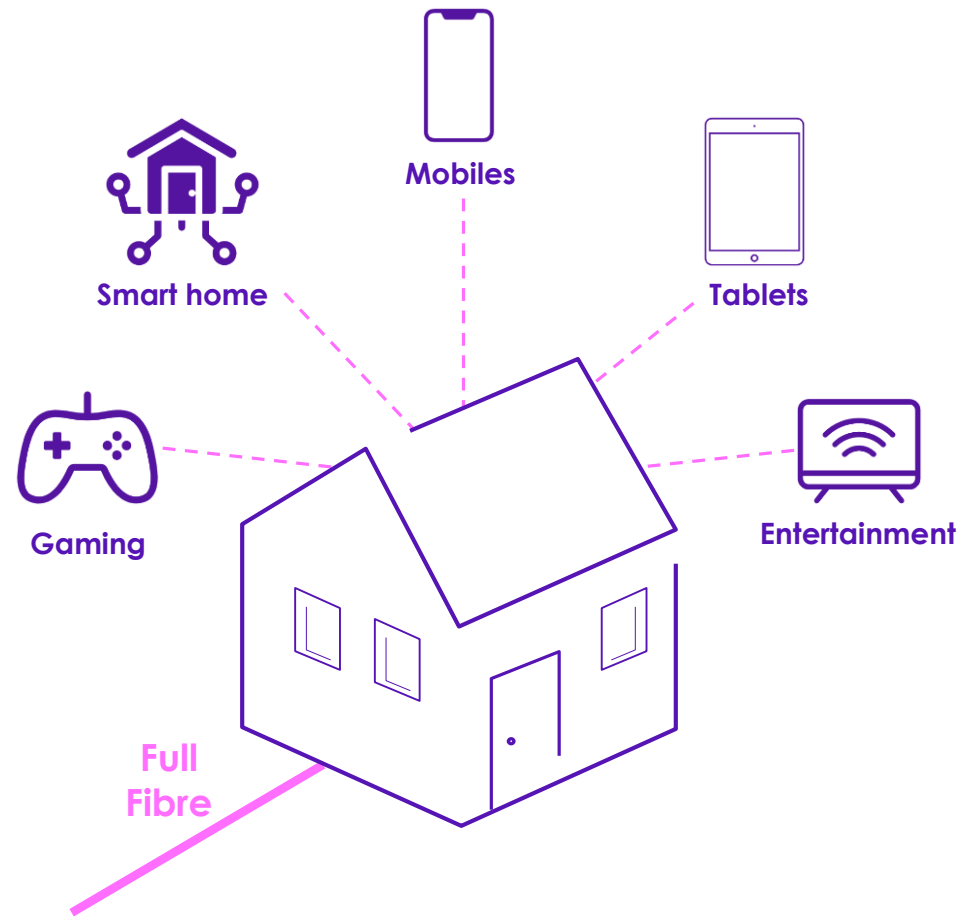
## Multi-channel campaign



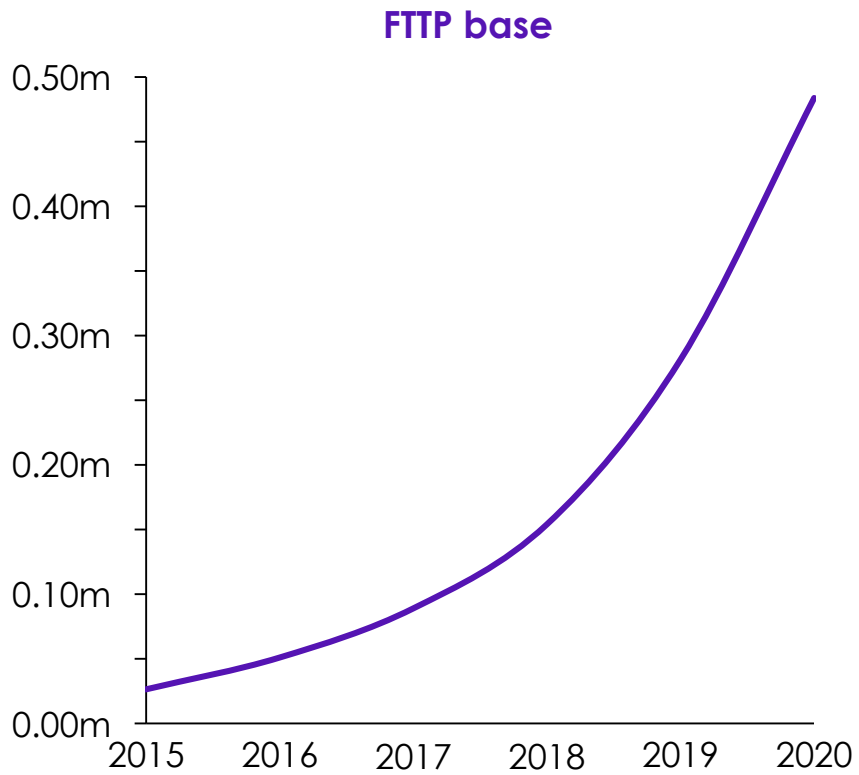


# Leading in FTTP

FTTP as a platform for convergence growth



Nationwide multi channel distribution



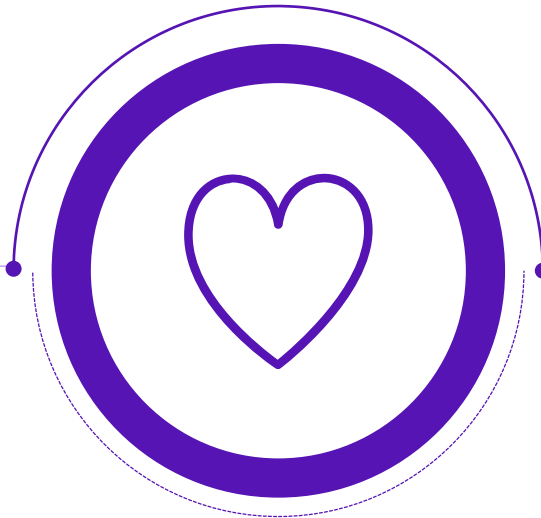


Pricing, fairness & market competitiveness

# Three key priorities for us to address



1. Market competitiveness

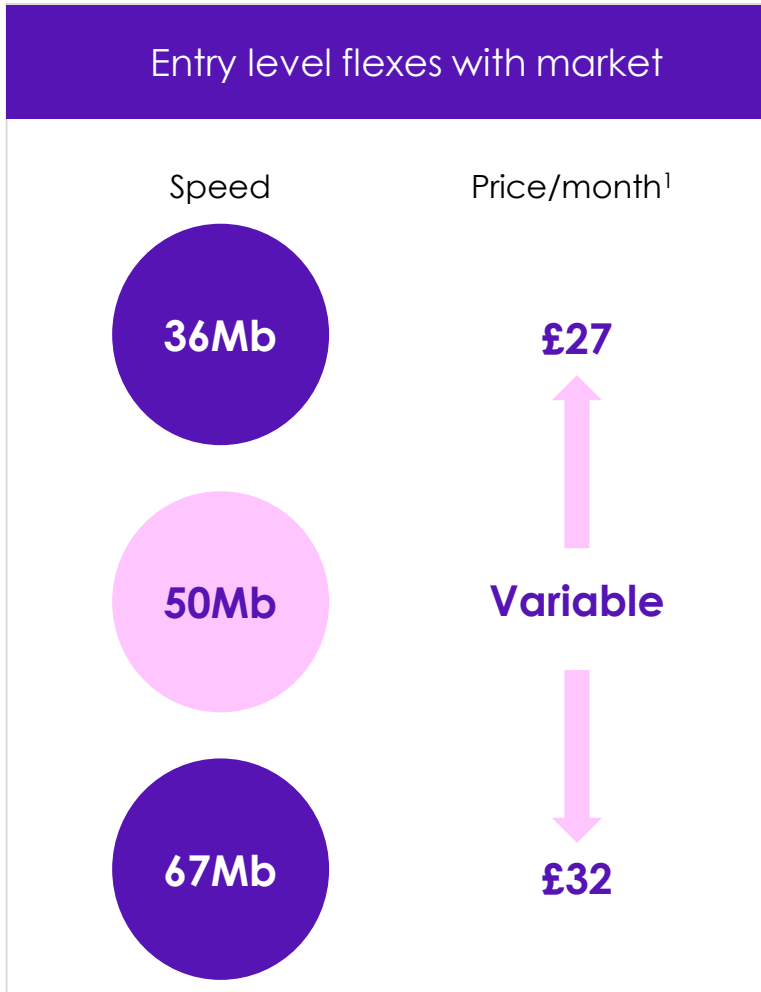


2. 'Loyalty gap'

