

BT Group



BT Group plc

Investor pack

November 2023 – January 2024



Who we are and what we sell to our customers



openreach

The leading UK-wide fixed access wholesaler



Consumer: The UK's leading connectivity and digital services platform



Business: The leading connectivity and digital services platform

	BT Group	openreach	EE	BT Business
Revenue	£10.4bn	£3.0bn	£4.9bn	£4.1bn
EBITDA	£4.0bn	£1.9bn	£1.3bn	£0.8bn
Normalised FCF	£0.5bn	£798mn	£(65)mn	£152mn
Customers	-	Communication Providers	UK consumers	UK SMBs ¹ , Corporates, Public Sector, Communications Providers and Multi-National Customers
Products	-	Fibre and copper broadband, voice, Ethernet	Mobile, voice lines, broadband, TV, TNT Sport	Broadband, networking, voice, mobile, IT services, Ethernet Secure multi-cloud access and security

All FY23 pro forma financials for BT Sport JV; both Revenue and EBITDA adjusted for specific items.

¹Small and medium businesses

H1 FY24 Highlights

Strong H1 financial and operating performance

Adjusted revenue and EBITDA growth

Accelerated transformation

Original £2.5bn gross annualised cost savings achieved

Cost to achieve £1.3bn

Confirmed FY24 outlook

Capital expenditure c.£5.0bn

NFCF towards top end
£1.0bn-£1.2bn

Interim dividend 2.31pps

Reaffirmed long term ambition

Consistent and predictable growth in revenue and EBITDA

At least £1.5bn NFCF expansion by FY31

Strengthening our competitive position

Accelerating our growth strategy

- Openreach FTTP take up now 33%
- 350k retail FTTP connections in H1
- 1.3m retail 5G connections in H1
- Security revenue up 14% in H1
- BT Group Net Promoter Score up 1.8 points YoY



Investing in networks and digitalisation

- FTTP footprint now 12m premises; work in progress 6m premises
- Record Q2 FTTP build 860k premises
- Q3 FTTP build targeting >900k premises
- Openreach FTTP base now 4m
- 72% 5G UK population coverage

Increasing focus on simplification and cost efficiency

- £2.5bn gross annualised cost savings; cost to achieve £1.3bn
- New EE single ID platform
- Global Fabric to support secure multi-cloud access

BT Group of the future – we connect for good

<p>openreach The leading UK-wide fixed access wholesaler</p>	 <p>Consumer: The UK's leading connectivity and digital services platform</p>	 <p>Business: The leading connectivity and digital services platform</p>
<p>Networks</p>	<p>Nationwide FTTP</p> <p>Best Ethernet</p> <p>Simple exchange footprint</p>	<p>Best performing fixed connectivity</p> <p>Market-leading mobile connectivity</p> <p>Most reliable converged core network</p>
<p>Customer</p>	<p>Fast, flexible, industry-leading service for CPs¹ and end-customers</p>	<p>Trusted, secure and personalised omni-channel customer experiences with leading digital touch-points</p>
<p>Efficiency</p>	<p>Lean and agile organisation with superior digital, AI and automation capabilities Responsible, inclusive and sustainable business</p>	

¹ Communications providers

Five clear priorities to drive sustainable growth

Drive **Consumer** growth through **converged propositions** and **services**

Capitalise on **Business's unrivalled assets** to restore growth

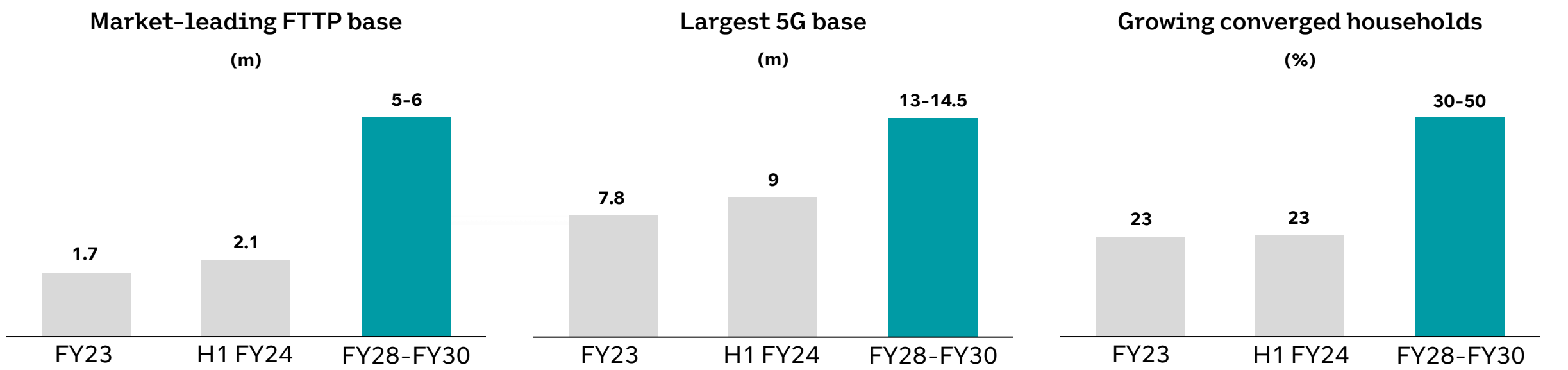
Deliver **Openreach** growth and **strong returns on FTTP**


Digitise, automate and **reskill to transform** our cost base and improve productivity

Optimise our **business portfolio** and **capital allocation**

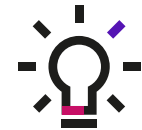
Drive Consumer growth through converged propositions and services


Key growth drivers	Drive FTTP and 5G penetration	Drive convergence take up	Deliver best in class customer experience	Price fairly and transparently
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 Low churn
Stable share

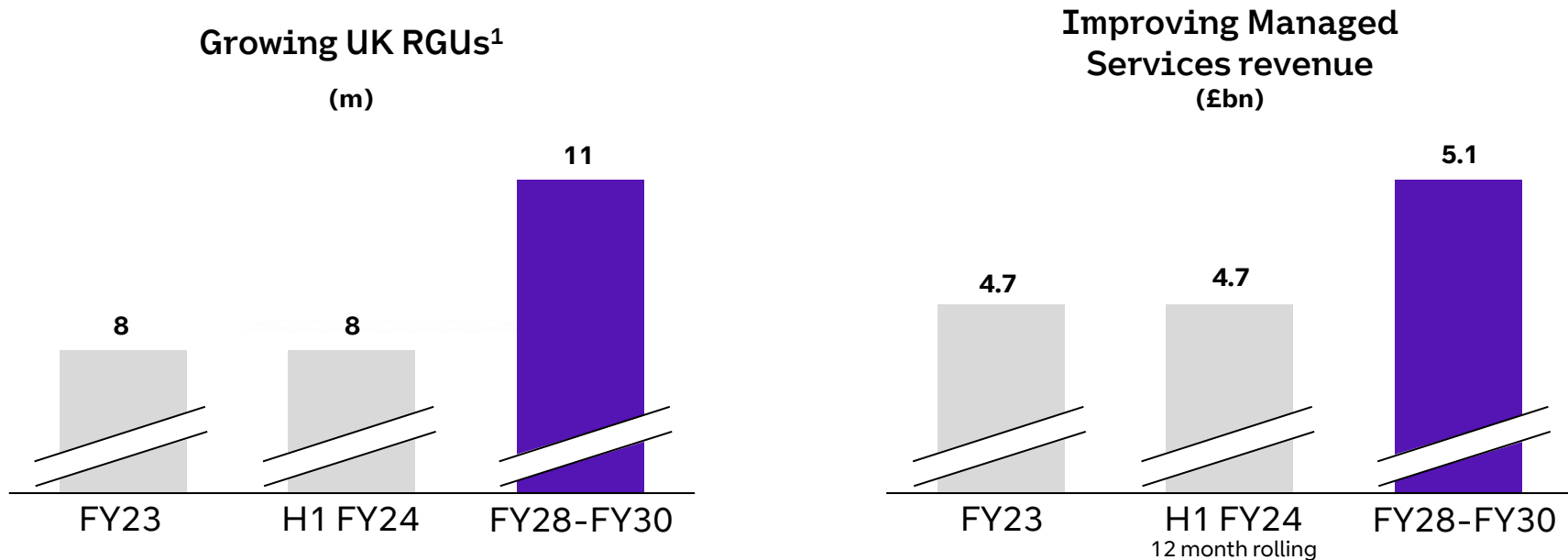
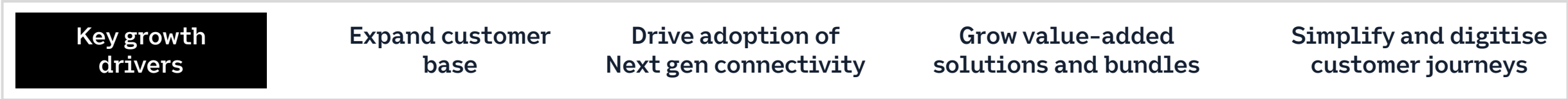
 High NPS