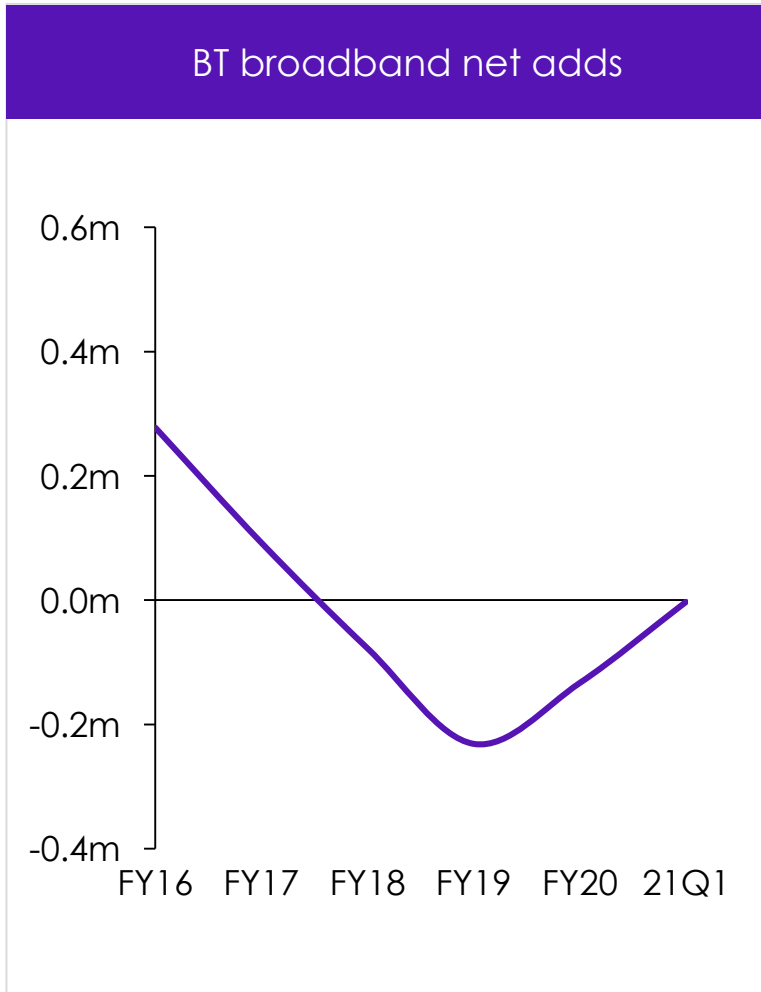


3. Fairness agenda

# Increasing our market competitiveness – BT Broadband



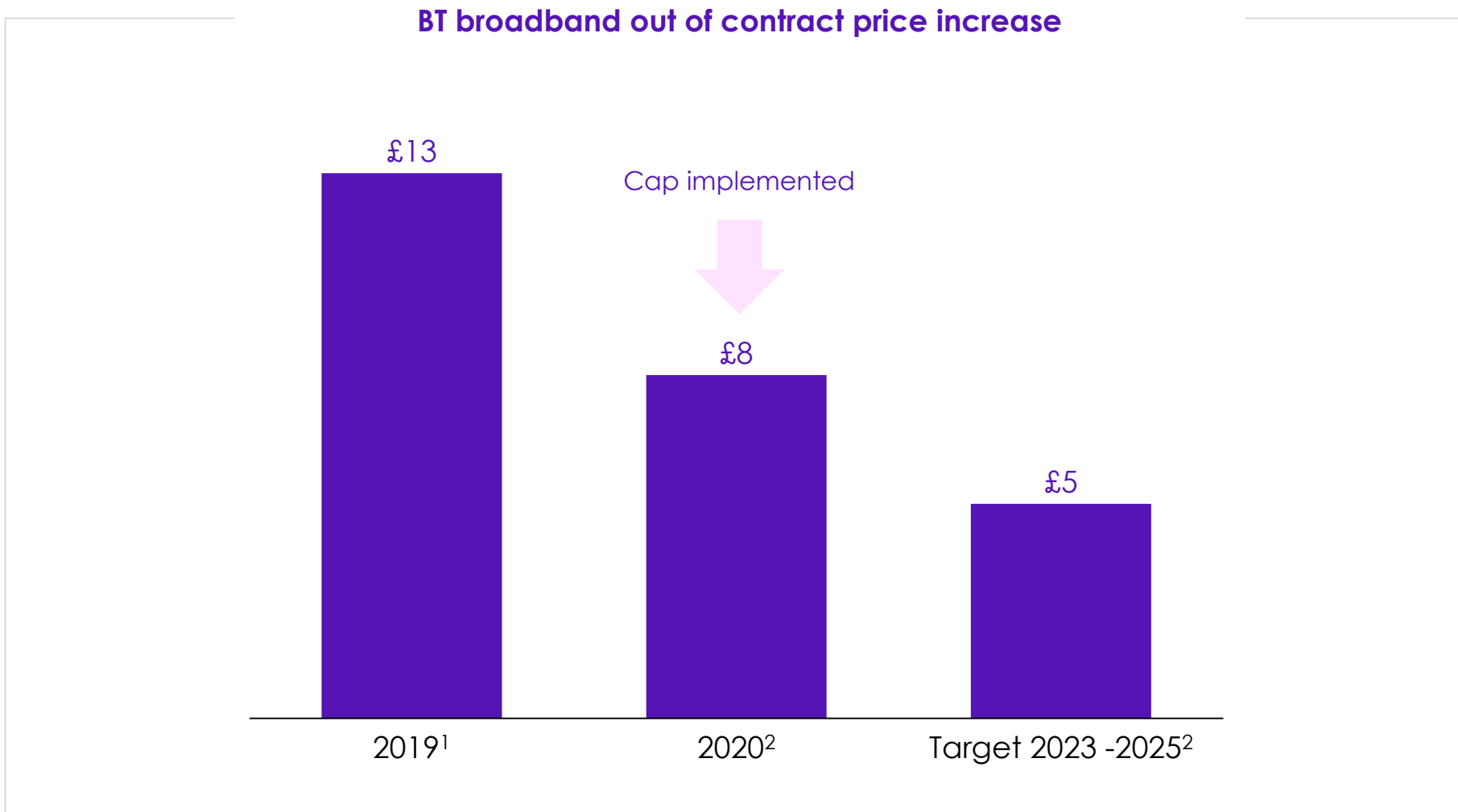
- ### More for more upsell path
- ✓ Converged offers
  - ✓ Keep connected promise
  - ✓ Complete WiFi
  - ✓ Flexible TV & Sport
  - ✓ 4G WiFi on EE network



# 'Loyalty gap' and fairness – key issues we have addressed

- 1 Out of contract price gap
- 2 Copper customer migrations
- 3 No proposition to reward existing customers' loyalty
- 4 Multiple price rises, at different times on different products

# 1 Reducing Out of Contract price increases

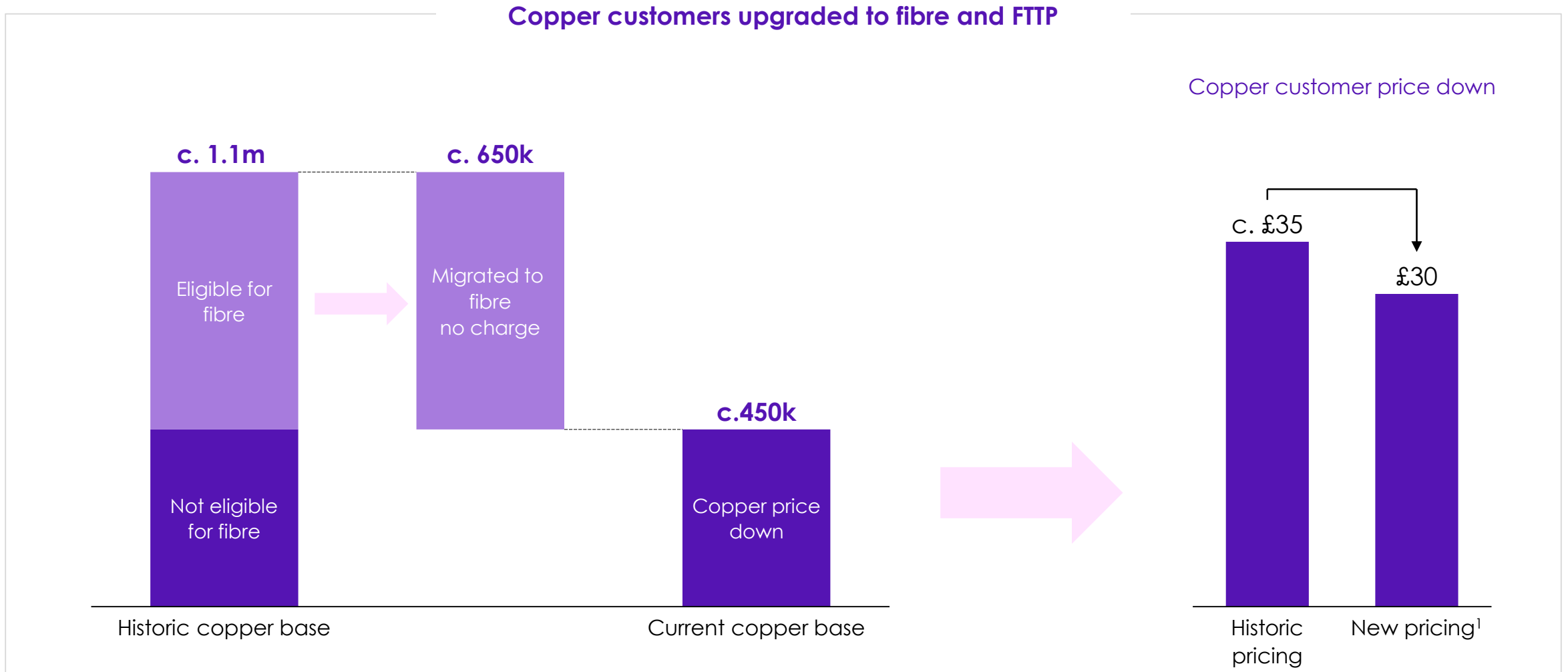


(1) Ofcom: Fairer prices for broadband customers, 25<sup>th</sup> September 2019.