 New digital platform

 Leading multi-channel sales and services

Leading UK-wide connectivity and digital services platform

Capitalise on Business's unrivalled assets to restore growth



Low churn

High NPS

Leading converged base

Growth in security revenue to exceed market

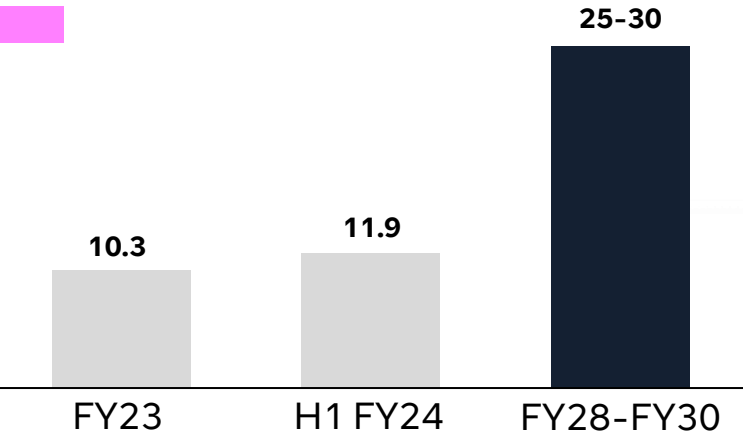
Leading connectivity and digital services platform for UK enterprises and MNCs²

¹ Revenue generating customer units; ² Multinational companies

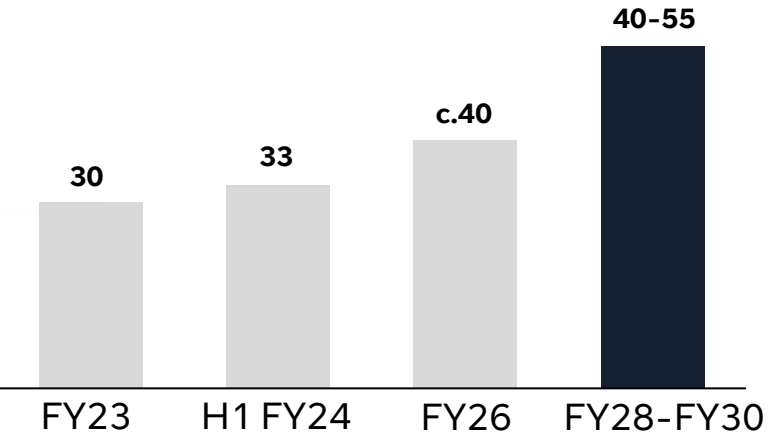
Deliver Openreach growth and strong returns on FTTP