Average out of contract price increase

(2) Out of contract cap

## ② Migrated copper base, reduced price for non-eligible customers



### 3 Rewarding loyal customers with Halo



1 Existing customers pay same or less than new

2 £0 out of contract price rise for Halo customers

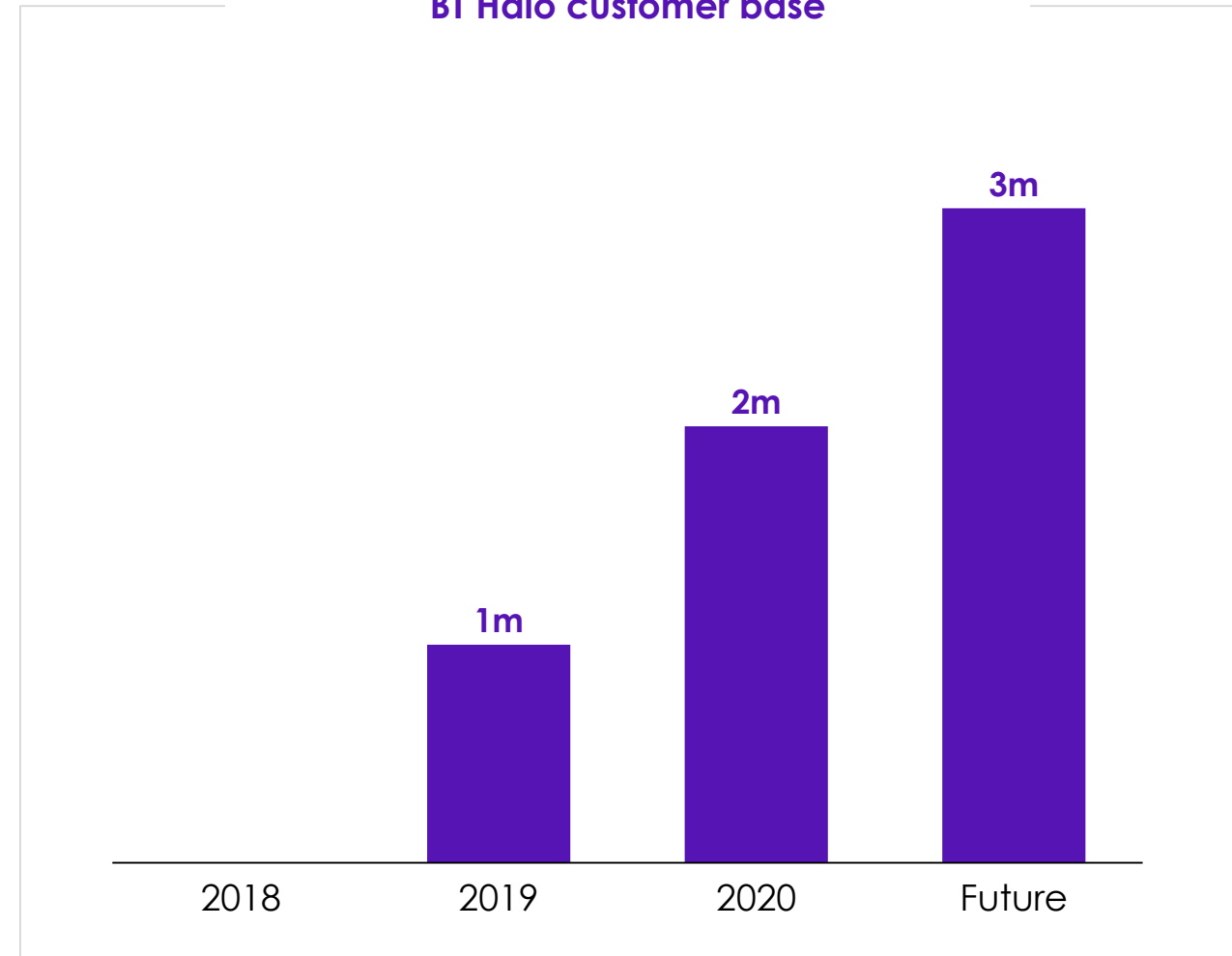
3 Exclusive Halo benefits

 Keep connected promise

 Home tech experts

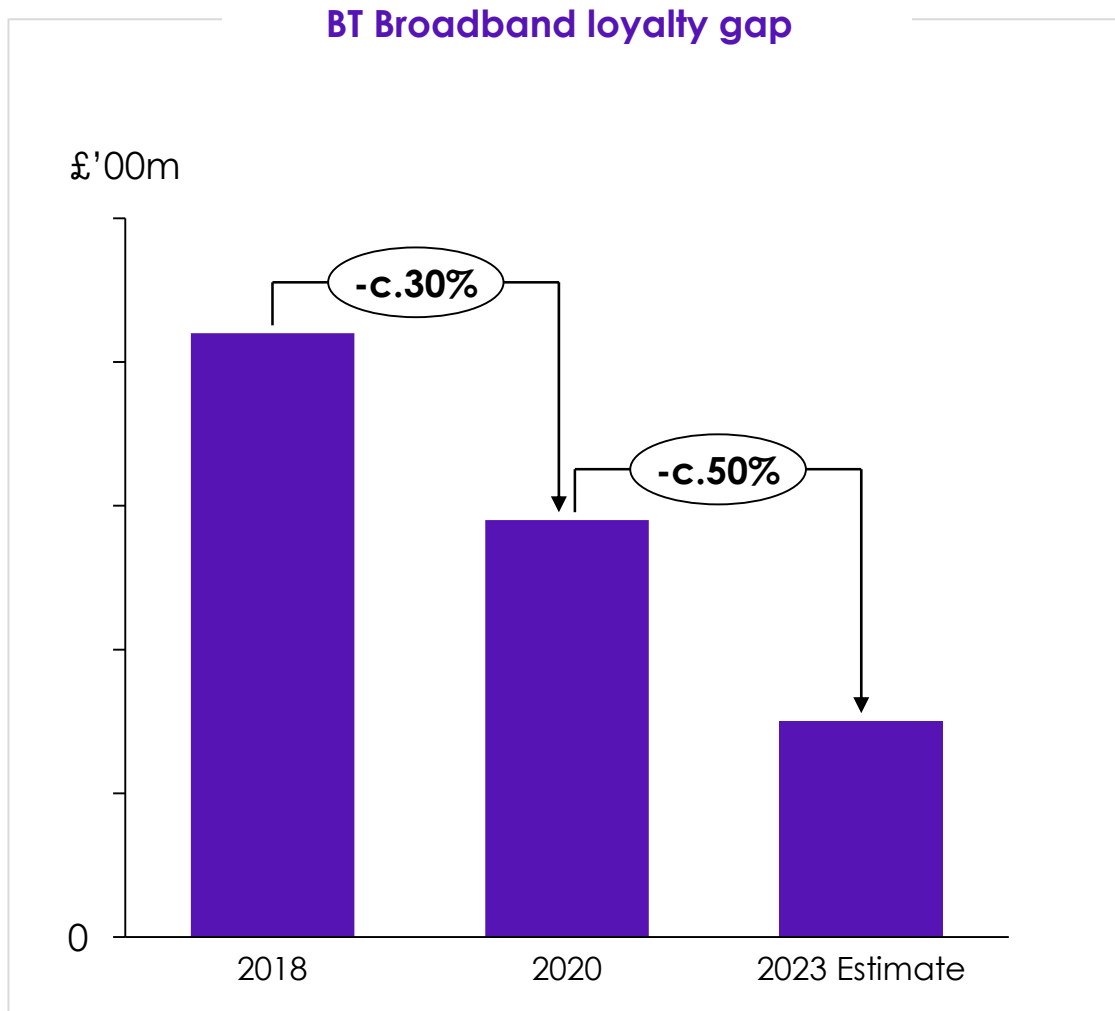
**x2** Double data on mobile

BT Halo customer base



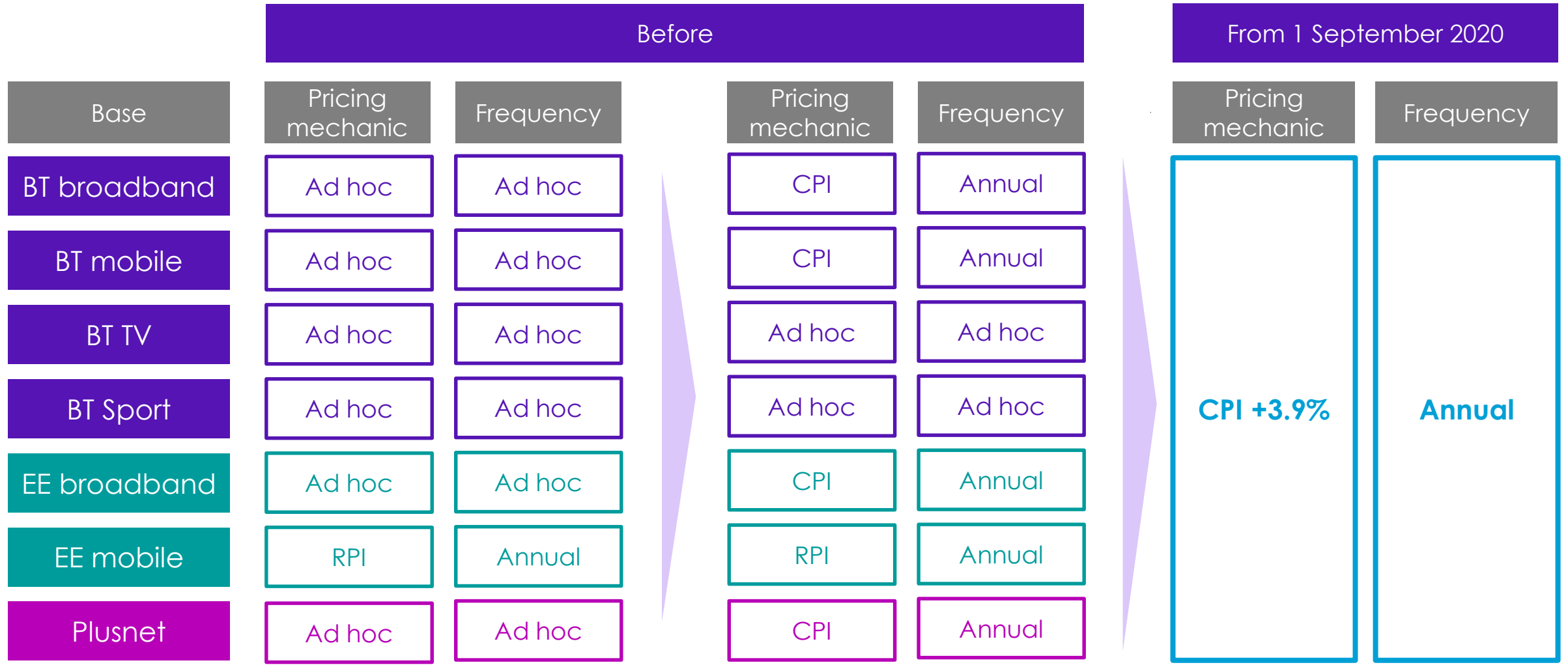


# Significant progress reducing 'loyalty gap'



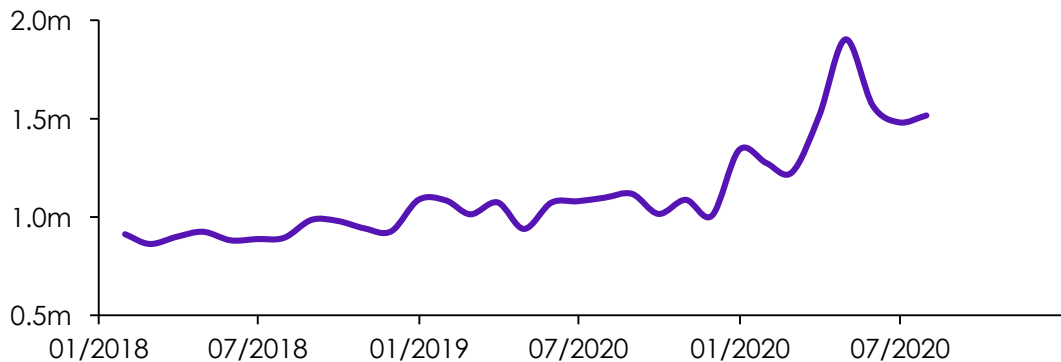
- ✓ Out of contract price cap
- ✓ Copper customers migrated
- ✓ Halo – loyalty mechanic
- ✓ Simpler pricing

# 4 One simple price mechanic across all products and brands

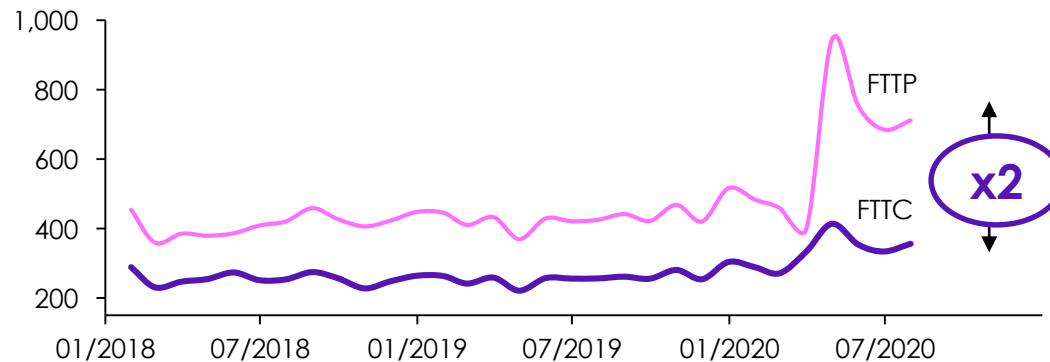


# Growth of data on FTTP. Costs will rise and need recovering

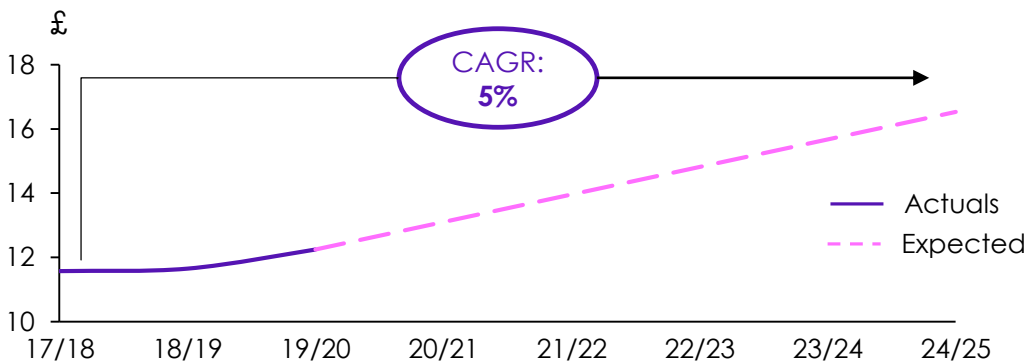
Fixed data growth (millions of PB)



Fixed data usage (average GB per household)



Monthly fixed data cost<sup>1</sup>/ customer (£)



Fixed data traffic<sup>2</sup> by player (%)