Key growth drivers	Build FTTP at pace	Migrate customers to FTTP at pace	Deliver great service	Price fairly and transparently
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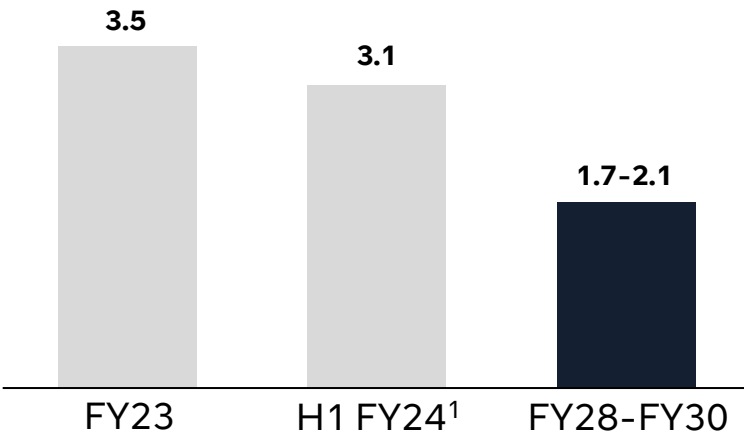
Passing 25m-30m premises with FTTP (m)



Accelerating FTTP take up (%)



Reducing repair volumes (m)



Excellent service levels

High NPS

ARPU growth driven by indexation and mix

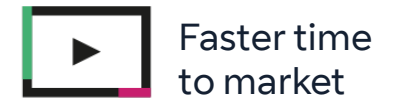
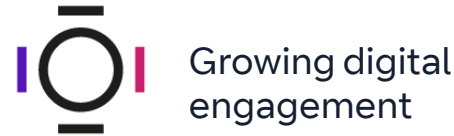
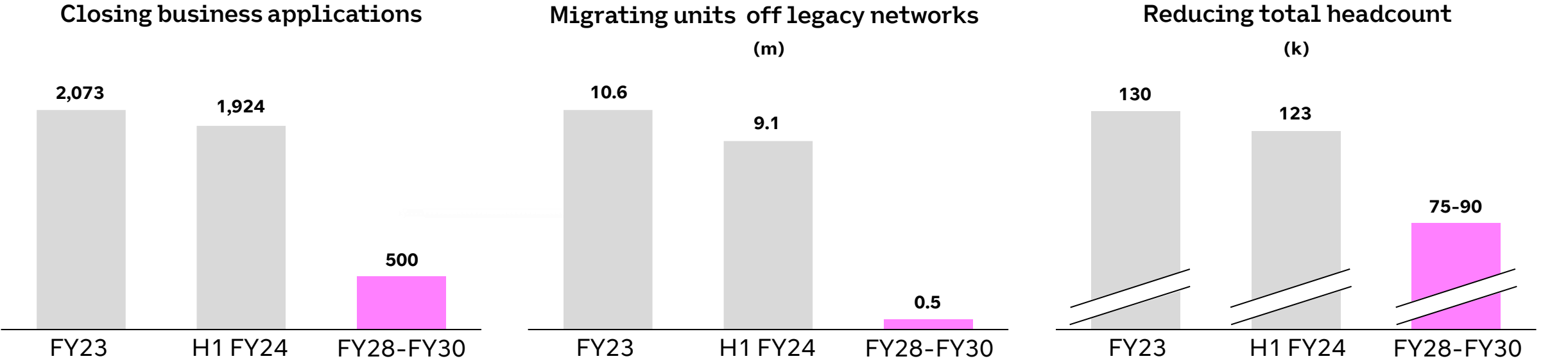
Best in class provision/repair