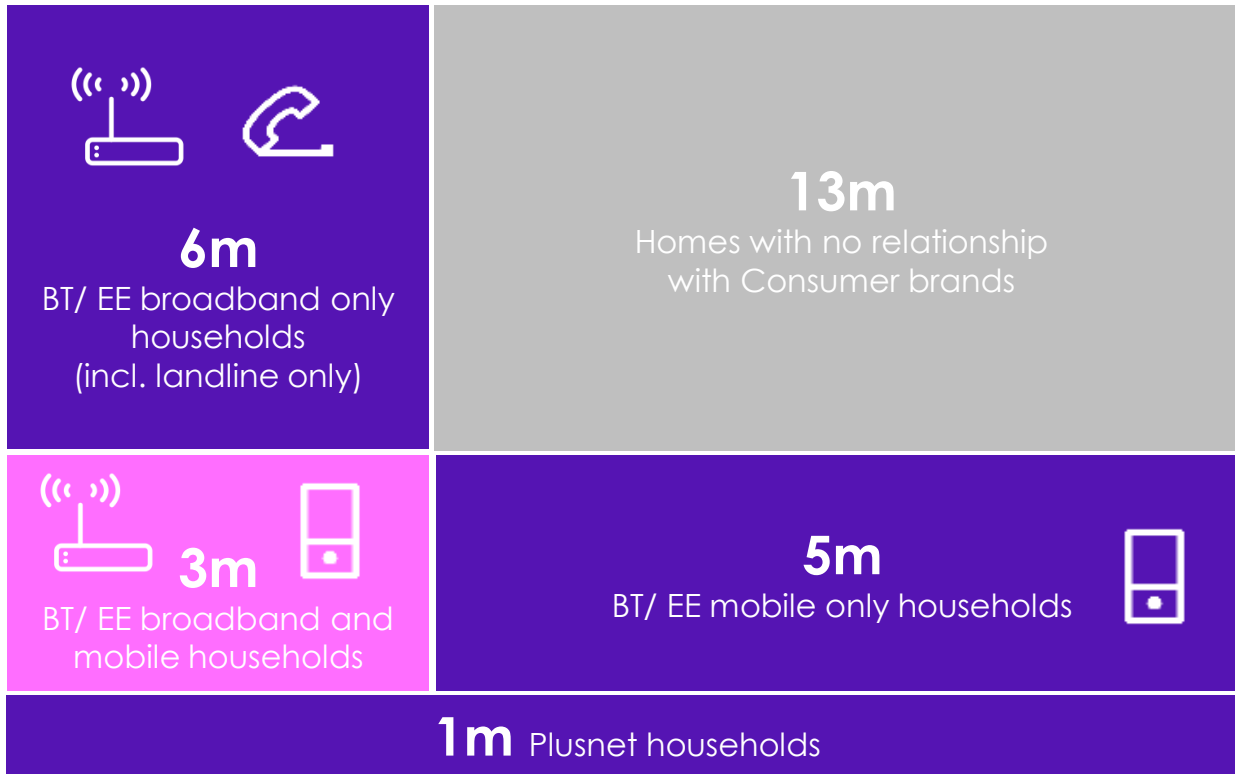


# Winning in Convergence

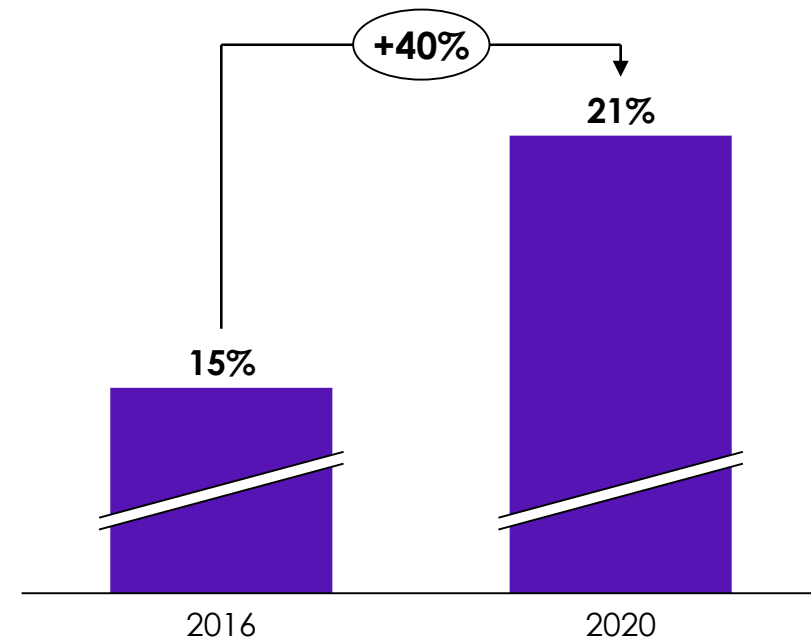
# Convergence will create value for our customers and for BT

We have a strong brand portfolio and an opportunity to drive more value

UK total households



Base taking broadband and mobile (%)

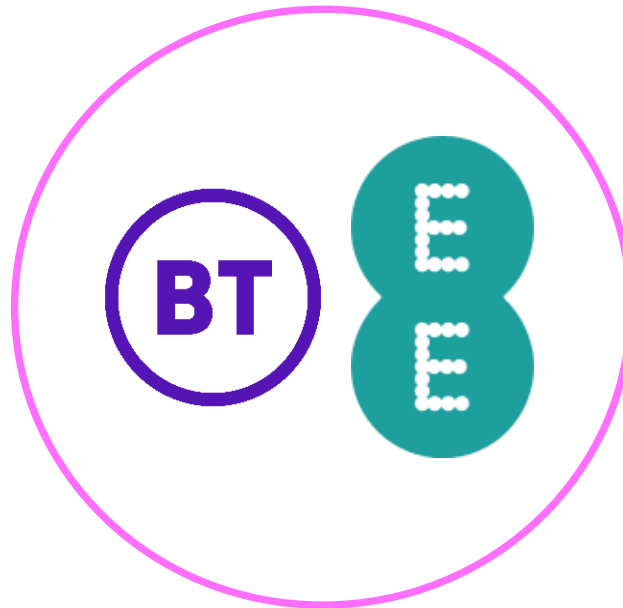


# Leading propositions and capabilities to win in convergence

Halo



Best of Both



Capabilities to execute convergence



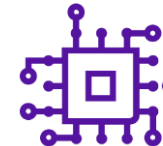
Data



Channels























Systems



Digital

# We have built important capabilities to unlock convergence

	2018	2020
 <b>Product Catalogue</b>	Individual  	Best of Both  
 <b>CRM</b>	Multiple systems 	PEGA decisioning tool across brands 
 <b>Billing</b>	Separate systems 	Discounts across bills 
 <b>Identity</b>	Separate identities 	BT & EE accounts linked 
 <b>Service Interface</b>	Separate interfaces 	Both brands visible to agents 
 <b>Channels</b>	Single brand only 	Brands x-sell capability 

# Mobile, Entertainment, Gaming and Smart Home are key opportunities



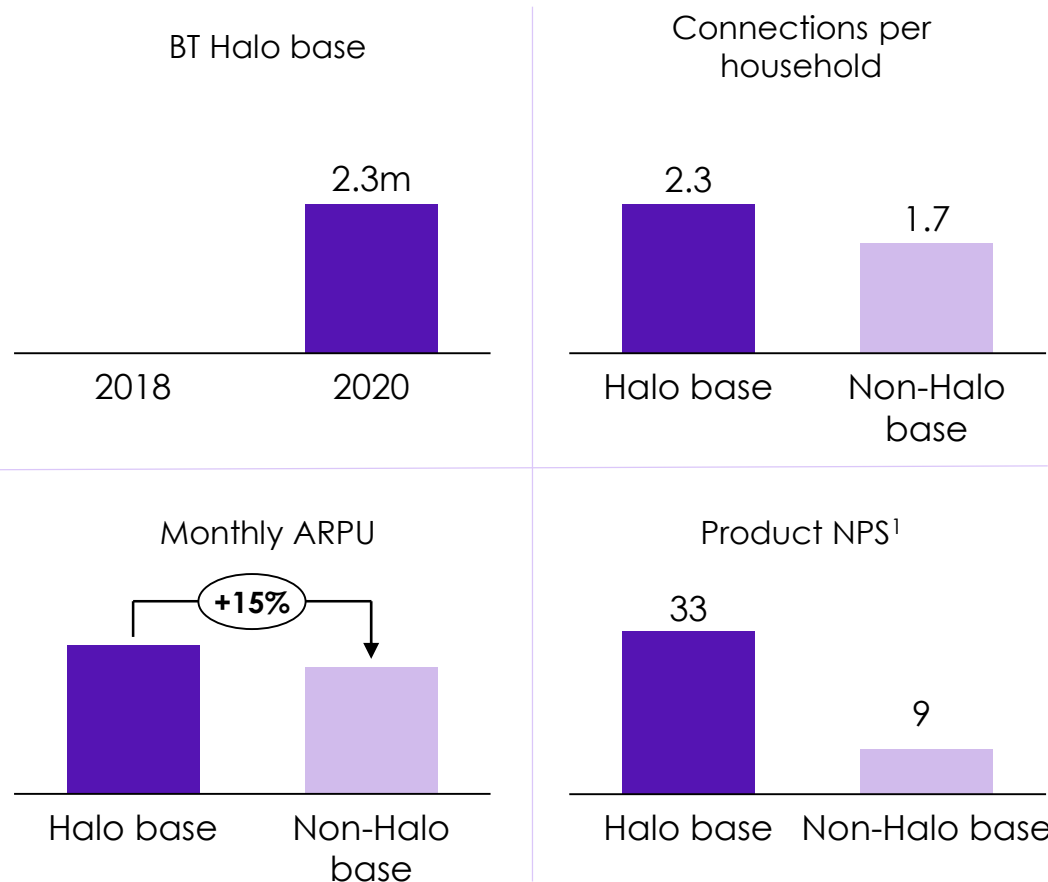




# Halo – Driving convergence in the BT base

**BT Halo**  
Connecting the UK like never before



## Halo Customer benefits

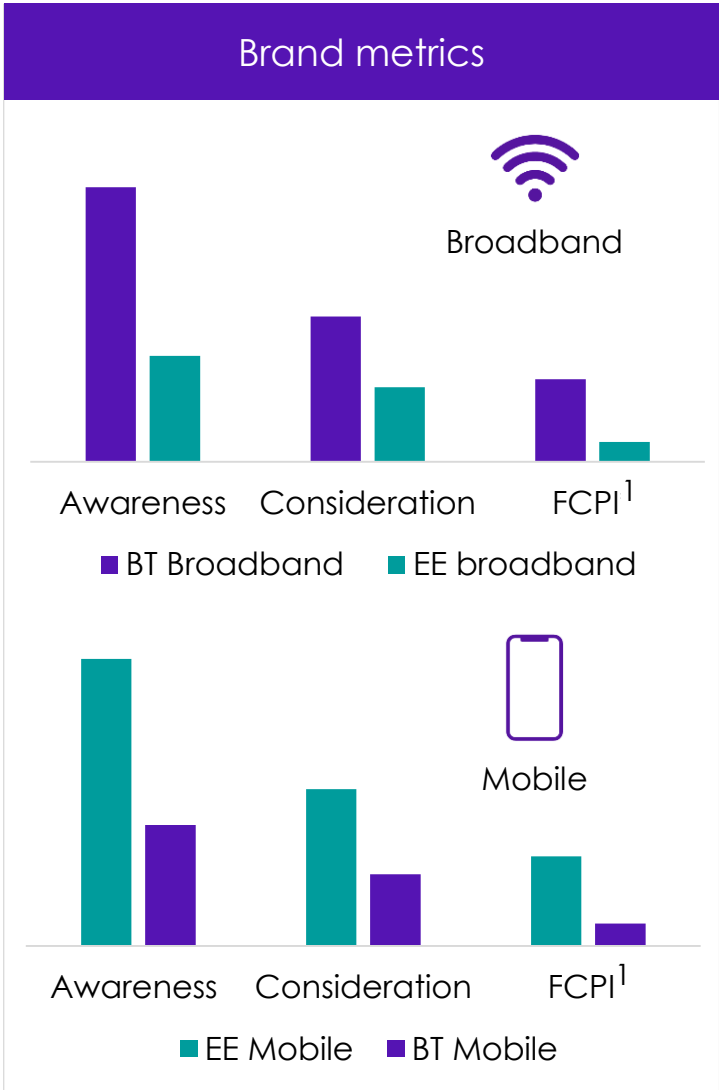


-  Keep connected promise – 4G WiFi using EE network
-  Home Tech Expert visits
-  Double data on mobile
-  No out of contract price rise
-  Existing customers' pricing same or better than new