Leading UK-wide fixed digital access wholesaler

¹H1 annualised

Digitise, automate and reskill to transform our cost base and improve productivity

Key growth drivers	Simplify product portfolio	Digitise and automate customer journeys	Shut down legacy IT and move to strategic digital tech	Migrate customers onto our strategic products and networks
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Lean, agile and inclusive organisation with market-leading capabilities and deep automation

Optimise our business portfolio and capital allocation

Invest for growth

- FY24 capex of c.£5.0bn
- £5.0bn - £5.1bn for remainder of peak FTTP build

Support pension funds

- June 2022 funding deficit £4.4bn
- Stable through gilt market volatility
- September 2023 IAS 19 deficit £3.9bn

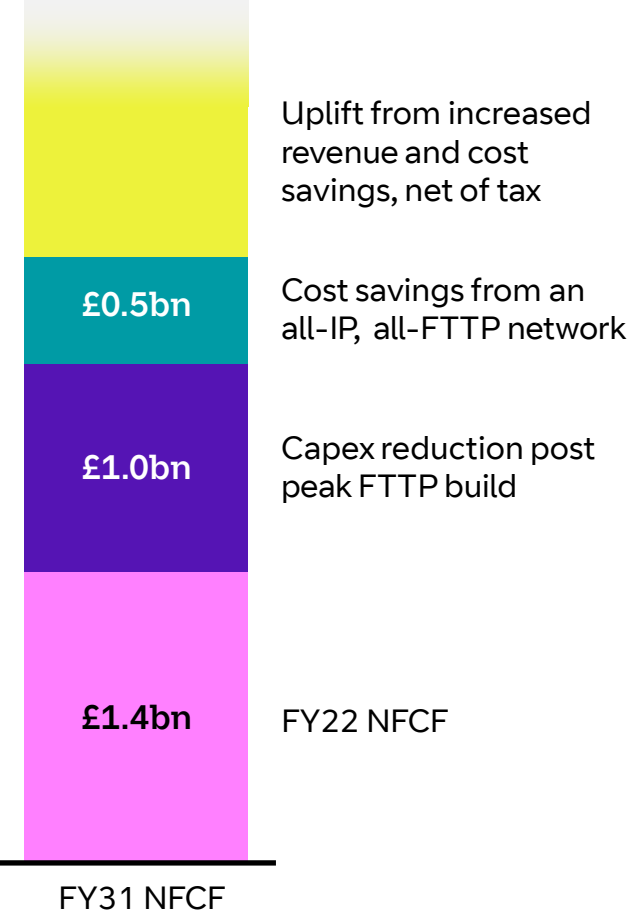
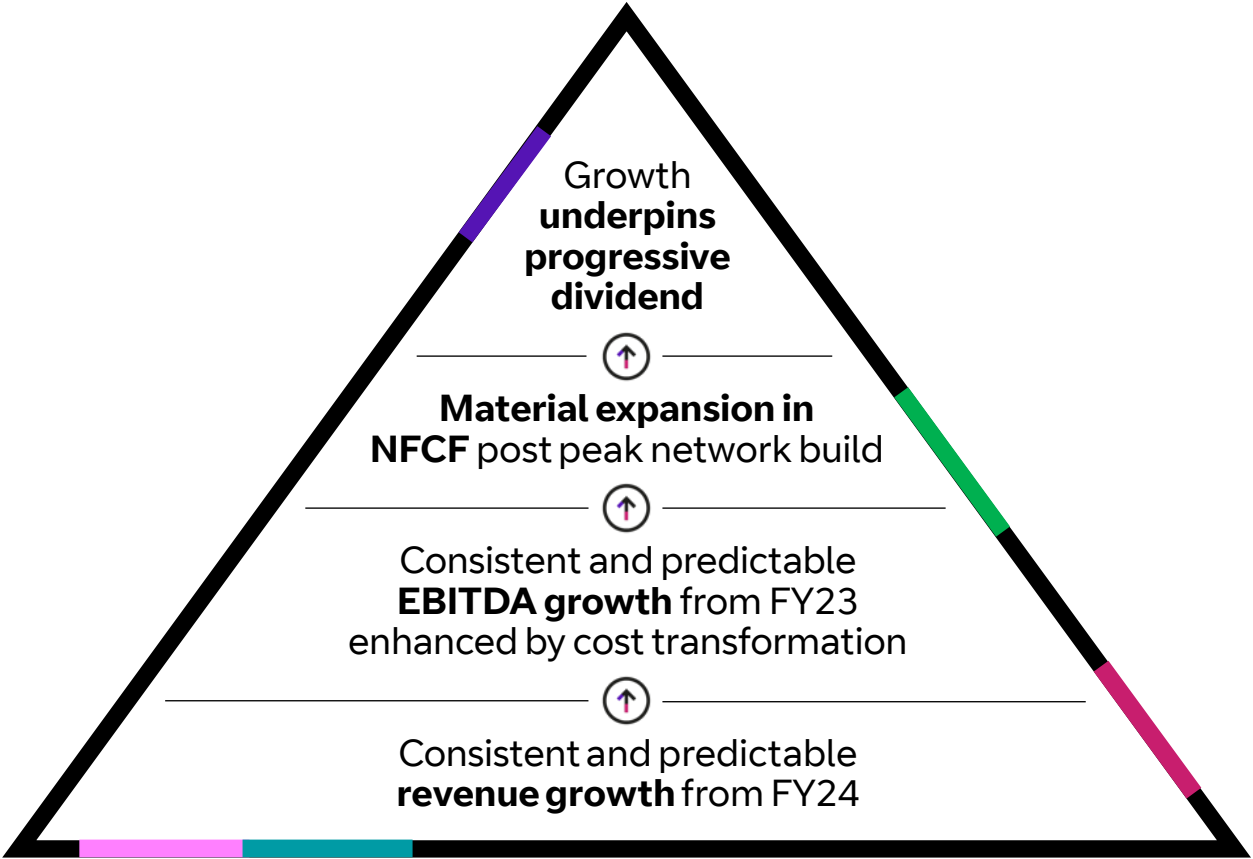
Maintain strong balance sheet

- BBB+ through cycle ratings target
- Long-dated debt maturity profile

Progressive dividend policy

- Reward investors through progressive dividend policy
- FY23 full year dividend 7.7 pps
- H1 FY24 interim dividend of 2.31 pps

Successful execution drives enhanced cash flow and returns



Appendix



H1 FY24 Results Highlights

	Q2 FY24		H1 FY24	
	£m	Change YoY % ¹	£m	Change YoY % ¹
Adjusted revenue ²	5,250	2	10,414	3
Adjusted EBITDA ²	2,061	3	4,094	4
Reported capex	-	-	2,321	(11)
Normalised free cash flow ³	-	-	456	nm
Dividend (pps)	-	-	2.31	flat

¹ On a proforma basis ² Before specific items; ³ After net interest paid and payment of lease liabilities, sale of contract asset cash flows and forward sale of redundant copper, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items

H1 FY24 Summary of customer facing units

	Q2 FY24				H1 FY24			
	Adjusted Revenue		Adjusted EBITDA		Adjusted Revenue		Adjusted EBITDA	
	£m	Change YoY % ¹	£m	Change YoY % ¹	£m	Change YoY % ¹	£m	Change YoY % ¹
Consumer	2,480	3	674	2	4,903	3	1,347	4
Business	2,073	flat	420	(10)	4,100	1	806	(11)
Openreach	1,527	8	971	11	3,053	8	1,936	12
Other	3	(57)	(4)	33	8	(43)	5	(50)
Intra-group items	(833)	(10)	-	-	(1,650)	(9)	-	-
Total	5,250	2	2,061	3	10,414	3	4,094	4