**Halo 3+** Coming soon...

(1) Customer Experience Insights Consumer Relationship NPS Survey

# Customer insights driving Best of Both



### Greater appeal amongst high value customers

- cost-saving is secondary to brand appeal
- c.1/3 of customers see appeal
- prefer 'specialist brands'
- convenience of one contract & one bill: 'nice to have'

### Growth opportunity to gain mobile revenue share through EE

PAYM mobile ARPU by household size

Household Size	BT	EE
1 line	Low	Medium
2 lines	Low	High
3 lines	Medium	Very High

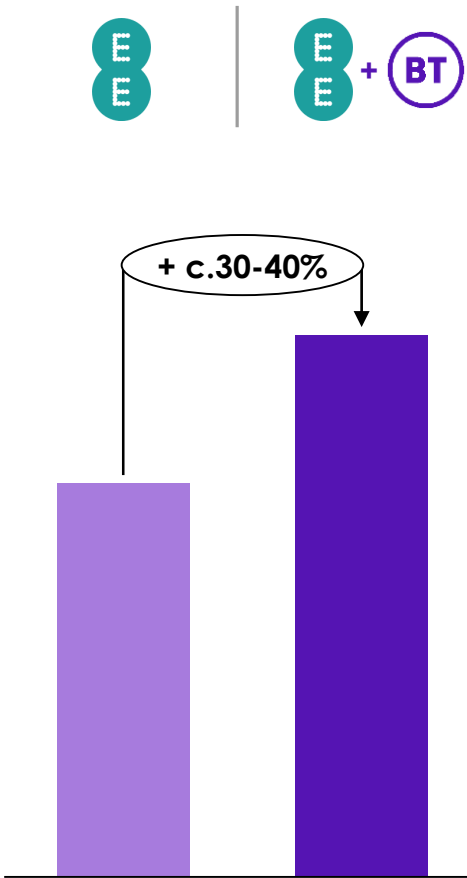
Opportunity to cross sell growing categories into households

(1) First choice purchase intent

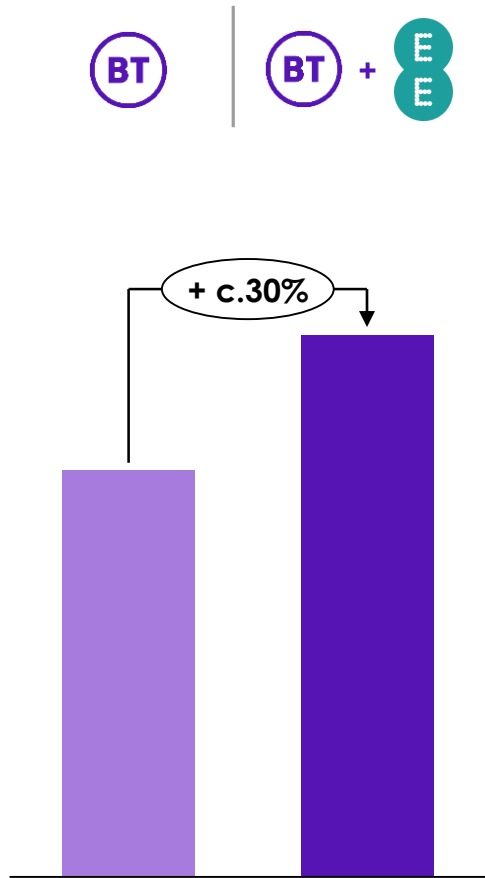


# Best of Both shows positive and encouraging results

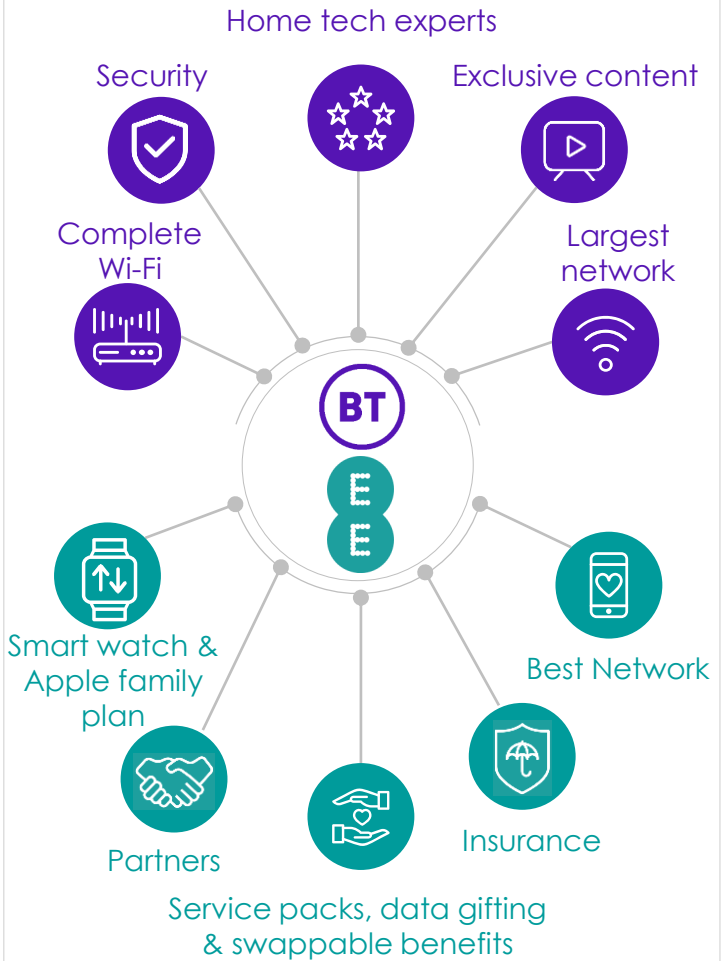
BT broadband sales in retail and EE telesales



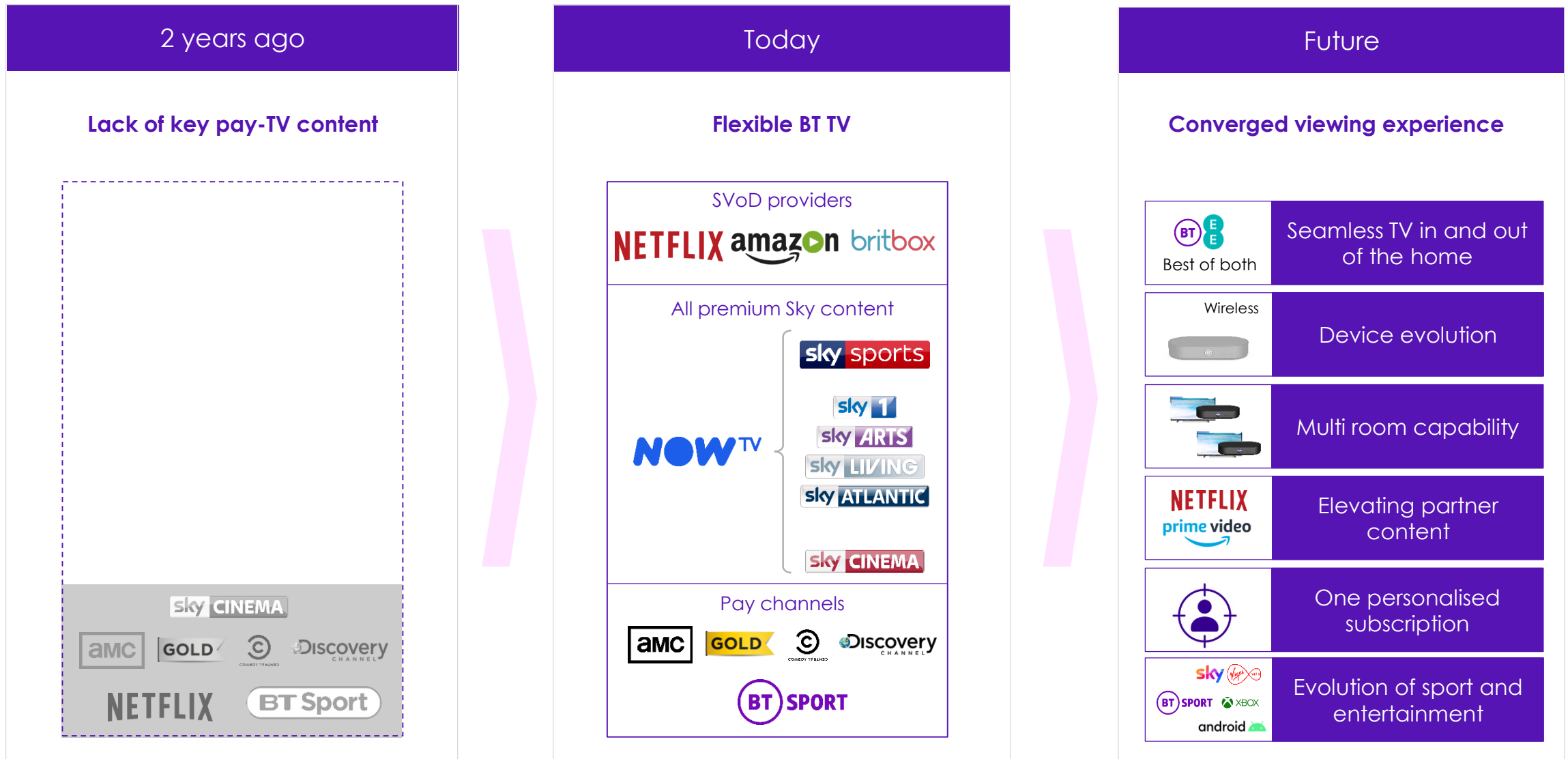
EE mobile sales in BT telesales



Innovation customers can access on other brand

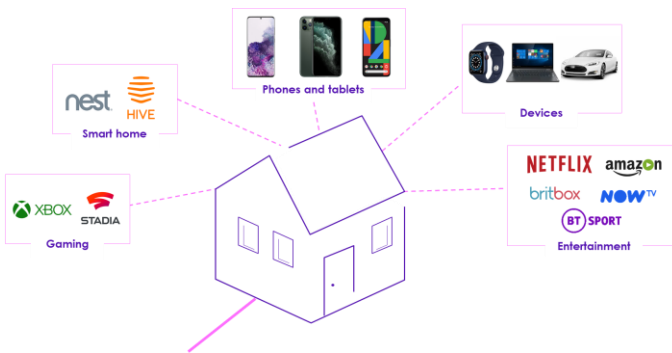
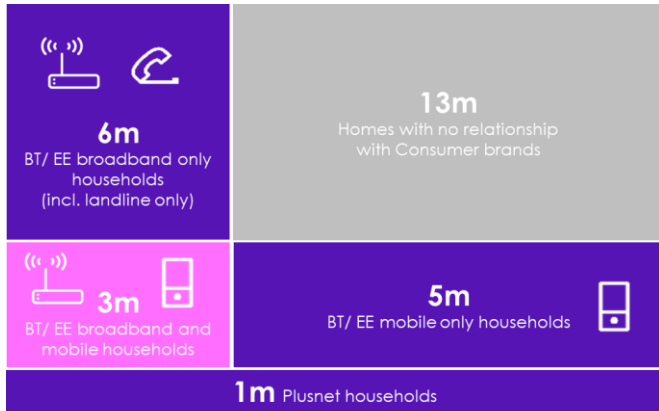