¹ On a proforma basis

Strategic metrics – much done, much more to do

		Actuals			Future BT Group
		FY19	FY23	H1 FY24	FY28-FY30
Networks	Openreach FTTP premises passed	1.2m	10.3m	11.9m	25m-30m
	Openreach FTTP take up	25%	30%	33%	40-55%
	5G UK population coverage	0%	68.1%	71.8%	>98%
Customer	Retail FTTP take up ¹	284k	1.8m	2.2m	6.5m-8.5m
	5G connections ¹	0m	8.6m	9.9m	13.0m-14.5m
	Convergence households	23%	23%	23%	30-50%
	Group NPS	+11.7	+22.1	+22.7	+30.0-35.0
Efficiency	Units on legacy networks	>16m ²	10.6m	9.1m	<500k
	Total headcount	130k ³	130k	123k	75k-90k

¹ Consumer and Business retail connections; ² Formal tracking began in FY20 with a baseline of 16.2m; ³ Formal tracking of subcontractors began after FY19

Strategic metrics – definitions

	metric	Definition
Network	Openreach FTTP premises passed	Total Openreach premises passed
	Openreach FTTP take up	% Openreach FTTP take up - Openreach connections as proportion of Openreach premises passed
	5G UK population coverage	Population coverage of 5G network based on postcode
Customer	Retail FTTP take up	Enterprise and Consumer customers on FTTP
	5G connections	5G customers (SIM + Handset or SIMO)
	Convergence households	% of total Consumer households (excl. solus voice) that have either EE or BT broadband and PAYM mobile
	Group NPS	BT Group net promoter score
Efficiency	Units on legacy networks	Number of unique users or circuits run over legacy networks
	Total headcount	Total number of full- time equivalent employees plus implied (derived from cost) subcontractors

BT Group Manifesto: Our ESG strategy in action

Responsible

New tech must earn people's trust and transform lives for the better

- BT Group was recognised as a **leader in children's rights** in the 2023 Global Child Forum benchmark with a score of 8.3/10. We scored above average across the sector, regionally and compared to all companies in every category.
- In Business, we're **harnessing tech to deliver better outcomes** for patients and clinicians. BT is working in partnership with specialist technology companies to boost our digital health programme for the NHS and to help tackle wait times.
- We continue to shape a **responsible tech ecosystem**: BT Group gave evidence to the House of Lords Committee inquiry on Large Language Models (LLMs) – making the case for fair allocation of responsibility across the value chain.

Inclusive

The future of tech must be inclusive and diverse for everyone to benefit

- We've improved our gender and ethnicity pay gaps, our senior managers' compensation now includes an inclusion & diversity metric and the ability to lead inclusively is a required capability of all people leaders.
- BT Group is supporting the older and digitally excluded population. With our charity partner AbilityNet, we will help improve the digital skills of **4,000 older and digitally excluded people** across the UK in 2023. AbilityNet is also helping communities across the country in support of the **Digital Voice rollout**.
- The **EE HopeUnited** campaign reached **3.5 million** people this year (we've now helped nearly **23 million** in total with digital skills help).

Sustainable

Tech must accelerate the journey to net zero emissions and a circular world

- BT Group launched **electric vehicle (EV) charging point pilots**. These pilots will be run by Digital's Etc. unit to assess options to repurpose its street cabinet estate to EV charging units.
- **Business** held a **Sustainability Festival** at Adastral Park in September with 80+ exhibits on display and over 20 speaker sessions. Over 1,000 people attended in person ranging from major customers, partners, climate stakeholders, to start-ups with good feedback and opportunities for positive impact and future growth.
- Business has been awarded the **Bosch Global Supplier Award** in the Sustainability category. The award recognises BT's sustainability and net zero contribution from among its 35,000 suppliers.

Forward looking statements caution

Certain information included in this announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to the Company on the date of this announcement.

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