# More choice and better experience for our TV customers

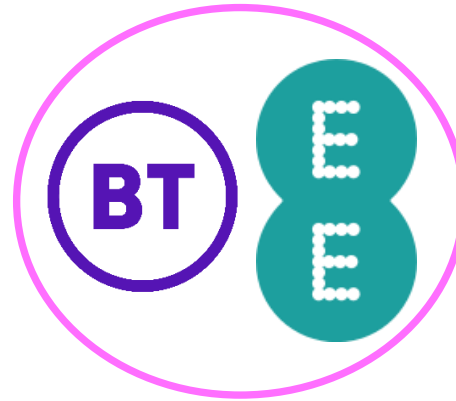


# Leading propositions and capabilities to win in convergence

## We have a significant opportunity...



## We have strong brands and propositions



## ... and we have built the capabilities to execute



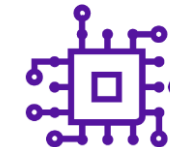
Data



Channels



Systems

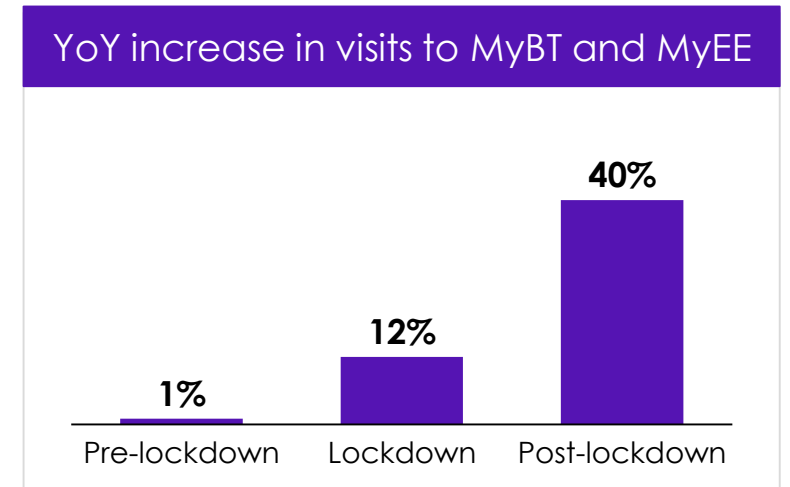
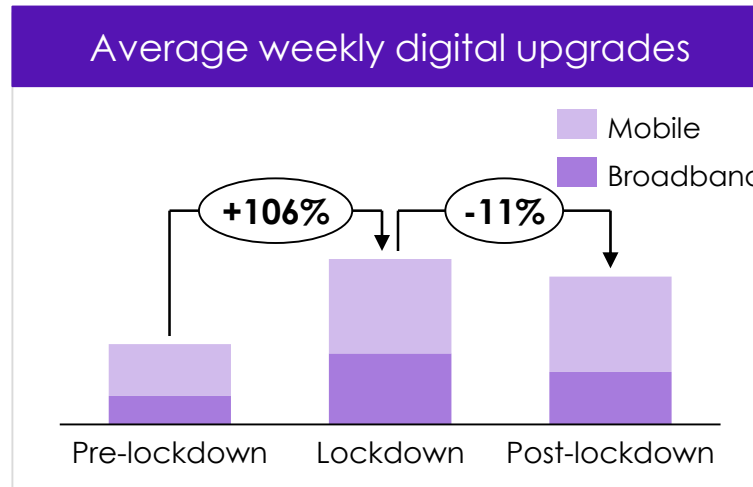
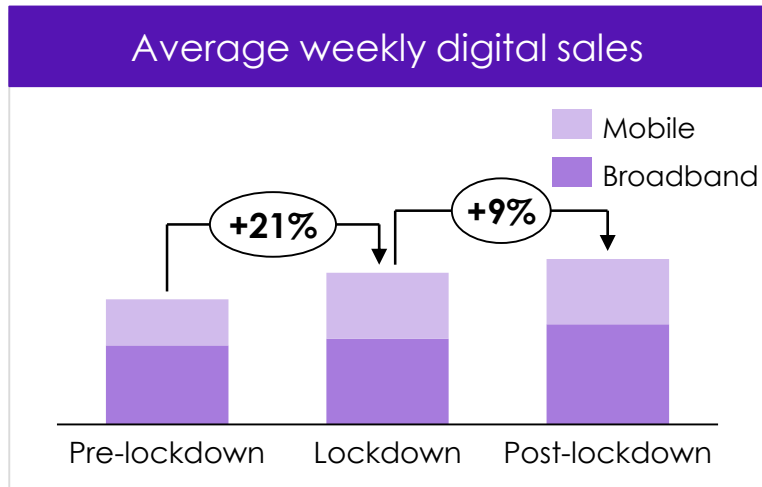
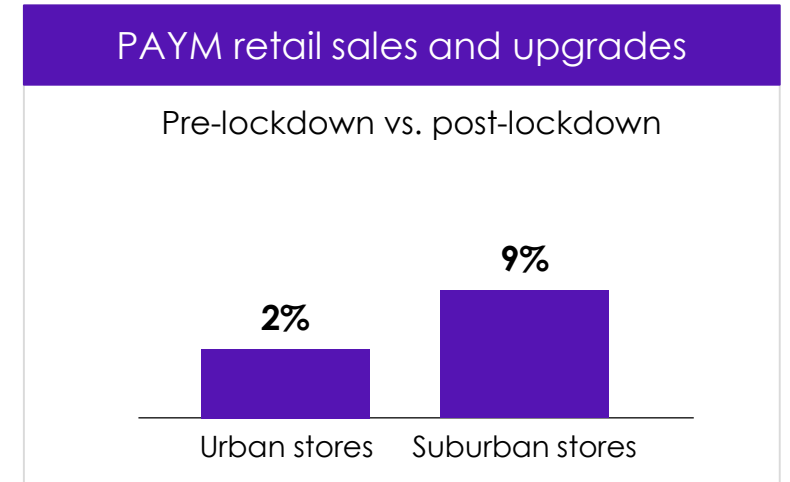
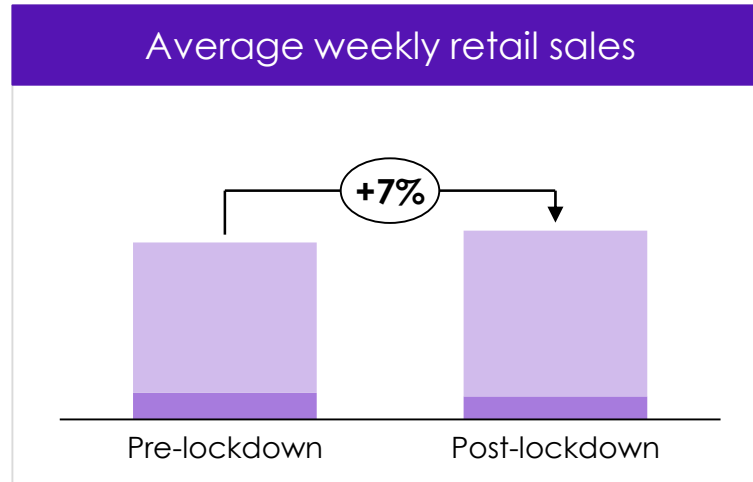
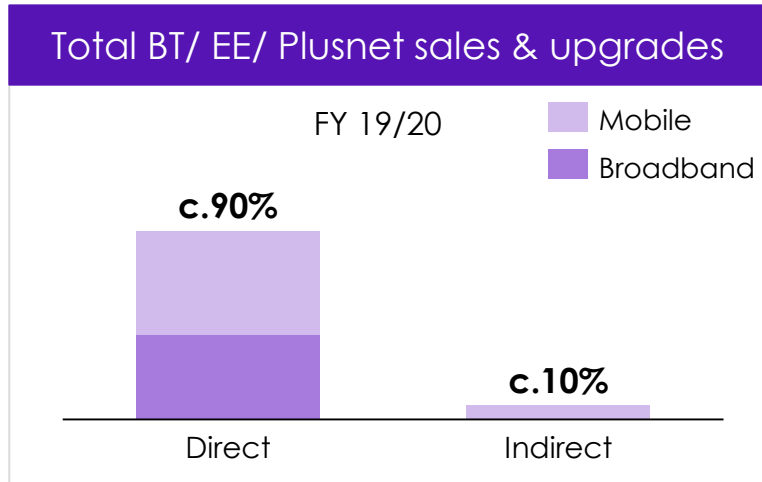


Digital

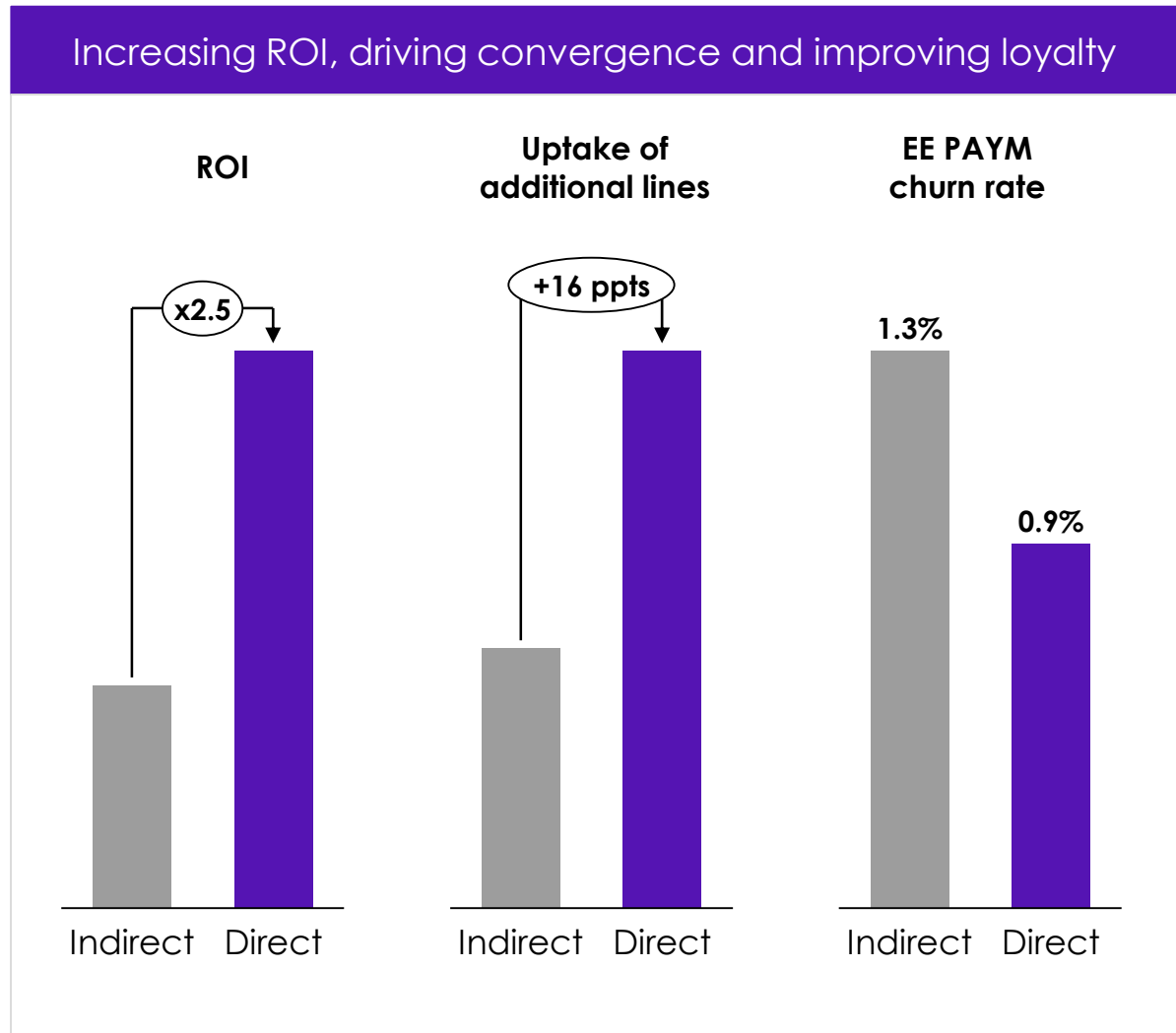
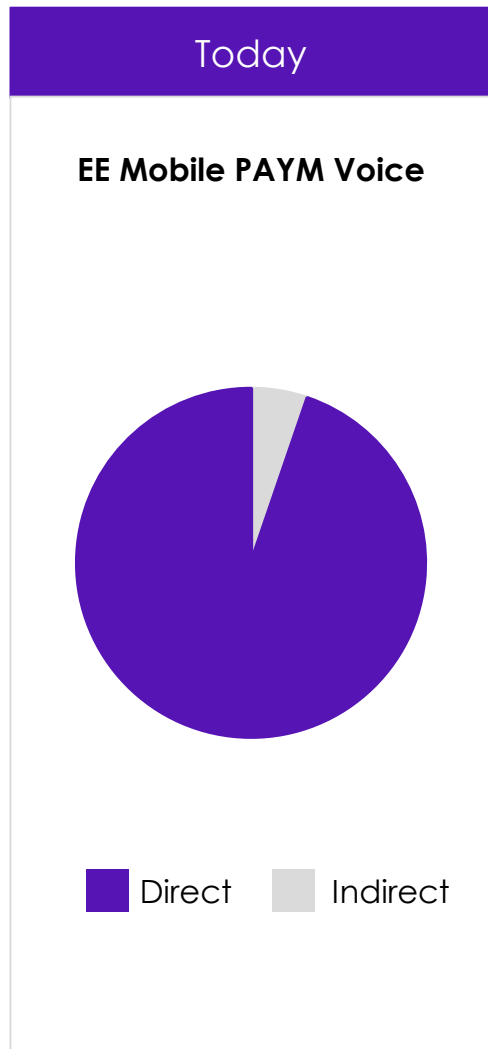
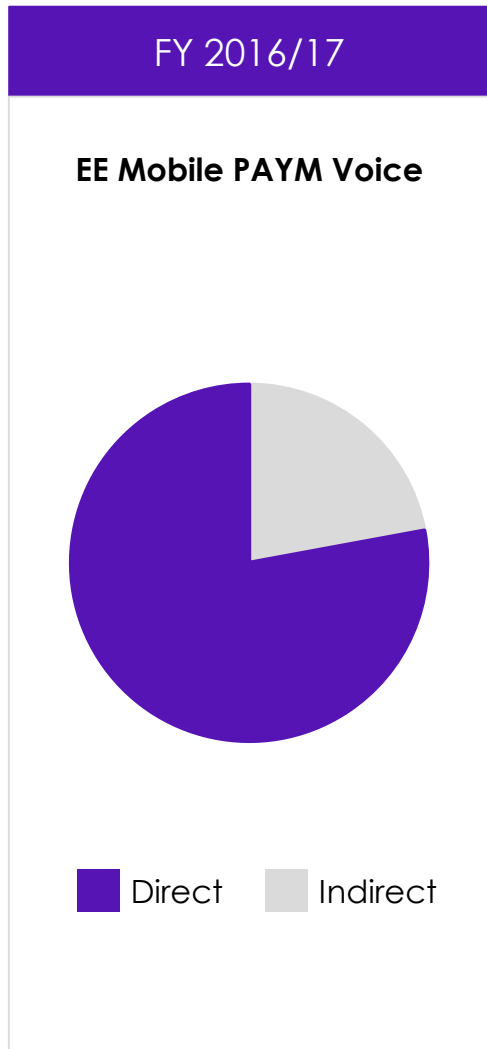


Business transformation: Digital, channels and cost base

# Direct and Digital shift in our channels



# Mobile distribution evolving to drive convergence

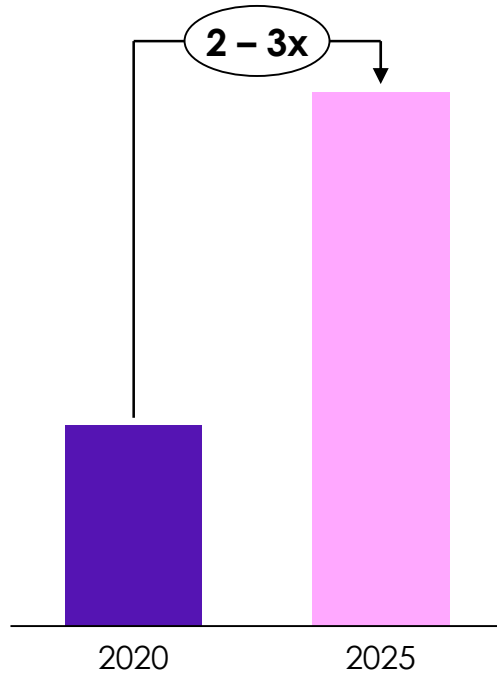




# We will grow our digital share and optimise other channels

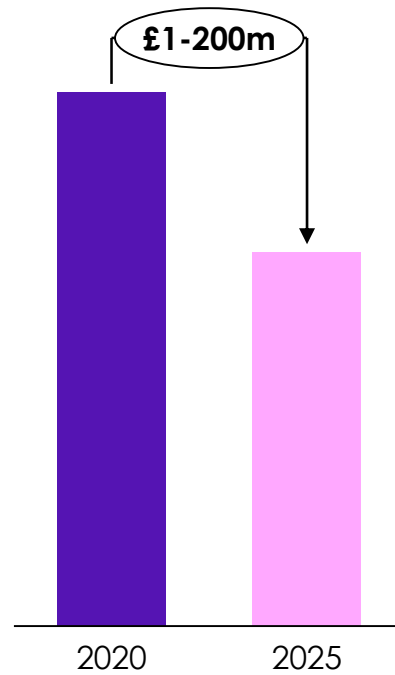
## Growth in digital share

### Digital channel share



## OpEx savings

### OpEx efficiencies



## Optimising contact centre activity



## Optimising retail footprint





New external  
metrics

# Our external metrics are expanding further in line with our strategy

## Current Metrics

- Fixed Revenue
- Fixed ARPU
- Fixed Churn

- RGU

- Superfast % of base
- Ultrafast % of base

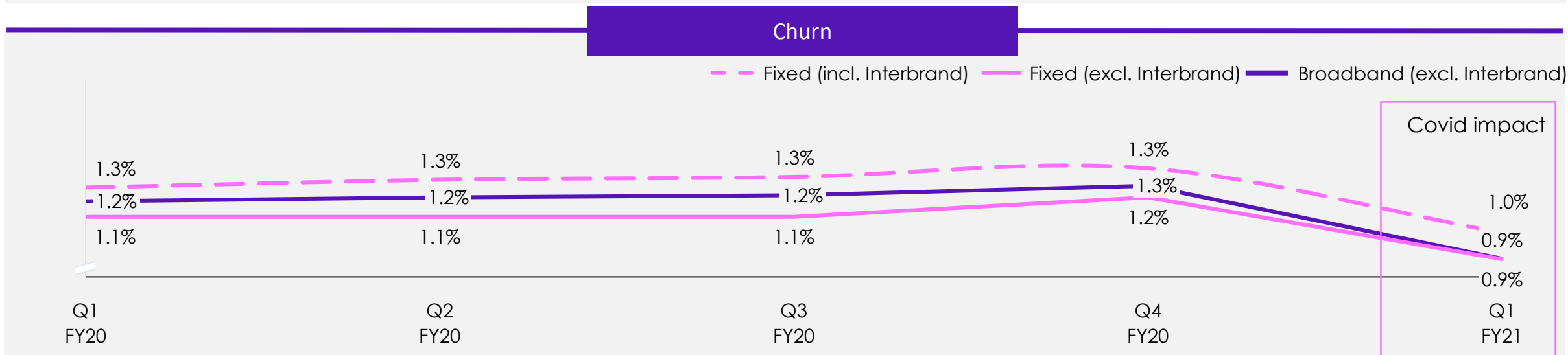
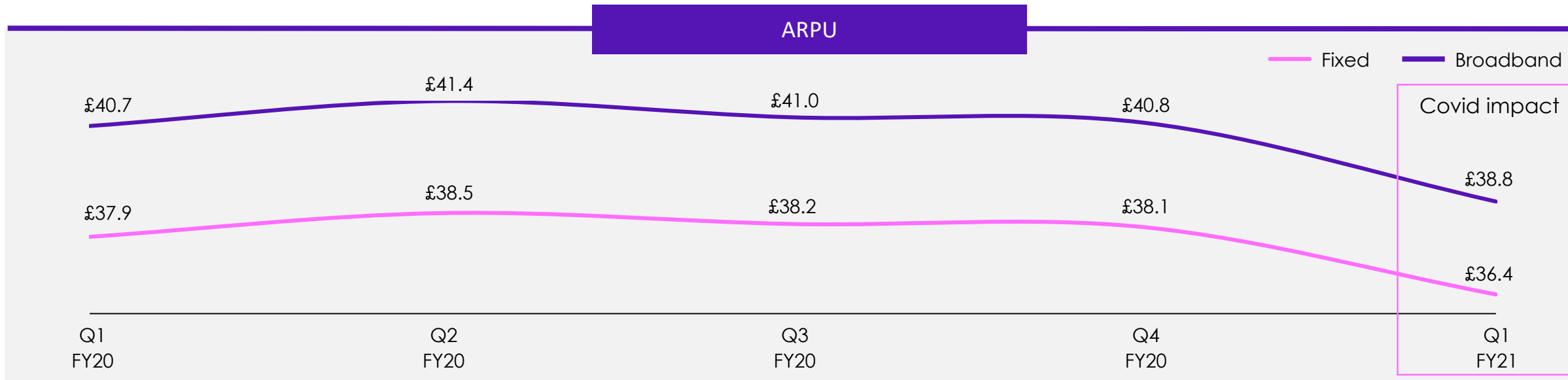
## New Metrics

- Fixed Revenue
- Fixed ARPU
- Broadband Revenue (excluding Solus)
- Broadband ARPU (excluding Solus)
- Fixed Churn (excluding interbrand)
- Broadband Churn (excluding Solus and interbrand)

- RGU
- Fixed Mobile Convergence (% Households which have both a Mobile and Broadband product)

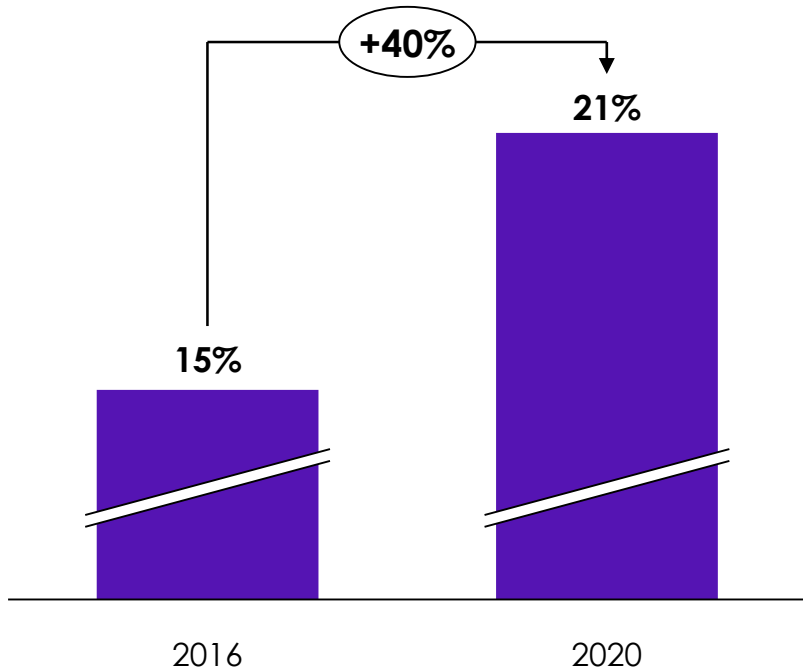
- Superfast % of base
- Ultrafast % of base
- FTTP base
- 5G ready base

# New metrics focused on core broadband business not legacy

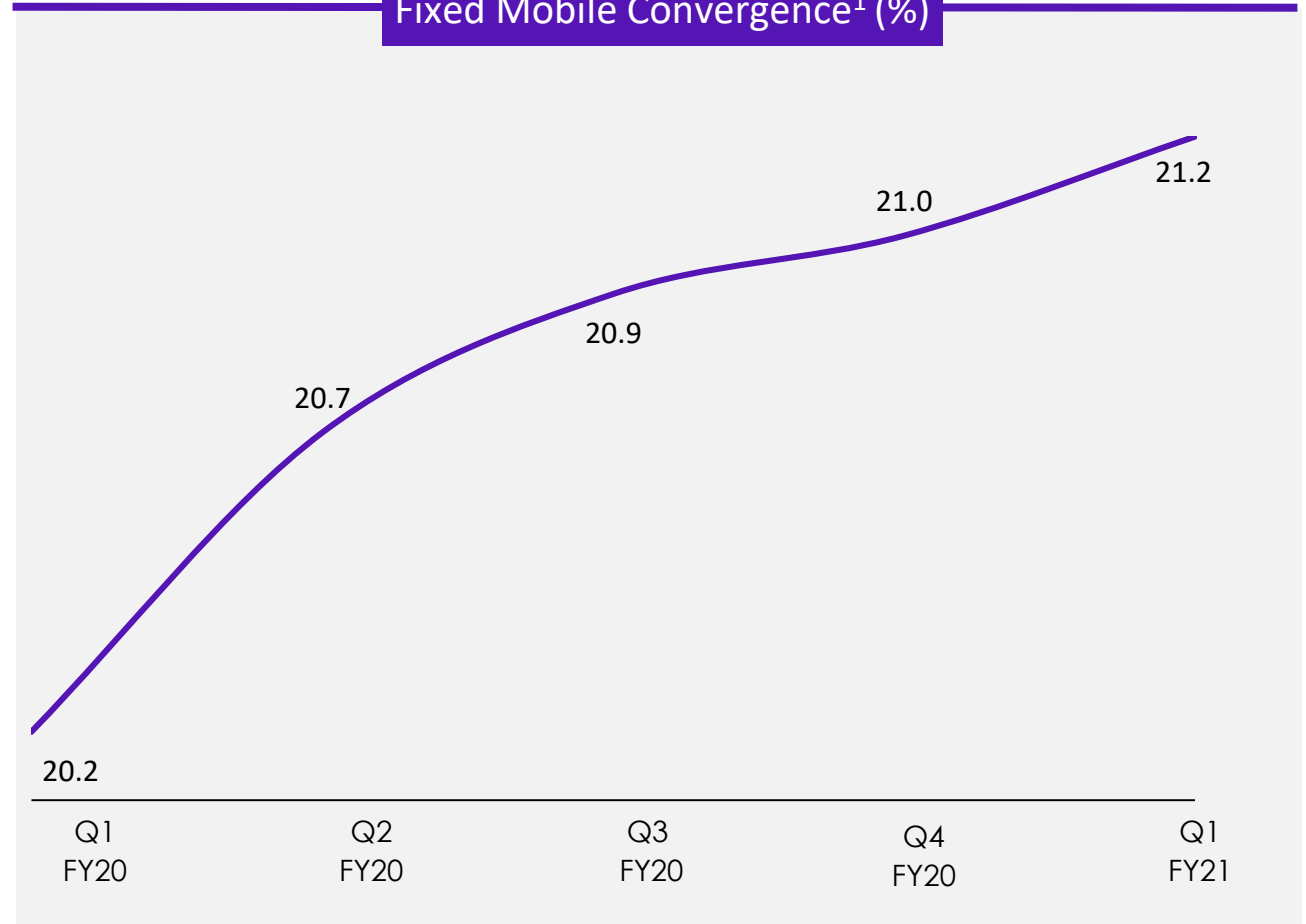


# Increased convergence across the Consumer base

Base taking broadband and mobile (%)

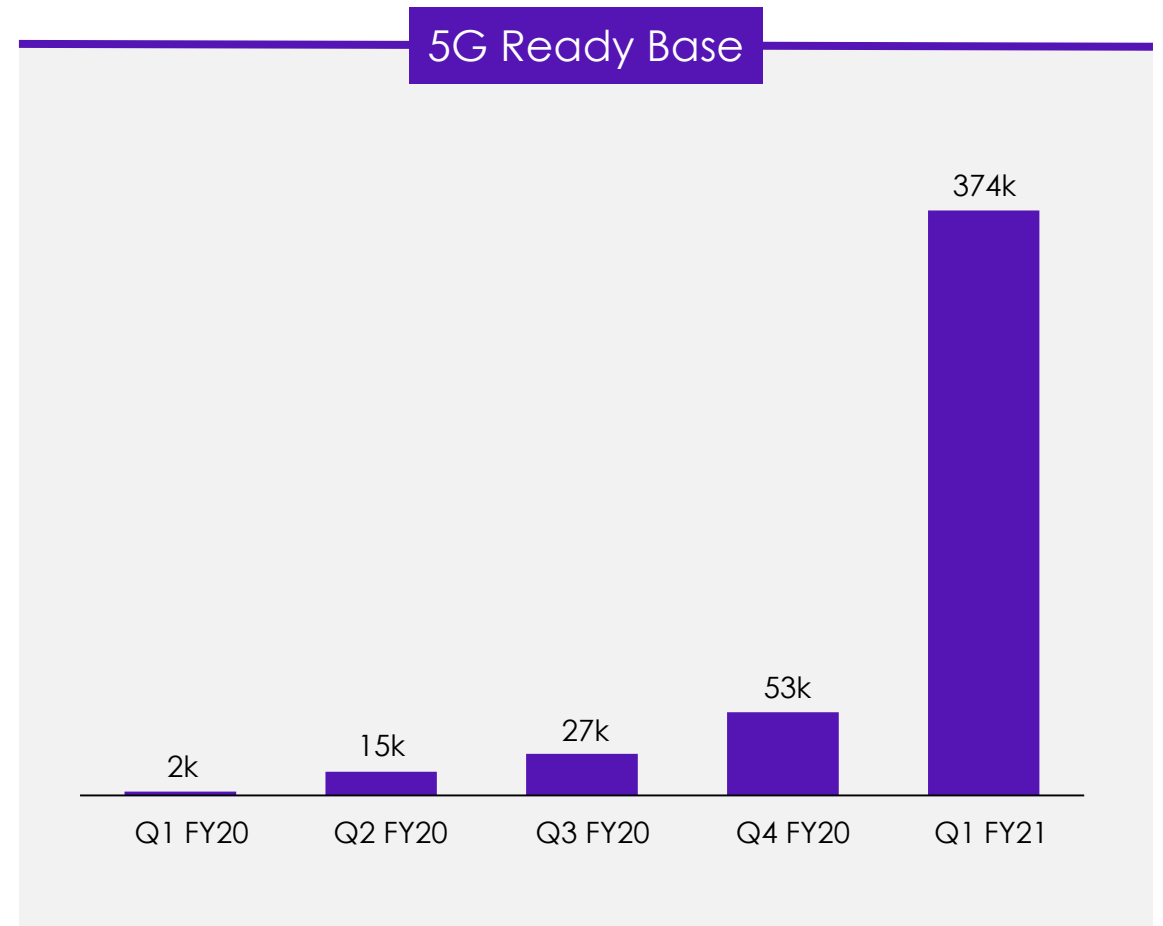
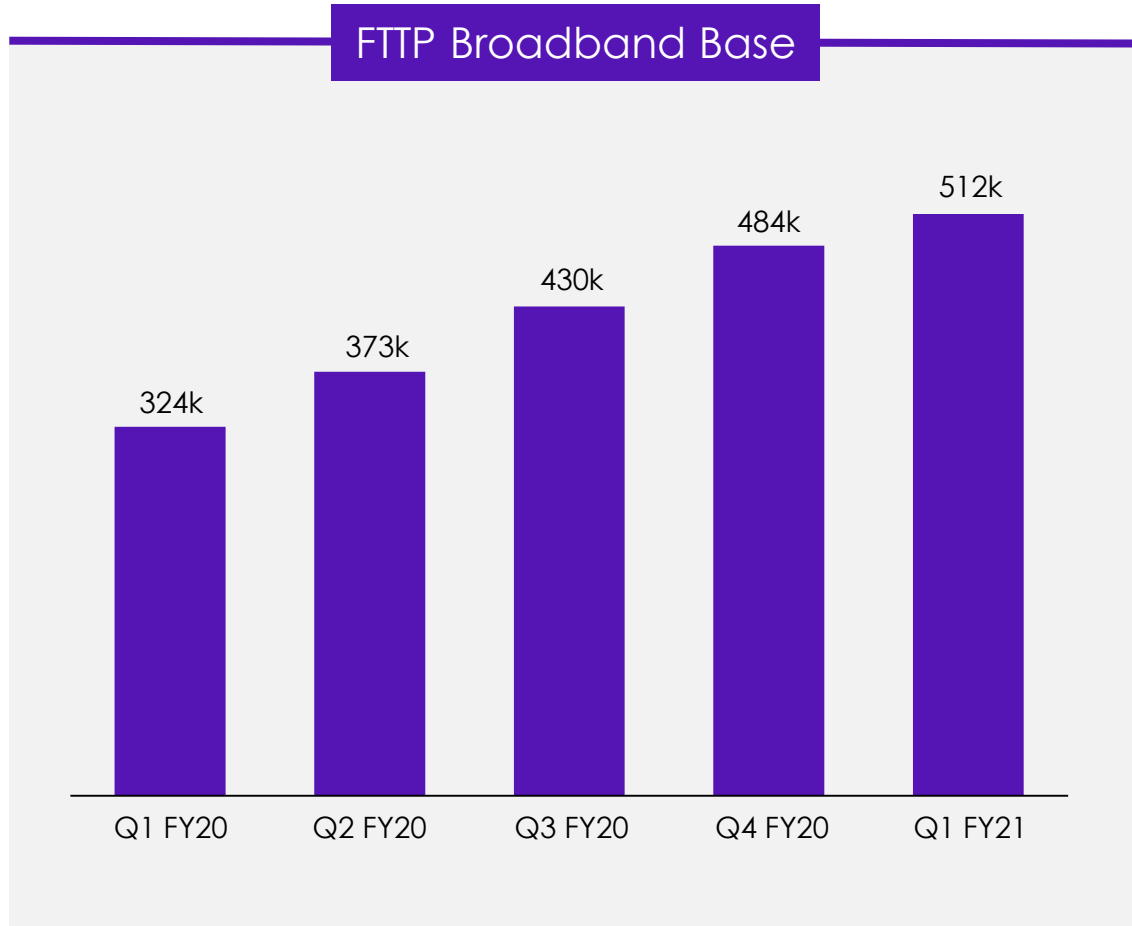


Fixed Mobile Convergence<sup>1</sup> (%)



(1) % of Consumer Households which have both a Broadband and Mobile product

# Growth in our strategic bases



# Summary of what we covered today

1 Progress on 'loyalty gap', fairness, market pricing and new pricing mechanic

2 Fast improving brand and service platform

3 Our approach to growth through convergence

4 Distribution trends and digital opportunity ahead

5 New metrics to better understand Consumer performance



Q&A



